



CAPITAL CITY COLLEGE GROUP BOARD: AUDIT COMMITTEE 5th OCTOBER 2021

PARTICIPANTS	Chris Hyams (Chair). Sanna Jordansson, Lisa Weaver-Lambert, Paul McLoughlin, Cosette Reczek
IN ATTENDANCE	Roy O'Shaughnessy, Rachael White, Sarah Ventham, Stewart Cross, Graham Drummond, Neill Scott (items 1-6), David Lissah (items 1-6), Jackie Chapman (items 1-3), Jeremy Wells (items 1-4), Stuart McKay (MHA MacIntyre Hudson), Mike Cheetham (RSM), Graham Cooper
APOLOGIES	Toyin Odutayo, Sharon Saxton
DECLARATIONS OF INTEREST	None

The Chair welcomed Sanna Jordansson to her first meeting as a member of the Committee.

1. MINUTES OF THE MEETINGS HELD ON 21st JUNE 2021

The minutes of the meeting of 21st June 2021 were approved as a correct record.

2. MATTERS ARISING

The committee reviewed the action point tracker and noted:

- With respect to the Group's Business Continuity Plan, an update was on the agenda for this meeting (item 5.2).
- With respect to numbers of trained first aiders, this was covered in the Health & Safety report to this meeting (item 5.1).
- The audit tracking sheet and the committee's KPI relating to the timeliness of resolution of audit recommendations was to be discussed later in the meeting.
- A Value for Money Report will be provided for consideration at the committee's March 2022 meeting.
- Updated terms of reference for the committee, to include the requirements to comply with the Audit Code of Practice, will be submitted to the Board meeting on 22nd October for approval.
- With respect to fraud measures, an update will be included in the committee's annual report to the November Board meeting.

3. ANNUAL SUBCONTRACTING REPORT

A report was received and the committee noted:

- A summary of sub-contacted provision by funding stream for 2020/21 was provided, including a breakdown of funding expected at the beginning of the year (total £5.05m) and actual funding received as at the September ILR (total £3.59m). The main difference related to ESF funding, down by c. £1m. The impact of this shortfall (arising largely from the lack of engagement of NEETs during the pandemic) is not significant, as the Group receives only a 20% management fee in respect of ESF subcontracting and has met the required level of contribution.
- A breakdown of the subcontracting budget for 2021/22 totalling £4.18m was also provided. Key points noted included:
 - Adult Education Budget (GLA) funding is budgeted at £660k but is likely to change in-year depending upon AEB enrolments
 - National Skills Fund funding had amounted to only £31k in 2020/21 against a £100k plan, but the contract had only been issued late in April, with no expectation that the full amount would be achieved. £100k had been budgeted for 2021/22.
 - Apprenticeship subcontracted funding is continuing to decline - budgeted at £394k for 2021/22 against £769k actual for 2020/21. This represented rollover contracts of subcontractors that the Group was already working with.
 - ESF funding is budgeted to increase significantly (2021/22 £2.34m compared to 2020/21 actual £773k), as the Group has moved its model for two of its ESF contracts to make one of them

completely subcontracted – due to the Group itself failing to recruit sufficient learners. This is a very low profit contribution activity and whilst the Group has switched this to subcontracted provision, it expects to make the same level of contribution.

- A schedule was provided of the full list of subcontractors that the Group worked with in 2020/21, with a risk rating in relation to each based upon their compliance for contracting, their financial value, the quality of delivery and their attendance and retention rates. This highlighted the subcontractors rated as High Risk, which the Group was not proposing to contract with in 2021/22. The CCCT Managing Director clarified that this would also apply to the one High Risk area indicated as 'unlikely', for reasons that she explained. The subcontractors classified as Medium Risk due to retention having been impacted by job losses during the pandemic, are being monitored and new contracts will only be permitted in the current year in cases where retention can be evidenced as having improved.
- A schedule of proposed contracts for 2021/22 was provided, although this was still at draft stage. Some contracts have been issued based on budget agreements, but due diligence is still being completed for others. The committee received further assurance that the issue of new contracts is being carefully managed.
- A robust subcontracting manual is in place, in accordance with which monthly management meetings are held and quarterly observation meetings and compliance visits take place throughout the year. Most observations were performed online last year in view of the pandemic, but will return to in-person for the current year.

