

## CAPITAL CITY COLLEGE GROUP BOARD: AUDIT COMMITTEE 25<sup>TH</sup> MARCH 2024

<b>PARTICIPANTS</b>	Chris Hyams (Chair), Paul McLoughlin, Toyin Odutayo, Sanna Jordansson, Sarah-Jane Eglan, Weiye Kou, Ellen Lee, Nana Brew
<b>IN ATTENDANCE</b>	Angela Joyce (CEO), Kurt Hintz (Executive Principal), Rachael White (CFO), Sarah Ventham (Deputy Director of Finance), Stewart Cross, Graham Drummond (Director of Governance), Mike Cheetham (RSM), Stuart McKay (MHA), Graham Cooper
<b>APOLOGIES</b>	None
<b>DECLARATIONS OF INTEREST</b>	None

The Chair advised that this is Sanna Jordansson's last meeting of the committee. The committee thanked Sanna for her valued contribution during her time as a member.

The Chair also advised that Rachael White and Kurt Hintz are to leave the Group and that this will be their last meeting of the committee. Rachael and Kurt were thanked for their contribution to the Group and to the work of the committee over the past few years.

### 1. MINUTES OF THE MEETINGS HELD ON 22<sup>ND</sup> NOVEMBER 2023

The minutes of the meeting held on 22<sup>nd</sup> November 2023 were approved as an accurate record.

### 2. MATTERS ARISING

The committee noted:

With respect to the annual cyber security report, all vulnerabilities identified as part of the penetration test carried out in April 2023 have been closed off.

With respect to the HR Contracting and Pay Policy internal audit, RSM have confirmed that the majority of employees within the sample had one or more issues with their files and that there were no particular locations/colleges with more issues than others, leading to the conclusion that the issues found are across the Group as a whole, not limited to one area.

With respect to the pay policy, this has been reviewed and is currently being consulted upon. The pay policy sits within the remit of the remuneration committee, although for information, a copy of the draft policy is included within the information section of the papers for this meeting.

With respect the risk register, this has been amended in accordance with the committee's directions.

With respect to Business Continuity, an internal audit has been completed and is included as part item 4.2 for this meeting. The annual schedule of business has been amended to include an annual business continuity review in June.

### 3. HEALTH AND SAFETY

#### 3.1 HEALTH AND SAFETY UPDATE

The committee received an update report on Health & Safety, which the Chair noted had been a significant matter discussed by the committee last year and had been included as a substantive item in the committee's annual report to the Board in December. There had been some concerns arising from last year's specialist audit of the Group's Health and Safety systems that resulted in a lower overall score than the Group has been used to seeing in the past. Arising from changes in personnel, the CFO had taken on oversight responsibility for Health and Safety.

The CFO presented the report and the following was noted:

- The independent review undertaken in 2023 by external specialists Britrisk had a 69% compliance score and highlighted a number of red and amber areas for action. The update report demonstrates substantial progress made as these have been largely addressed. A new Health & Safety team was

put in place (including H&S lead for each college) and new systems and processes were implemented. A core aspect has been to build internal relationships and duty holder mentality, stressing that everyone has a role to play in health and safety, with additional training and further embedding of risk assessment procedures.

- The focus over the next few months is to roll out tool kits and duty holder training modules tailored to individual curriculum areas, which is to be undertaken in collaboration with the college Vice Principals.
- The CFO has been working closely with the Director of Estates and Facilities, who is to take on leadership of Health and Safety, with the new CFO to maintain oversight and providing future assurances to the committee. The plan going forward is to schedule a further independent audit in December 2024, allowing time for new processes to embed. It is anticipated that this will show a significant improvement in the compliance score. The committee noted that this would mean an 18 month gap between audits, rather than 12 months, and that the committee will not therefore receive external validation of the improvements that have been made in time for its own annual year-end report to the Board. The Chair advised that further consideration should be given as to how to ensure that, in the absence of the external validation, the committee is provided with as much assurance as possible, through internal systems and reporting during the summer term.
- The committee asked the CFO about her areas of most concern and she stressed the importance of the roll out of duty holder training and embedding practices, advising that these are likely to require a combination of inhouse delivery and additional external training resource.

RW

It was agreed that assurance would be provided to the committee in time for its November meeting with respect to Health and Safety, particularly in relation to any concerns identified by Britrisk, so that the committee can include an assurance statement within its annual report to the Board in December.

