

CAPITAL CITY COLLEGE GROUP BOARD: AUDIT COMMITTEE 5TH OCTOBER 2022

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

1. MINUTES OF THE MEETINGS HELD ON 21ST JUNE 2022

The minutes of the meeting held on 21st June 2022, including the confidential minutes, were approved as an accurate record.

2. MATTERS ARISING

The committee reviewed the updated action tracker and noted:

With respect to the Business Continuity Resilience Review and Testing Project, this was to be discussed as part of the Critical Incident update for agenda item 3. The Chair noted the importance of ensuring that the discussion covers the IT aspects of business continuity.

A letter of appreciation and token of thanks had been sent to Cossette Reczek, who had stepped down from the committee. The vacancy on the committee arising from this was to be discussed under agenda item 9.

A notice to raise awareness of the whistleblowing policy had been placed on the staff intranet.

The committee's schedule of business had been updated in relation to the annual review of the risk management policy and framework.

Oversight of the Group's reserves policy had been added to the committee's terms of reference.

There were no other matters arising.

3. ANNUAL SUBCONTRACTING REPORT

A report was received and the committee noted:

- A summary of sub-contracted provision by funding stream for 2021/22 was provided. Final figures would usually be available at this time, but in 2021/22 a significant amount of subcontracting had taken place during term 3, as a result of which the results of some end point assessments were only just coming through and work was ongoing in respect of the final funding claim for the year.
- During 2021/22, 50 contracts had been issued across 38 different organisations, with a total contract value of £9.15m. Funding received as at the September ILR was at £5.56m, with c. £2m of processing still to be completed to reach the current prediction for R14 of £7.43m. Much of the processing had now been completed and there was a high level of confidence in the predicted figure. This highlighted that all contracts issued last year had not been met in full, due to timing, although the Group had over-contracted in the hope of achieving more than 100% of AEB funding. All quality visits and documentation had been completed, with no further risks identified, and details of final 2021/22 achievement rates by subcontractor would be available shortly.
- A schedule was provided of the full list of subcontractors that the Group worked with in 2021/22, with a risk rating based upon quality, performance and responsiveness. The schedule showed which subcontractors the Group intends to continue to work with, and those that it will not, based on risk. No contracts are to be issued to new contractors in respect of apprenticeships, although there are a small

number of carry over contracts where apprentices are on a two-year programme. The Group intends to continue to contract out the ESF Neets programme, as that is considered to be the most effective means of delivery. The process has also started with regard to issuing some of the AEB contracts based upon the college business plans. With respect to those subcontractors that were not included in the list for 2022/23, a number of the contracts were of high value, but in many cases, where contracts had been issued late in the year, contractors had overpromised and failed to deliver on contract values. Management was satisfied that there are sufficient high-quality subcontractors with which the Group has existing relationships, to deliver the Group's subcontracting needs.

- The reduced overall level of subcontracting planned for 2022/23 reflected the Group's strategy of seeking to deliver as much AEB provision as possible directly rather than through subcontractors. It is to be expected though, as in the previous year, that the total value of subcontracting will increase during the year in order to ensure that contract requirements and values are fully met.

4. CYBER SECURITY

The committee received a report and noted progress since the previous update to the committee in September 2021, as follows:

- In January 2022, the Group had been successful in achieving Cyber Essentials certification, and then in April 2022 had achieved Cyber Essentials Plus certification. These provide external validation of the Group's approach.
- A project to roll out Network Port-Based Access Security had started and would take a few months to complete. This would serve to prevent systems access from non-recognised devices being connected to the Group's systems.
- A decision had been taken not to upgrade staff or student devices from Windows 10 to Windows 11 this summer, as some of the Group's older hardware is not Windows 11 compatible. The migration is likely to be made next summer or the summer after, which remains well within Microsoft's timescale for withdrawing support for Windows 10.
- Weekly scans, using Nessus, continue to be run across all sites to identify any devices that have been missed and are not running a supported operating system.
- All the Group's devices, including Group owned mobile phones, continue to be centrally managed and tracked and all staff laptops are encrypted, using appropriate software.
- A robust approach is also taken to Critical and Security Patch management, which is a requirement of the Cyber Essentials Plus certification.
- The annual penetration test of the Group's systems was carried out by Jisc in April 2022. This identified one High vulnerability relating to a weakness in one of the cyphers, and this has now been resolved. Consideration is being given to more regular penetration tests by Jisc, subject to cost.
- During the year, the Group signed up to other external services to further strengthen its cyber security, including the National Cyber Security Centre (NCSC) Mail and Web Check services, which run external real-time scans of the Group's external facing systems.
- Multi Factor Authentication (MFA), remains in place for all staff. An enhanced version just released by Microsoft is being trialled before rollout. The impact of rolling out MFA to students is under review.
- The Group requires all new subcontractors and service providers to comply with its own patch management and other policies. Appropriate firewalls are in place to provide protection with respect to any connected systems.

