

## CAPITAL CITY COLLEGE GROUP BOARD: AUDIT COMMITTEE 22<sup>ND</sup> MARCH 2023

<b>PARTICIPANTS</b>	Chris Hyams (Chair). Sanna Jordansson, Paul McLoughlin, Toyin Odutayo, Ellen Lee
<b>IN ATTENDANCE</b>	Pablo Lloyd, Kurt Hintz, Rachael White, Sarah Ventham, Stewart Cross, Graham Drummond, Mike Cheetham (RSM), Stuart McKay (MHA MacIntyre Hudson), Neill Scott (item 3 and 4) Graham Cooper
<b>APOLOGIES</b>	Weiye Kou
<b>DECLARATIONS OF INTEREST</b>	None

The Chair welcomed Ellen Lee to her first meeting of the Committee.

### 1. MINUTES OF THE MEETINGS HELD ON 16<sup>TH</sup> NOVEMBER 2022

The minutes of the meeting held on 16<sup>th</sup> November 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 a follow up report in relation to implementation of recommendations from the business continuity scenario test undertaken in November 2021, and with respect to the full Critical Incident Plan, incorporating ICT business continuity, these are included in the papers for items 3 and 4 for this meeting.

With respect to the internal audit review of Estates Management, this is covered in the internal audit update for agenda item 5.

With respect to follow-up of audit actions, the committee recalled that the intention was that any external audit recommendations are included (along with internal audit recommendations) in the internal auditors' follow-up review.

With respect to a final review of the narrative within the 2021/22 Financial Statements, this had been completed ahead of approval of the Financial Statements, which had taken place at the December 2022 Group Board meeting.

### 3. HEALTH AND SAFETY UPDATE

The committee received a report and noted:

- An external independent assurance audit looking at all major elements of health and safety management systems across the Group is under way. The audit is being undertaken by Britrisk, an independent company. The expert individual from Britrisk is highly qualified, works with multiple schools and colleges and is familiar with health and safety practices across the sector. He has also worked with the Group for many years, and therefore knows the Group well. The CFO advised that a draft report on the audit has just been received, which she will review with the Director of Estates and Facilities. A report on the outcome, along with an action plan based on the recommendations from the audit and an update on progress, will be provided to the June meeting.
- With respect to the Health & Safety team, the Head of Health & Safety position has been vacant since January 2023, when the previous postholder left the Group. A number of prospective candidates have been interviewed and two offers have been made, but have not been taken up by the preferred candidates. As the role has proved very difficult to fill, alternative arrangements are being put in place in order to ensure that systems remain effective. Three Health & Safety Operational Managers are to be appointed, each assigned to one of the Group's colleges, in response to feedback expressed by the colleges that there is insufficient local operational support. One of these Managers will be developed through training and mentoring over the next couple of years to become the Group' senior competent person. During this period, the responsibilities of this role will be outsourced, with a clearly

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defined scope and remit. With respect to this, the Committee sought reassurance regarding overall management responsibility within the Group for the oversight of Health and Safety. The CFO advised that she and Director of Estates and Facilities will take on much of the responsibility, with a dual reporting line to the CEO, and that she will hold the position of the nominated senior competent person for Health and Safety and will be responsible for reporting to the Audit Committee. The committee recognised that this would add to the workload of the CFO, although she also explained that it is her intention to establish an internal Health & Safety Committee to support this oversight.

- With respect to the Business Continuity Plan (BCP), an update was provided on the 24 audit recommendations, the majority of which arose from the November 2021 scenario test. 20 of these have been completed and 4 are in progress which relate to testing of the BCP (the next item on the agenda).

