



CAPITAL CITY COLLEGE GROUP AUDIT COMMITTEE: 5th OCTOBER 2020

MINUTES

PRESENT	Chris Hyams (Chair), Anthony Smith, Lisa Weaver-Lambert, Paul McLoughlin, Sharon Saxton
IN ATTENDANCE	Rachael White, Simon Evans, Stewart Cross, Graham Drummond (Clerk), Roy O'Shaughnessy, Derek Wilkinson (items 1-3), Jackie Chapman (items 1-4), Jeremy Wells (items 1 -5), Mike Cheetham (RSM), Stuart McKay (MH), Ellie Haines (MH)
APOLOGIES	Cosette Reczek

1. **MINUTES OF MEETING HELD OF THE PREVIOUS MEETING** **Action**
The minutes of the meeting held on 23rd June 2020 were accepted as an accurate record.
2. **MATTERS ARISING**
An action tracker was received. It was noted that work associated with the development of a business continuity plan continues, however planning associated with meeting the challenges posed by the pandemic is taking priority. All other matters arising were included within the agenda.
3. **ANNUAL HEALTH AND SAFETY REPORT**
The Group Head of Health and Safety presented the annual report. The action plan had been appended to the report and a summary was provided giving details of progress made in mitigating risks. It was noted that:
 - The closure of buildings and the imposition of restrictions associated with the pandemic have impacted on the progress made in relation to some aspects of the action plan; however, in the view of the Head of Health and Safety there are no significant causes for concern. As evidence of this, there were no RIDDOR accidents or work related illnesses during 2019/20 and there were no visits by enforcing authorities in response to incidents;
 - Where needed, Health and Safety training has been carried out through the use of Microsoft Teams and in general has worked well. For example, training with respect to emergency evacuation procedures is ongoing despite the COVID-19 restrictions. New staff are trained with respect to Health and Safety as part of their induction programme;
 - Concerns continue with respect to the number of trained first aiders, however the closure of two sites (Regents Park and the Marlborough Building) has allowed some trained staff to move to other sites e.g. at CIC. Further first aid training is to be provided to address shortfalls at CONEL sites;
 - During July 2019 an audit of the Group's main contractor (Kier) identified compliance concerns which gave rise to a register of 60 issues with red ratings attached. Urgent follow up action and the provision of some key data resulted in the reduction in the number of these concerns. A follow up audit is due to take place in October;
 - A new group wide reporting system has recently been introduced for reportable incidents;
 - The Group's Health and Safety Manager has recently become a fellow of the Royal Society of Public Health and Hygiene.

The committee commended the work carried out by the health and safety team and requested that a rag rating is attached to future reports so that members can gauge the level of risk attached to each issue. The Head of Health and Safety agreed to look into this. DW

Included within the report was an analysis of accidents, illnesses, incidents and near misses which had taken place at the Alexandra Centre. The committee provided a challenge as to whether more could be done to ensure the continued safety of students at this centre, especially in consideration of the number of near misses which take place. The students at this centre often present significant behavioural challenges and the ratio of staff to students is higher than at other centres. The Head

of Health and Safety provided assurance that in his view staff acted upon data associated with near misses when trends begin to materialise and that whilst the environment at this centre was by its nature more hazardous, sufficient mitigation is in place.

4. SUBCONTRACTING

The annual subcontracting report was considered and received. Included within the report were details of the level of subcontracting which took place in 2019/20 and proposals 2020/21. It was noted that:

- For 2019/20 the total level of funding delivered via subcontracted means was £2.6m. The pandemic has impacted on the level of subcontracting for Adult Education Budget (AEB) funding by £150k and the level of Apprenticeship funding has also been affected;
- The level of subcontracting as compared to previous years has been reduced as the Group continues to deliver more teaching and learning through the use of its own teaching staff, however in niche areas subcontracting continues to present an effective means of meeting the needs of some students;
- For 2020/21 the level of teaching and learning delivered by subcontractors will remain broadly similar (£2.7m as compared to £2.6m). The Group has been informed that the GLA will be providing £1.25m to support adult students to study high value courses. The Group Leadership Team has yet to decide what proportion of this additional funding will be delivered through the use of subcontractors and therefore the volume of AEB provision may vary during the year. At a strategic level the group will continue to deliver 'in house' as much as possible and where it meets the needs of students.