4. CYBER SECURITY

The Committee received a report and noted:

- Cyber security is an ongoing challenge for organisations generally, and more so since the beginning of the pandemic. As colleges moved quickly to get students and staff working effectively online, a number of colleges were the target of ransomware attacks. Cyber security is a major ongoing sector-wide issue. The Group has taken a number of measures to improve its cyber security, including:
 - Remote Access Solution: With the deployment of the new staff laptops, a new Virtual Private Network (VPN) was commissioned as the primary remote access solution. Successful connection requires staff to know their password as well as having the correct certificate installed on their laptop.
 - Operating Systems – The Group has focused on ensuring that all staff and student PCs are updated to a situation where there is no reliance on systems that are no longer supported. This position is maintained by using an industry wide vulnerability scanner called Nessus.
 - Device management is recognised as a key aspect. Three industry standard tools are used for this purpose, enabling critical patches to be rolled out in a timely manner.
- Each year, the Group runs a penetration test through Jisc, the last one being in May 2021, the findings of which were 2 Critical and 1 High vulnerability. Following action to address these, only one aspect of the High vulnerability finding remains outstanding, although this is classified as Low risk. The reason this remains outstanding is that the Group is waiting for a supplier to release a system fix.
- The committee sought assurance regarding a proactive approach, so that any systems that become unsupported are identified quickly without reliance on an annual penetration test, and the Director of Technology, Infrastructure and Service advised that a weekly scan carried out by the National Cyber Security Centre enables the Group to identify these on an ongoing basis.
- A key step forward in the last year has been implementation of two-factor verification, which was completed at the beginning of the current term.
- Details of a number of other measures were also noted, including signing up to a number of additional services with Jisc.
- The committee asked about measures to protect against cyber security from attacks from within the organisation and was assured regarding the safeguards in place, mainly based upon internal port-based access control. The Group was also working with Jisc to look at internal controls.

The committee took assurance, based on the detail in the report, that there had been a significant overall improvement in the Group's cyber security over the last twelve months.

5. ANNUAL HEALTH & SAFETY REPORT (including Business Continuity Plan)

5.1 ANNUAL HEALTH & SAFETY REPORT

The Committee received the annual Health & Safety Report for 2021/22 and noted:

- Key priorities for the interim Health & Safety Manager and his team, for which an update was provided in the report, include:
 - Completion of outstanding internal audit recommendations relating to H&S.
 - The transfer of statutory requirements and liabilities from the Group's discontinued facilities contract with Kier.
 - Test review and benchmarking against industry standards of the Group's critical incident management framework.
 - Ensuring that the Group has a sufficient number of first-aiders and fire marshals. Areas currently identified as Red are due to cross-campus movement of staff. Given this transient nature of staff, the plan includes to have in place more trained first-aiders and fire marshals than are required.
 - Putting in place a schedule of fire drills for the current academic year across the Group estate, which is particularly relevant in the context of students having returned to classroom-based lessons.
- Alongside these priorities, there will also be a focus on improvements in data for reporting and monitoring. The committee particularly requested improved data in relation to staff training and also discussed the need to ensure that fire marshal staff who have been working from home during the pandemic receive adequate training. The Interim Health & Safety Manager advised that the extent of staff training on H&S is being reviewed, with the potential for a greater proportion of staff to undertake online training.
- Governance in relation to Health & Safety, including clarity of roles and reporting to the Health & Safety Committee and the Audit Committee are also to be clarified.
- Whilst noting the ongoing actions, the committee emphasised these as individual elements supporting the overall objective of embedding a culture of Health & Safety across the Group.
- The CEO reported on recent intelligence received from the Metropolitan police regarding an expected upturn in knife crime and county lines drug-related activity. Mechanisms to ensure a joined-up approach across individual centres, each of which are alert to the issues in their own areas, will be a key issue for attention.

