

**MINUTES OF A MEETING OF THE CAPITAL CITY COLLEGE GROUP AUDIT COMMITTEE HELD AT THE
REGENT'S PARK CENTRE ON TUESDAY 26TH MARCH 2019**

Present: Fiona Thompson (Chair)
Mel Brookstone
Paul McLoughlin
Cosette Reczek

In Attendance: Stewart Cross (Director of Integration and Information)
Graham Drummond (Director of Governance)
Simon Evans (Director of Financial Services)
Graeme Clarke (Mazars – Internal Auditors)
Rachael Wright (Mazars – Internal Auditors)
Michael Tolond (Clerk to the meeting)

By Telephone/Skype: Leslie Brissett

Minute No	Discussion	Action
2019/01	APOLOGIES FOR ABSENCE/DECLARATION OF INTERESTS Apologies for absence were received from Keith Brown. There were no declarations of interest received.	
2019/02	APPROVAL OF THE MINUTES OF THE MEETING HELD ON 19TH NOVEMBER 2018 The minutes of the meeting held on 19 th November 2018 were approved and signed by the Chair as a correct record. The confidential minute relating to the confidential discussion with auditors on 19 th November was also confirmed.	
2019/03	MATTERS ARISING The Chair raised the following matters from the minutes of the meeting held on 19 th November 2018 that were not covered in the action tracker. <u>Internal Audit – outstanding actions</u> Simon Evans confirmed that these would continue to be monitored and he would advise closed off items when completed. Simon Evans confirmed that the business continuity plan would be tested at October half-term and an update would be provided at the next meeting. <u>Operating Deficit</u> The Chair updated non-Board committee members on the final operating deficit for 17/18, which increased to £2.1million, as a result of the Group failing to deliver 97% of its Adult Education Budget (AEB) contract which resulted in a clawback of £626k of its ESFA funding. <u>Reserves Policy</u> This would be included in the Committee's Forward Plan. <u>Financial Regulations</u> These would be reviewed at the June meeting in line with the forward plan. It was confirmed that there was no longer any intention to change spending limits (currently board approval is needed for any expenditure over £150k) <u>Procurement Regulations</u> Simon Evans confirmed that the outsourcing organisation Tenet was recruiting a procurement individual to start work on the College sites, who would follow up on the outstanding action to review the Regulations, and that Tenet itself would be subject to the College's procurement regulations.	SE

	<p><u>Audit Committee action point tracker</u> The details contained in the action point tracker were noted with the following additional points:</p> <ol style="list-style-type: none"> 1. <u>Use of scenarios for forward planning (12)</u> This would now be reviewed at the next Board meeting 2. <u>Unsupported IT systems (18)</u> The Chair confirmed that she had not yet received an email on this matter and Graham Drummond undertook to check with the Head of IT that there were no unsupported systems in operation across the College sites. 	SC
2019/04	<p>INTERNAL AUDIT</p> <ol style="list-style-type: none"> 1. <u>Audit Recommendation Tracking Report March 2019</u> Simon Evans presented the internal audit recommendation tracking report and reported that from the brought forward 115 recommendations 45 had been confirmed as completed by the Auditors, 29 had been superseded and 41 remained to be completed and these would be carried forward to the next meeting. 2. <u>Follow up review – first visit</u> Rachael Wright of Mazars confirmed that 40 (47%) of their 86 recommendations had been implemented; a further seven were overdue of which four were assessed as being in progress and three assessed as not implemented. It was further noted that two Cyber Security recommendations were in progress; as this was an area of limited assurance at the committee’s last meeting it was agreed that an update would be welcomed at the next meeting. As part of the agreed exercise to consolidate older recommendations, particularly those from audits of predecessor colleges, 29 recommendations were assessed as being superseded of which 15 related to Learner Number reviews and were superseded by the KPMG Funding Assurance review and 10 points pre-dated July 2017. Three new recommendations had been raised and a further 10 recommendations had not reached their due date. Stewart Cross confirmed that the recommendation relating to provision of copies of all HE and Commercial contracts to Finance/Procurement had been completed. It was agreed that the dates within the schedule should be revised to reflect actual target dates and this would be reviewed at the next meeting. It was agreed that point 7 of the Follow Up report (Safeguarding) would require clarification to identify clear lines of responsibility, commonality of systems and consistency across the Group. 3. <u>Core Financial Systems – Payroll</u> Rachael Wright presented the review of the controls and processes surrounding the CCCG payroll including the accuracy and timelines of the payments to employees, which were assessed as ‘Adequate’. Data Analytics Tools were used to assess payroll data. The areas for Further Improvement and Action Plan in respect of reviewing increases in salaries, overpayment of salary after leaving and starters paid late were noted. Simon Evans confirmed that in respect of any overpayments the College would seek to recover such amounts from former employees and processes within HR were being reinforced to ensure non-recurrence. The committee expressed its concern over late payments to staff and employees paid through the purchase ledger, and Simon Evans confirmed that this had been actioned. The Chair raised the issue of the work being done to correct the establishment record within the College Group and whether the audit had any implications for this. Stewart Cross confirmed that this matter had been addressed, and he now had confidence in the establishment figure. 	<p>GD</p> <p>SC</p> <p>SC</p>