#### 4. BUSINESS CONTINUITY PLAN

The committee received a report that included a new Group BCP, and the following was noted:

- The new plan seeks to bring together individual plans that have existed across the Group, into a new unified BCP for the Group as a whole. The need for this was highlighted by the audit findings and action plan that arose from the test in November 2021, as already discussed. The test evidenced a number of weaknesses, particularly relating to organisation and responsibilities in the event of a critical incident taking place, which had been brought to the committee's attention in October/November 2022. Since that meeting, work had taken place to create a new BCP, as now presented.
- The new plan focuses on the highest level of decision-making, key definitions, organisation and responsibilities, and only deals with major incidents which have an extended recovery period. It identifies a critical incident management team that aligns with the structure of the Group Leadership Team, defines individual responsibilities and specifies how the plan (which dovetails with other departmental plans, particularly the ICT plan) is activated and the effect of that activation,
- The plan recommends how the Critical Incident Team (CIT) should operate, on a command and control basis, replacing normal management structures for a maximum period of 30 days. This is supported by a number of checklists in the plan.
- Also included is a process for review, maintenance and testing of the plan, which is not yet completed as testing is still taking place. This will be brought to the June meeting of the committee.
- The plan has been reviewed by a task and finish group of GLT members, including the CFO, the Head of Estates and Facilities and the Director of Technology and Infrastructure Services.

The committee noted that the plan is presented for approval on the basis that there is further work yet to be completed. The Chair requested that in addition to receiving the final version of the plan at the June meeting, it is added to the schedule of committee business for annual review.

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The committee highlighted the following considerations in relation to finalisation of the plan:

- Communication planning is critical, not only with staff and students, but also with external regulators, suppliers and insurers, including ensuring that any required timescales are met. These bodies may also be beneficial in terms of support, advice and guidance on managing specific incidents.
- A call tree, to support the communications cascade, should help to expedite the process, and would benefit from inclusion of named deputies. It was also noted that a tested Whatsapp Group has been set up, which should be added to the plan.
- The plan should identify those aspects that are fixed and can be predicted in the event that the plan is triggered, so that additional effort at this crucial time can be focused on areas where there is some uncertainty.

The committee approved the plan so far, with an update to be presented to the June meeting.

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The Chair suggested that consideration should be given to including a review of the BCP when putting together the internal audit plan for 2023/24.

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#### 5. INTERNAL AUDIT

An internal audit report on Budgeting and Forecasting was received. The following was noted:

- The CFO advised that the audit had been particularly thorough and robust.
- The areas reviewed included process improvements that had been made since the previous year, including the formalisation of a Q3 financial forecast, and additional controls including monthly reviews of areas of high value spend, and therefore high risk. These included expenditure relating to agency staff, exams, and facilities.
- The overall opinion provided in the report was one of reasonable assurance. There were no material concerns, and just three low level process-related actions, which the CFO acknowledged had been

well-made and will be helpful in leading to reflection on potential improvements for the future.

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An internal audit annual report on Governance – Recruiting and Onboarding was received. The following was noted:

- The overall opinion provided in the report was one of reasonable assurance and there is no significant cause for concern.
- Overall, the Group has an established framework in place to ensure a fair and consistent Governor recruitment process, and to identify where things may have gone right, wrong or maybe improved. There were 2 medium and 2 low recommendations, which related to due diligence during onboarding and more fully documenting the processes surrounding appointment of Governors.

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An internal audit progress report was received and the committee noted:

- As agreed at the previous meeting, the reviews of HR Recruitment and Quality Assurance have been removed from the 2022/23 plan.
- At the request of management, the review of Sickness Management has been delayed from January to April 2023, the review of Key Financial Controls has been delayed from January to May 2023 and the HR – Contracting and Pay review until closer to the end of the academic year. Whilst the internal auditor has accommodated these changes, at the request of the management team, and expects to complete the reviews so as to be able to provide the annual report as needed, these delays will impact upon the flow of reports presented to the Audit Committee, and the internal auditors' staff planning. The CFO explained the reasons for the deferrals, that were largely due to recruitment and systems upgrades currently being completed. It is hoped that an even flow of reports can be achieved next year.
- The committee commended the management team on the good progress with respect to completion of previous recommendations, 80% having been completed.

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An audit Benchmarking report was received. The following was noted:

- The report was based upon 2021/22 audit outcomes across the internal auditor's client base.
- The positioning of the Group, slightly below average, is reflective of the fact (as the committee is already aware) that the Group's overall 2021/22 assurance had been borderline. The trajectory is positive however, and an improved position is expected for 2022/23.

With respect to the Estates internal audit, it was noted that at the previous meeting it was agreed that the scope would be brought to this meeting for discussion. The Chair therefore asked that the scope is circulated to members of the committee.