5.2 UPDATE ON BUSINESS CONTINUITY PLAN

The Committee received a report and noted:

- The Interim Group Head of Health & Safety is currently preparing a Resilience Review & Testing Project. This is being specifically scoped to focus on providing a critical incident framework gap analysis and desktop testing, with the intended outcome being for the Group to improve its resilience and preparedness capabilities.
- A specific project exercise plan will be prepared ahead of review and testing that will break down tasks, activities, milestones, and risks. Key college stakeholders will be identified as part of a small project group, and communications will be prepared to explain the project outcomes, requirements, and engagement points.
- The review will also look at how the Group responded to the Covid-19 pandemic. Although the Group's Business Continuity Plan had included such a scenario, in reality the steps taken by the Group had been to react to the situation as the pandemic developed rather than follow a pre-prepared plan. The review will look at simplification of the plan going forward.
- The project will align to both ISO 22301 (Business Continuity) and BCI Good Practice Guidelines (2018), providing robust benchmarking, and will be monitored through regular project updates to the stakeholder project group.
- The review and gap analysis will involve delivery of a status assessment of the Group's alignment to relevant standards and good practice, identifying areas of strength and weakness. The output will be a Gap Analysis Report with Exercise Debrief and prioritised action plan.
- A project cost of £8,000 has been allocated from the operational budget.

The Committee sought and received reassurance regarding the adequacy of the budget allocation for the review, whilst noting that a further allocation would be necessary in relation to the implementation of findings.

It was agreed that a report on the outcome of the review will be provided to the March 2022 meeting of the committee. The committee will be apprised in the meantime of any significant concerns arising.

The Committee noted that David Lissah had now been appointed to the role of permanent Head of Health

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& Safety, having recently undertaken the role on an interim basis, and the committee congratulated David on his appointment.

6. INTERNAL AUDIT

An internal audit report on Health & Safety was received. The following was noted:

- The overall opinion provided in the report was one of reasonable assurance.
- Five recommendations were included in the report, three low priority and two medium.
- The issues raised included training and staff awareness of roles and responsibilities, matters that had been highlighted in the Annual Health & Safety Report as being addressed, and also relating to the fire risk assessment. The internal auditor advised that there was evidence of very good practice in areas across the Group.
- The Head of Health & Safety advised that individual fire risk assessments are already being undertaken, and that progress towards implementation of the recommendations is on track.
- A follow-up report on implementation of the recommendations will be undertaken next year.

An internal audit report on payroll (hourly paid and 'changes' approvals) was received. The following was noted:

- The overall opinion provided in the report was one of substantial assurance.
- Only one recommendation was included in the report, a medium priority recommendation relating to the authorisation and addition of new starters to the payroll system in a timely manner.
- For the most part, processes had been found to be working effectively and there was no cause for any serious concern.

The committee undertook a review of the tracker of outstanding internal audit recommendations and noted:

- There had been a continuing improvement in the timely completion of outstanding recommendations.
- Two of the longest outstanding recommendations related to matters on which work currently taking place, one being improvements to the controls around the fixed asset process using the new Finance fixed asset system. The second relates to putting in place a contracts log, on which the Finance team is currently working with an external procurement company, part of which will be to ensure that all procurement regulations are being met. A further recommendation relating to the new EBS system for tracking student activity was also on course for completion.
- The Chair highlighted the need to bring to a satisfactory conclusion the recommendations from the November 2019 forensic review by EY. The Director of Finance undertook to report back to the committee on this. SV