With respect to 2019/20 the committee noted that only 51% of the income expected had been received for work carried out by Excellence Solutions for AEB funded provision. This provider is a high quality provider of Nail and Beauty teaching and learning and is considered low risk. It is expected that the percentage of income received will improve by the time of the final funding claim at the end of October.

It was noted that subcontractors are expected to meet the quality expectations of the group and prior to their use checks are carried out that the provision will be delivered to a high standard. Quality meetings with each subcontractor take place during the academic year to ensure that teaching and learning continues to be delivered to the correct standard.

An internal report on subcontracting was considered and received. It was noted that:

- A number of management actions have been agreed as detailed within the report, including recommendations to improve the monitoring of contractual aspects of the relationship with subcontractors. These recommendations have or are being addressed by the management team;
- Due to the pandemic, the number of apprenticeships offered by the Group has been reduced, including those offered through subcontracted means.

The committee noted the internal report and encouraged senior staff to continue to ensure that regardless of the size of contracts (which vary) the Group receives value for money from the service provided by subcontracted partners. It was further noted that the Group uses a large number of partners, many of whom have a small number of apprentices. The number of these partners will be reduced during 2020/21.

5. CYBER SECURITY

An update report was presented by the Director of IT. It was noted that:

- In November 2018, eleven recommendations had been made with respect to cyber security and an overall opinion of limited assurance had been given as part of the report. All eleven recommendation have now been addressed;
- In light of the continuing risk associated with cyber security further actions have been put in place a summary of which was included within the report as follows:
 - To remove the use of Windows 7 and Windows server 2008 by the end of the calendar year (these operating systems are no longer supported by Microsoft);
 - Penetration tests have been carried out and two key risks were identified; one of which has been addressed and the other will be Windows 2008 has been removed. Further details of these tests were appended to the report;
 - Multi Factor Authentication (MFA) has been introduced for those with a CCCG or CCCT IT account, the purpose of which is to reduce phishing attacks. This will be rolled out to college staff prior Christmas.

The committee recognised that risk associated with cyber security continues despite the actions carried out the IT to minimise the changes of an attack taking place on the Group's IT infrastructure. For example, ransomware is becoming an increasing risk, particularly for educational institutions. The Group has robust back up procedures in place which includes the backing up of data every 15 minutes.

6. INTERNAL AUDIT

A summary tracking spreadsheet providing details of the number of resolved and unresolved audit recommendations was considered and received. It was noted that:

- At the committee's meeting in March, a total of 93 outstanding recommendations (i.e. those that had not been signed off by the internal audit service (IAS)) had been reported. It had been agreed that the Group Leadership Team would decide how many of these had been resolved or were superseded (without needing the IAS to sign off), which had resulted in 63 recommendations being signed off. Since the appointment of RSM a further 50 recommendations have been made, leaving a total of 80 outstanding recommendations;
- Of the outstanding recommendations, RSM have completed their first follow up audit confirming that 20 are complete, management have subsequently confirmed that 5 more are complete (though these will need to be verified by RSM in due course, 35 are in progress (not yet due) and 20 are in progress but overdue. Of the incomplete recommendations 11 are of high or fundamental risk.

Further to the summary of outstanding recommendations, the committee considered an internal audit report on the follow up of these recommendations, which was presented by the internal audit partner. It was noted that:

- It was the view of the internal audit service that little progress had been made in addressing actions which had been agreed by management. Of the actions which are overdue for implementation, 2 are high priority, 6 are medium and 6 are low. Of the remaining actions which were active it was confirmed by the management team that their resolution was underway but they had not been completed. Significant progress would be demonstrable at the next meeting.

The committee expressed concern about the number of agreed actions that need to be resolved but noted that a significant proportion were not yet due for completion. It was confirmed that the dates for completion would continue to be monitored but that the focus of the management team would be to address those actions which were overdue for implementation.

RW

An internal report on Fixed Assets was considered and received. It was noted that:

- An overall opinion of reasonable assurance had been given, with four issues requiring management action, three of which were of medium priority and one low;
- The internal audit service were of the view that the Group does not have standard operating procedures in place for maintaining the fixed asset register and there were 16 disposals of assets which were not completed in line with the selling disposal policy.