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## 6. RISK REGISTER

The committee received and reviewed the risk register and noted:

- The register has been updated and has been reviewed by the GLT.
- A list of specific changes was provided. The issues that have driven the changes are numerous, but include, significantly:
  - the Group achieving an Ofsted Good rating in the recent inspection, which has reduced some of the quality risks.
  - 16-18 recruitment has been lower than planned this year, which has consequences and an impact upon on finances in future years.
  - the retirement of the CEO, appointment of an interim CEO and the process to appoint a new permanent CEO.
  - the decision to develop a new 5-year strategic plan, that will generate new opportunities, and new risks alongside those.
- Therefore, in the revised register:
  - risks that have increased are Group strategy, culture and structure, cost reductions to mitigate the below target 16-18 recruitment and the need to halt the future decline in 16-18 recruitment.
  - risks that have decreased include quality (recognising the Ofsted outcome), and also BCP, given the progress in addressing this.
  - some risks have been reformulated, including financial risks, so as to focus on cashflow and ESFA Financial Health ratings.

The committee questioned the reformulation of financial risks, and specifically the rewording of the risk

relating to achieving a breakeven out-turn, which had been changed to maintaining cash balances, requiring a positive educational EBITDA, which was easier to achieve. The committee was concerned to ensure that any change to the register correctly reflects a conscious decision by the Board with respect to the Group's financial strategy and objectives. It was therefore agreed that in the first instance this matter would be referred back to the Financial Oversight group.

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Although noting that some work had previously been undertaken to group risks of a similar nature, the committee advised that the register would benefit from a clearer categorisation (e.g. into financial, strategic learner experience, regulatory etc.). It was agreed that this will be considered as part of the next iteration/review of the register).

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## 7. ANNUAL INSURANCE REPORT

The committee received a report and the following was noted:

- The Group secures its insurances from Aviva.
- The management team has reviewed all areas of cover.
- The total premium for 2022/23 is £368.5k, compared with £339.4k for 2021/22. The increase in the cost of cover relating to cyber security (2022/23: £43.5k, 2021/22 £16.6k) is a significant reason behind this. Premiums in relation to cyber security have risen generally and the Group's previous premium had been low as a result of this insurance having been taken out early.
- Other increases are in line with the market, which has been reviewed and tested, to ensure overall best value, by the Group's brokers, FE Protect.
- During the past year, there have been a few incidents and accidents giving rise to claims, but nothing significant or out of the ordinary, and all of these have been managed well.
- The management team is currently going through a process of considering insurance options for 2023/24, which will be brought back to the committee in due course. This will include additional insurance relating to building works on the transformational projects.
- The implications of the recent reclassification of FE colleges into the public sector, and resulting requirement to comply with Managing Public Money Guidance, as referred to in the MHA Spring 2023 FE & HE Digest circulated to committee members, will add to the requirements for comparisons in future insurance reviews.

## 8. INTERNAL MANAGEMENT INFORMATION (MIS) CHECK

The committee received a report and the following was noted:

- The report summarised the outcome of a review of samples of funding files relating to 16-19 learners and adult learners. A further review is in progress in relation to apprenticeships and will be presented to the next meeting.
- Findings and proposed actions arising from the reviews were summarised, an action plan is in place and is being monitored, and there is nothing that gives the management team cause for major concern.
- The internal auditor recommended enhancements to the report, including the number of findings relative to the sample sizes, and greater explanation of the root cause of discrepancies and assurance that those are being addressed.
- No monetary risk was associated to the discrepancies, although the report would inform the internal auditors' work, which will include an assessment of the financial risk.

## 9. COMMITTEE SCHEDULE

The committee received and noted the current annual schedule of audit committee business.

## 10. BOARD MINUTES

The committee received for information:

- Minutes of the Group Board meeting of 14<sup>th</sup> December 2022
- Minutes of a Group Board workshop of 19<sup>th</sup> January 2023
- Minutes of the Group Board meeting of 10<sup>th</sup> February 2023

## 11. CONFIDENTIAL DISCUSSION WITH THE AUDITORS

This item is the subject of a separate confidential minute.

Date of next meeting: Tuesday 20<sup>th</sup> June 2023 at 5.00pm