	<p>It was confirmed that progress on this work stream (which related to the financial improvement plan discussed in x below) and controls in this area would be reviewed at future meetings.</p> <p>4. <u>Estates and Facilities Management</u> Rachael Wright presented the internal audit report on Estates and Facilities Management which reviewed key controls and processes, were assessed as 'Adequate'. Areas for further improvement and an action plan included recommendations relating to the Estates Strategy, Procedural Guidance, the Asset Register, Asset Tagging, post inspection of Maintenance Works and Performance Management and reporting. The Committee considered that the management responses to the report were inadequate and therefore the report would need to be revised and reconsidered at the next meeting.</p> <p>5. <u>Sub-contracting Review</u> Rachael Wright presented the mandatory internal audit report on sub-contracting controls which included a review of the design and operation of the systems and controls for managing sub-contracted delivery at CCCG for the academic year 2018/19 in accordance with ESFA guidance. The areas for further improvement and action plan were noted and the management response to the auditor's recommendation on Financial Health of the sub-contractors would be followed up. It was confirmed that the role of the Audit Committee in relation to sub-contractors (in accordance with the latest Terms of Reference) was to review the controls over sub-contractors rather than the strategy regarding the use of individual sub-contractors. Any decisions on the rationale for use of sub-contractors by the Group would be considered by the Board based on a paper submitted before the summer.</p> <p>6. <u>Financial Regulations Review</u> Graeme Clarke presented the advisory review of the CCCG Financial Regulations for 2018/19 for their reasonableness and completeness in accordance with good practice including an element of benchmarking with external peers. The review was commissioned to use some of the contingency days within the audit plan and the scope had been agreed in the light of previous comments made by the committee and in discussion with the Chair. The recommendations would be included in the next draft of the financial regulations for review at the June meeting.</p> <p>The committee noted with approval that most of the audit reports now contained completed 'customer satisfaction' questionnaires on 'Mazars' performance, including a very favourable one on subcontracting. Completion had been encouraged by including them as part of the final meeting after the audit had been completed. Mazars confirmed that the feedback could be summarised in time for the annual report of the audit committee to the board. The Chair proposed that Mazars be asked to provide their view on the performance of the College in relation to the internal audit process and of the Committee.</p>	<p>SE</p> <p>SE</p> <p>SE</p> <p>CC</p>
2019/05	<p>FUNDING ASSURANCE UPDATE</p> <p>Stewart Cross presented an update on work to improve the Group's compliance with funding regulations and confirmed that various actions had been completed to mitigate risk arising from an ESFA funding audit. KPMG had completed the field-work for their second audit last week, and were now analysing the progress made to date. Their audit report was likely to show that there were still issues to address, but it was expected that the majority of the significant actions would be completed by the end of the summer term. CCCG could be included within the sample of an ESFA funding audit which would take place in August/September.</p> <p>Any requirement for discussion of the KPMG report by the Committee would be arranged via a telephone conference call meeting.</p>	<p>GD</p>