5. HEALTH AND SAFETY

5.1 HEALTH AND SAFETY ANNUAL REPORT

The committee received and considered a report. The following was noted:

- Following on from the peak of the Coronavirus pandemic, 2021/2022 saw a return to classroom teaching with further restrictions being eased following DfE guidance. This guidance was eventually withdrawn in February 2022 as the UK returned to a state of 'living with Covid'. The Group's Health & Safety Policy Statement of Intent and Health & Safety Arrangements were developed and reviewed. These documents outline roles & responsibilities and The Group's commitment to health & safety management, and are next due for review in November 2022.
- During 2021/2022, there was a major restructure within the Directorate of Estates & Facilities (E&F) following termination of the Kier contract and the transfer of responsibilities in-house. This impacted upon the Health & Safety Services (H&SS) within E&F, requiring additional resources to monitor and mitigate the inherited responsibilities, liabilities, and activities. The H&SS restructure was completed in June 2022.
- The Report did not include data that would normally be expected in an annual report, which the Director

of Health & Safety attributed partly to an absence of historical data and also to the transformation of the Health and Safety management operating model. The operating model had been changed in September 2022, from a corporate centric health and safety advisory model to a more operational function, taking responsibility for and owning health & safety challenges including those relating to assets and infrastructure. The aim was to achieve a more collaborative way of working with curriculum areas. Various training, including first aid training and fire marshal training had been delivered to 96 delegates during the 2021/2022 academic year and was continuing to be rolled out.

- A new online H&S Training Module launched in Q2 was mandatory for completion by all staff, but had only been completed by 49% of staff. Steps are being taken to increase the level of completion.
- The number of incidents on the accident reporting system remained low (169), but was higher than the previous year (100), although the increase was attributed partly to more students and staff being on site. The overall low level of reporting was considered to be reflective of a culture of non-reporting, which would be a focus of attention going forward, with steps taken to provide and promote a more open reporting process.
- 10 curriculum inspections had been completed during the year in consultation with curriculum managers/heads.
- The first Group Health & Safety Committee meeting with participants including Staff Union Safety Representatives, department heads and chaired by the Chief Finance Officer (CFO) had taken place at the end of the 2021/22 academic year, focused largely on setting the scene and roles and responsibilities. Termly meetings are planned going forward.

The committee expressed concern that the number of fire marshals required was unverified in many areas, and where verified the actual number of fire marshals was below the required number. The Director of Health & Safety advised that this was partly a consequence of staff turnover, and is a focus of attention. The same issue applied in relation to first aiders. An update will be provided to the next meeting. The Chair asked that this is added to the action tracker.

The committee asked about, and was provided with details of, work being undertaken towards achieving ISO45001 standards.

The committee discussed the practice of use of termly sample audits in addition to a full annual audit.

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In relation to the improvement plan, the committee noted that the statements of intended improvements were largely high level policy intents and the Director of Health and Safety advised that a RAG status reporting against each of the areas would be provided in future reports to the committee.

5.2. CRITICAL INCIDENT MANAGEMENT

A report was provided and presented by the Director of Health and Safety, who highlighted the following:

- The report, which provided details of work completed to date and designed methodology, had been presented to the GSMT in September.
- A framework document set out the actions planned to address the findings and recommendations from the last scenario test, which took place in November 2021, as well as a proposal to establish a Critical Incident Management Group. The latter proposal had been agreed, and the Group will comprise appropriate members of the Group executive and senior management team. Each area is now developing its own critical incident management plan in line with the framework.

The committee asked about critical incident management planning in circumstances where the group is vulnerable through third parties. The Director of Health and Safety advised that this was not yet being undertaken, but each area of the Group would be required to identify all such situations as part of the process of developing their individual plans. The committee also discussed the need for critical incident plans to reflect the particular circumstances and characteristics of each site.