The Chair reminded the committee of its own KPI to ensure that all audit recommendations are implemented within twelve months. The committee discussed this, noting that there are often valid reasons why recommendations are not completed in this timescale, for instance where they are linked to the implementation of new systems. Additionally, it is not always possible to test solutions that have been put in place until the related activity next falls due, which in some cases can be in a year's time as part of the annual cycle of activity. Noting also that the process for reviewing outstanding recommendations at each meeting includes particular attention to aged items, so that these are properly monitored, the committee considered that a more appropriate KPI would link to the agreed due dates for completion of recommendations - perhaps managed in a manner where the committee's approval is required for any extension to the completion date of individual actions. The Deputy Director of Finance advised that having looked at the EY forensic review recommendations from 2019, these were linked to the implementation of the EBS system and were therefore an example of the scenario highlighted. It was agreed that the Chair and the Director of Governance would consider the matter further and revert to the next meeting of the committee, noting also that an amended KPI may require additional detail to be added the action tracker. GD & CH

The committee received the internal audit report and opinion for the year ended 31st July 2021 and noted:

- The overall internal audit opinion for 202/21 was Amber/Green, an unqualified audit opinion.
- The internal auditor advised that this was consistent with the opinion for the majority of FE colleges across the country. Whilst there were some colleges that had not achieved this level of assurance, he was unaware of any general FE college that for which the opinion was 'fully Green', and that it was most unlikely that that a group of the size of CCCG would have no recommendations arising from internal audit reviews.
- The remainder of the report provided an overall summary, including a breakdown of the outcome of

individual internal audit reports that have already been submitted and reviewed by the committee during the year.

- The committee was pleased to note the overall opinion and that the Group was in line with the better organisations across the sector. This represented significant improvement on the situation that pertained and the difficulties that had been experienced prior to RSM's appointment.

The committee received the internal audit plan for 2021/22 and noted:

- The internal auditor highlighted that this was a draft for discussion by the committee. It represented the outcome of discussions with the management team earlier in the year on the areas most relevant for review in the context of the risk register and informed also by what the internal auditors were seeing elsewhere across the sector. There had also been further conversations with the management team, however, as to whether some of the areas identified remain relevant and appropriate given that the Group is expecting an Ofsted inspection during the current year.
- The areas included for review included aspects of risk and governance and student records. Quality Assurance was also included, but this had been one of the areas discussed further, and the committee agreed with the view of the CFO that in light of the expected Ofsted inspection, an internal audit review would be unlikely to add significant value and should therefore be excluded from the plan. Additionally, it was considered that the review of joint ventures should be deferred until next year by which time these are expected to have become more established and reviews are likely to be meaningful.
- The committee sought clarification with regard to the proposed limited scope of the funding audit against the ESFA requirements. The internal auditor explained that the review was described in this manner to distinguish from the approach taken in the ESFA's own funding audit, which is much more detailed. The purpose of the internal audit review is to establish whether there are any systematic problems with the student data, and the work is therefore based on a smaller data sample. The committee recommended that this distinction is more clearly articulated in the plan.

Subject to these changes discussed, the committee **APPROVED** the internal audit plan for 2021/22.

7. UPDATE ON EXTERNAL AUDIT

The external auditor provided a brief verbal update on progress. He advised that the final audit for the year ended 31st July 2021 was about to commence. The interim audit and the ILR audit were still on course for completion. It was further noted that:

- The interim audit had included looking at Payroll and Bank (both of which were clean audits) and purchases (on which a couple of follow-up questions were still being addressed). These outcomes supported the planned controls-based approach to completion of the audit, which was positive news.
- The audit of ILR controls had commenced. Two particular aspects were being followed up, one being issues relating to entitlement (specifically signed agreements and withdrawals), as highlighted in the June internal audit report, and the second relating to the sampling to verify that everything is in place in relation to learner records that have been input into the management information system. It was hoped that the outcome of this work would further support the intention of a controls-based approach to the final audit.

8. RISK REGISTER

The committee received for information a copy of the risk register, noting that it had not changed since the register was last reviewed by the committee at its meeting in June. The register will be updated for the next review by the committee at its November meeting.

9. BOARD MINUTES

The committee received for information the minutes of the Group Board meeting of 7th July 2021.

The date of the next meeting is Wednesday 17th November 2021 at 5:30pm