	<p>The Committee noted the progress made to ensure compliance with ESFA funding regulations for 2018/19 and the action plan. Planning would start in the 2019 summer term for academic year 2019/20 to ensure similar issues did not re-occur.</p>	
2019/06	<p>FINANCIAL IMPROVEMENT PLAN It was noted that following the January Board meeting the CEO had established and chaired a working group to make rapid interventions to identify and address the weaknesses in the Group's finance data and systems. The progress and updated project plan were noted together with relevant completion dates. The committee asked that the useful 'tracked change' format of this report, as well as that for the funding assurance work, showing progress at each meeting of the working group, be maintained.</p>	
2019/07	<p>RISK REGISTER Stewart Cross presented the updated College Risk Register and reported that all risks were reviewed by the Group Leadership Team during March with controls and actions in place to mitigate the risks for monitoring by the GLT. There was one new risk relating to management accounts as a consequence of significant inaccuracies, three risks relating to controlling costs, business disruption and publicity had been increased and four risks, poor services impact, Governance, AEB income and T-Levels had been reduced due to re-evaluation. No risks had been removed. The Risk Management Policy and Procedures would be reviewed at the October Audit Committee meeting. Stewart Cross confirmed that the Cyber Security risk would be re-assessed as requested at the last committee meeting.</p>	
2019/08	<p>ANNUAL INSURANCE REPORT Simon Evans presented the report on the CCCG insurance arrangements with UMAL a mutual organisation, which indicated an anticipated premium for 2018/19 of £440,090 with the premium for 2019/20 expected to be known during June/July 2019. The range and extent of policies was noted together with the three claims carried forward or raised during 2018/19, two of which had been paid totalling £42,000 with a further reserve of £133,000 and one claim in progress with a reserve of £23,500. The UMAL policy had been significantly cheaper than other providers when last benchmarked in 2017. The Group intended to seek a full tender for its insurance arrangements in early 2020 for appointment of Insurers from 1st August 2020. The need for increasing the public liability cover amount would be assessed. The committee queried the deductible on employee thefts, which is higher than any other category – [SC/SE] agreed to double check when next dealing with insurance. The committee confirmed that there had been no problems claiming under the policy</p>	SE
2019/09	<p>GDPR UPDATE Graham Drummond presented an update on the Group's compliance with General Data Protection Regulation. The Group had received adequate assurance from the Internal Auditors of its compliance with GDPR with four recommendations being made. Three of the recommendations had been completed with one still a work in progress and expected to be completed by the June meeting.</p>	GD
2019/10	<p>AUDITOR REVIEW AND APPOINTMENT 1. <u>External Audit</u> Simon Evans presented the review and appraisal of the external audit service provided by Buzzacott during 2018. The review covered Planning and Scope of Work, Conduct of Audit, Audit Conclusions, Relationships, Value for Money, and Overall Assessment. The initial draft assessment had been undertaken by the Director of</p>	

	<p>Financial Services, Director of Governance and Chair of the Audit Committee with an initial assessment of the service as Good.</p> <p>The Performance review was discussed and approved by the Committee and it recommended the re-appointment of Buzzacott to the Board.</p> <p>2. <u>Internal Audit</u></p> <p>Simon Evans presented the review and appraisal of the Internal Audit service provided by Mazars during 2018/19 which covered the same headings as in the external audit review. The initial draft assessment had been undertaken, as for the external audit review, with an initial assessment as Good.</p> <p>Graham Drummond raised a number of points in relation to the presentation and content of Mazars reports. It was agreed that the feedback comments for both sets of auditors should be summarised and communicated to them, and this would be a useful checklist for next year's assessment. The Committee agreed the assessment for 2018/19 and to recommend to the board that the final annual internal audit contract extension available for Mazars be adopted for 2019/20.</p>	GD
2019/11	<p>LETTER FROM OFFICE FOR STUDENTS</p> <p>The letter from Anthea Beresford, Head of Data Assurance at the Office for Students, regarding the Individual Learner Record reconciliation exercise was considered. Stewart Cross confirmed that he would notify the Committee of the March 14th OFS panel's meeting decisions, to be discussed by the Committee either at the next meeting or at the additional telephone meeting if arranged before then.</p>	SC
2019/12	<p>INTERNAL AUDIT SCHEDULE</p> <p>The report from Mazars on the progress of the Operational Audit Plan for the year ended 31st July 2019 was considered. Mazars had confirmed that subject to their proposed changes in the Plan they remained on schedule to complete the remaining planned reviews contained within the Plan by the end of the financial year. In view of the number of changes to the Plan (requested by Management in order to obtain maximum benefit from the work following ongoing changes to systems and processes) the committee requested that the revised Plan be shared for approval once agreed with Simon Evans.</p>	SE
2019/13	<p>AUDIT COMMITTEE SCHEDULE</p> <p>The Committee's schedule of business for 2018/19 was considered with the items for the June meeting highlighted. Following the earlier discussion, it was agreed to include Reserves Policy and review of Sub-contracting.</p>	SE
2019/14	<p>BOARD MINUTES FROM 13TH DECEMBER 2018 AND 21ST JANUARY 2019</p> <p>The December 2018 and January 2019 Board minutes were noted for information.</p>	
2019/15	<p>DATE OF NEXT MEETING</p> <p>The date of the next meeting was fixed for Monday 24th June 2019 at 6pm, subject to any requirement to hold a telephone meeting on the results of the KPMG funding audit beforehand. If held, other matters to consider during the telephone meeting could include the revised Internal Audit Plan and the OFS letter.</p>	