The Chair expressed concern regarding the pace of progress, a report on the test which took place in November 2021 not having been provided to the committee until its previous meeting and the current report providing no clarity in terms of actions to address the sixteen specific recommendations that had arisen from the November 2021 test, including seven recommendations which identified the need for urgent improvement. He advised that the committee wishes to see a report setting out the progress against each of these. The CEO advised that he would meet with the Director of Health & Safety and the Director of Governance and that an update on progress will be circulated to the committee to its next meeting. This would also reflect on the culture with regard to follow-up of recommendations, and on the availability of resource to ensure that this takes place promptly. The committee noted that there was demonstrable progress of prompt follow-up in other areas overseen by the committee, such as of internal audit recommendations, which the committee had recognised at its last meeting.

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The Director of Technology and Infrastructure provided a verbal update on how the Group's IT systems are managed from a business continuity perspective, including the overarching strategy of managing risk by using cloud-based technology and spreading the back-up of systems across different providers to reduce the level of dependency on individual providers. He also explained the approach in relation to the main areas of threat in terms of business continuity:

- Loss of access to sites: which had happened at the beginning of the pandemic, in response to which the Group had established a capability for remote working by staff using laptops and online delivery of teaching to students. The Group was now comfortable with its capability to move swiftly to such a scenario if necessary.
- Loss of one or both data centres, the primary centre being located in Kings Cross and the second, suitably distanced and with ease of access, in Enfield. Various safeguards and back-up arrangements are in place at both sites and have been tested. In addition to replication of data between centres, the Group also uses back-up to Microsoft's Azure site recovery platform, as well as Azure blob storage, along with use of Rubrik, an immutable system which provides a 'go to' first point of recovery.
- A data recovery test process was undertaken in February. This test helped to define the Group's critical incident recovery process, in terms of the levels of priority of recovery of individual systems. One area of weakness that was highlighted was the longer-term testing of a major recovery in data corruption.

The committee therefore noted that significant progress had been made, although with further work still required, including incorporating the IT systems recovery process into the overall Critical Incident Management Plan.

The committee also noted that it was the agreed policy across the sector that colleges will not pay a ransom in the event of a ransomware attack on systems. The Director of Technology and Infrastructure advised that in the event of such an attack, one of the Group's first steps would be to call upon the support available from Jisc's cyber CSIRT team. He also confirmed that the Group has cyber security insurance in place and the documentation for renewal of this had just been reviewed.

The committee noted the helpful verbal report from the Director of Technology and Infrastructure and requested that a written report is provided and circulated to the committee. JW

6. INTERNAL AUDIT

A progress report was presented by the internal audit service. The committee noted that, following approval of the 2022/23 internal audit plan at the previous meeting, the majority of internal audit assignments had been scheduled, and the remainder were currently being scheduled. It was therefore anticipated that the plan, as agreed, would be fully implemented.

An internal audit report on Capital Projects was received. The following was noted:

- This was an advisory review in light of changes to the way in which the Group intends to manage capital projects, moving from an outsourced project management and procurement partner to an in-house project team. The internal auditor had looked at the Group's plans, and had compared these to what he would expect to see. This had led to a number of issues being identified. There were two 'High', six 'Medium' and four 'Low' priority actions for management.
- The internal auditor brought the committee's attention to the High recommendation relating to resourcing needs. He highlighted the risks arising from staff taking on the management of capital projects in addition to their ongoing day to day responsibilities, and the importance of having adequate supporting resources in place from the outset. The CFO advised that this has been recognised and that a dedicated in-house project management team had now been established, led by a senior member of staff with significant experience. Attention would now be paid to embedding reporting and sign-off processes. Additionally, for all major projects, a dedicated project manager will be appointed.
- Many of the internal auditor's other recommendations related to areas of best practice.

An internal audit report on Cash and Banking was received. The following was noted:

- Four 'High', two 'Medium' and one 'Low' priority actions for management had been identified.
- The overall opinion provided in the report was one of Partial assurance, due to identification of various areas of non-compliance with the Group's own policies and procedures. The potential to further reduce the use of petty cash, which had already been cut back as a consequence of Covid, was also noted.
- The Finance Team had updated some of its processes and was following up on addressing the behaviour of non-compliance.

An internal audit report on General Ledger was received. The committee noted the overall opinion of Reasonable assurance and the one 'Medium' and one 'Low' priority actions for management that were recommended.