SE/RW

Management had agreed to review its procedures and policy in this regard.

An internal report on learner number systems was considered and received. It was noted that:

- An overall opinion based on the findings of this audit had not been given, however a number of issues had been identified. An issue which is of particular concern, because of the potential risk to funding levels in future years, is in relation to 16 learners being identified as not having planned hours on the Individual Learning Record (ILR) matching those which had been timetabled. This related mainly to the Employability, Enrichment and Pastoral (EEP) element of the study programme i.e. for 16-18 students. In relation to AEB funded provision there were also examples found where the data contained within the ILR was not supported by appropriate evidence.

The committee expressed considerable concern with respect to the risk associated with possible clawback on future funding levels. Considering that the Group has been informed that it will be subject to an ESFA funding audit as part of being in ESFA intervention status, the issues identified within the report need to be addressed as soon as possible. It was agreed that the GLT would look

into implementing ameliorative action as soon as possible and would report back to the committee prior to its next meeting.

SC

An internal report on Payroll was considered and received. It was noted that:

- An overall opinion of reasonable assurance had been given with three management actions being agreed, one of which was of a high priority and the remaining two of medium;
- The high priority management action related to bank detail changes for which the staff members in question had not been contacted to verify the change.

An internal report on Reconciliations was considered and received. It was noted that:

- An overall opinion of reasonable assurance had been given with three management actions being made, one of which was of a medium priority and the remaining two of low;
- The Group is currently not achieving its target for completing reconciliations in a timely manner. It was further noted that there is currently £2.4m worth of bad debt provision provided for within the Group's balance sheet. As part of its year-end processes a substantial proportion of older debt has been written off which has reduced the year-end level of the bad debt provision to around £1.3m.

An internal report on Sales to Cash was considered and received. It was noted that:

- An overall opinion of partial assurance had been given with seven management actions being made, one of which was of high priority, five medium and one low.

The committee discussed the findings of this report and it was noted that the ability of the Group to collect debt needed to improve; one of the causes for the high level of uncollected debt is due to legacy systems from the colleges prior to merger, along with the failure to follow standard operating procedures. With the introduction of a single system and closer monitoring of debt the Group intends to gain improved control of this area. It was further noted that a high proportion of debt mostly related to commercial activity rather than students not paying their fees.

An internal report on Purchase to Payments was considered and received. It was noted that:

- An overall opinion of partial assurance had been given with four management actions being made, three of which were of a high priority and one of a low;
- The maintenance of a central contract register which is updated and reviewed on a regular basis is needed to ensure that the control environment associated with suppliers is strengthened;
- Whilst the Group is compliant with EU regulations in relation to contracts of a high value, processes associated with the onboarding of new smaller sized contracts needs to improve.

The draft internal audit plan was considered and received. The committee noted that the scope of the plan was sufficient for the internal audit service to give a full opinion with respect to assurances for the financial statements. A discussion had taken place with the internal audit service with senior staff and it had been agreed to add staff utilisation to the schedule prior to consideration by the committee.

It was further noted that the schedule would continue to be reviewed to ensure that it fitted with the needs of the organisation.

7. UPDATE ON EXTERNAL AUDIT

The external audit service gave a verbal update. It was noted that the initial interim review has taken place and the work associated with the Teachers' Pension scheme has also been completed. Staff have been helpful so far in relation to requests made for information.

8. TRAINING

The Director of Governance reported that an initial discussion had taken place with the internal audit service about the possibility of some funding training being delivered to members of the

committee. This will be organised for November at which point an update on the Group's funding assurance arrangement will be given. SC/GD

9. RISK REGISTER

The Group's current risk register was received. This will be reviewed and updated for the committee's next meeting.

10. COMMITTEE SCHEDULE

The Committee's schedule of business for the year was received

11. BOARD MINUTES

The minutes of the Board's meeting of 8th July were received.

Dates of future meetings:

Tuesday 17th November 2020 at 5:30pm

Monday 22nd March 2021 at 6pm

Monday 21st June 2021 at 6pm

Signed as a correct record: _____

Chris Hyams, Chair