An internal audit report on Sales to Cash was received. The following was noted:

- The overall opinion provided in the report was one of Partial assurance. There were two 'High', two 'Medium' and two 'Low' priority actions recommended.
- In addition to areas of non-compliance with relevant policies and procedures, as in the case with Cash and Banking and which were being addressed similarly, there were issues arising from the use of two systems (UNIT-E and EBS) and the absence of a direct interface between them. The internal auditor noted, however, that notwithstanding these issues, significant positive progress had been made in reducing the level of student debts. The Finance Team is now in the process of moving to a cloud-based system with the aim of resolving these issues and improving the reconciliation of receipts.

The committee received the Annual Internal Audit Report for 2021/22 and noted the following:

The overall opinion was Amber/Green (unqualified), meaning that the organisation has an adequate and effective framework for risk management, governance and internal control, albeit that the internal auditor's work had identified further enhancements to the framework to ensure that it remains adequate and effective. The internal auditor advised that it had been a marginal decision as to whether to give an opinion of Amber/Red, in view of the nature of the recommendations made in the various internal audit reports, but that the opinion recognised that many of the reviews undertaken were of areas that the Group had identified that there may be potential issues. He had also recognised that, in relation to the key area of student data, there had been a significant improvement on the previous year.

7. REVIEW OF FINANCIAL REGULATIONS

The committee received the annual update of the Financial Regulations, with changes from the previous version highlighted. The committee noted:

- The main changes related to procurement, with the aim of making the regulations more straightforward and easier for staff to understand. The updated regulations would be rolled out to all budget holders, with appropriate training.
- A number of updates, such as the provisions relating to bad debt write-offs and limits, had been made in response to internal audit recommendations.
- With respect to contract approvals, specific values had been added.
- The regulations as written implied that the Group would never enter into a contract that is not in line with the Group's terms and conditions, and whilst the committee supported this principle for the majority of contracts, it recommended that there should be a provision for some flexibility in certain circumstances, subject to an appropriate level of sign-off (e.g.CFO/CEO). The committee also made recommendations relating to delegation so that the CFO is not required to sign off every contract.
- The committee also recommended some further slight redrafting and clarification of definitions.

Subject to these amendments and considerations, the committee **approved** the Financial Regulations.

8. UPDATE ON EXTERNAL AUDIT

The external auditor provided a verbal update on progress. He highlighted the following:

- Whilst the audit had not yet commenced, preliminary work relating to the ILR was progressing well and testing had not raised any major concerns so far.
- A significant issue facing colleges this year is LGPS pensions. As a result of significant changes in the discount rate, the Group's deficit on the scheme, based upon the actuarial calculation, has reduced dramatically to £14m, from £98.5m last year, which is a massive move in the Group's favour. This calculation is based on the annual valuation. The Group will also receive the triannual valuation shortly, which will form the basis of calculation of primary and secondary contribution rates going forward, and which is therefore more significant from a cashflow point of view. Along with other considerations, including the Pensions Increase Order, it is likely that the Group will see considerable volatility in these valuations over the next few years. The external auditor offered to hold a separate discussion on this matter with the CFO, Chair of the Committee and any other members of the committee.

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- Holiday pay for part time and casual employees is also an issue that needed to be considered, in light of the ruling in the recent Supreme Court case of Harper Trust v. Brazel, and the external auditor would pick this matter up with the CFO.
- News continues to be awaited on the potential reclassification of colleges following the recent ONS review, and the implications thereof, although there is no action required by the Group in relation to this at the present time.

9. COMMITTEE MEMBERSHIP

The Director of Governance provided a verbal update. He advised that steps had been taken to seek a new member of the committee to replace Cosette Reczek, who had stepped down at the end of the 2021/22 academic year. Adverts had been placed on a charity website and on the Group website, but no candidates suitable for interview had applied. It was therefore the intention to re-advertise, and any help that existing members of the committee and the executive could provide in spreading the word would be greatly appreciated.

10. RISK REGISTER

The committee received for information a copy of the risk register

11. COMMITTEE SCHEDULE

The committee received for information the updated schedule of committee business.

12. BOARD MINUTES

The committee received for information the minutes of the Group Board meetings of 6th July 2022.

Dates of next meetings

Wednesday 16th November 2022 at 5.00pm

Wednesday 22nd March 2023 at 5.00pm

Tuesday 20th June 2023 at 5.00pm

Signed as a correct record: _____

Chris Hyams (Chair)