GD

### 3.2 BUSINESS CONTINUITY UPDATE

A report was received and the following was noted:

- The Business Continuity Plan (BCP) was approved by the committee at its meeting in March 2023 and an action plan was drawn up, since which time there has been significant progress in implementation. A CIMT training exercise was undertaken in October 2023 and a key area of further focus is an awareness programme to ensure that a wider group of staff have knowledge of the BCP arrangements and individual responsibilities.
- A business impact analysis has been completed and elements of an online battle box have been put in place. Departmental plans are in place for Estates and IT.
- An internal audit of business continuity planning has been completed by RSM and is on the agenda for later in this meeting. The report provides a Reasonable Assurance.
- The remaining actions from the current action plan, including those identified by the internal audit, are planned for completion by July 2024.

In light of the current climate relating to cyber security, the committee sought assurance regarding the action relating to a ransomware checklist and was assured that this will be in place by the end of March. The committee also advised that a check should be undertaken that the battle box includes instructions to enable access to the website and Sharepoint.

SC

The internal auditor recommended that the Group's BCP is cross checked against the 'Learning Lessons From The Cyber Attack' report recently issued by the British Library following the cyber attack that they experienced in October 2023.

SC

### 4. INTERNAL AUDIT

A progress report against the 2024/25 internal audit plan was presented by the internal auditor. The following was noted:

- Two reports have been finalised and provided for review at this meeting, these being Emergency Planning and Business Continuity and Staff Utilisation.
- The progress report also includes follow up on outstanding management actions and it is particularly pleasing to see that all 10 actions that were due have been implemented.
- Two further reviews, which are Student Mental Health and Well-Being and Anti-fraud, are near to completion. The internal auditor was asked whether he was aware of any significant issues arising from these and he confirmed that he was not, although he stressed the importance of the anti-fraud review in the context of new legislation introduced last year regarding corporate responsibility to take precautions to prevent fraud. This is likely to lead to further refresher/awareness training for staff on fraud prevention.
- The remaining two reviews, being Key Financial Controls and Learner Number Systems, have been

scheduled, and it is anticipated that the full programme of reviews for the current year will therefore be completed on schedule.

- As in previous years. RSM have been requested to complete a subcontracting controls review. This will be completed as a separate engagement to the internal audit plan and is currently planned to be completed during the week commencing 3<sup>rd</sup> June.

-----

An internal audit report on Emergency Planning and Business Continuity 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.
- There were 2 medium and 2 low priority recommendations. The two medium recommendations related to the appointment and assignment of responsibilities to deputies and ensuring that the guidance in the Business Continuity Plan and the Critical Incident plan are aligned.

-----

An internal audit annual report on Staff Utilisation was received. The following was noted:

- The overall opinion provided in the report was one of substantial assurance.
- There were 1 medium and 4 low priority recommendations. The report overall was very positive, with a low level of error rates (better than seen in many other colleges), and the issues identified are not considered to be systemic. Process improvements have been agreed and are being implemented to address the issues, including the identification of hourly paid lecturers in the staff utilisation report to ensure that staff are not overpaid.

-----

The committee also received for information a copy of a report that benchmarks the Group's internal audit outcomes (assurance levels and number of management actions etc.) against those of the wider FE sector. The Chair noted that the committee had previously been advised by the internal auditor that its annual opinion relating to the adequacy of the Group's framework for risk management and governance was comparable with that given for the majority of other colleges. Of particular note from the report was that this is so in as many as 94% of cases.

## 5. RISK REGISTER

The committee received a report along with the updated risk register. A review of the register had been undertaken by the Group Leadership Team (GLT) on 12<sup>th</sup> March and a number of changes were made to the register:

- Three new risks have been added:
  - Risk 4: Subcontracting, net risk 12. This risk has been split off from 16-18 and AEB recruitment. In particular, the Group has increased its subcontracting of 16-18s this year to help drive up learner numbers.
  - Risk 8: Capital Grant Claims, net risk 9. The number and complexity of our capital grants has increased, and there are risks of financial loss if grant claims are not made on time.
- One risk has been renamed:
  - Risk 13: "Failure to deliver transformational capital grant-funded property developments, for the benefit of learners" has been changed to "Failure to deliver current capital investment strategy", which is shorter and includes the Group's investment in these projects.
- No net risks have been increased.
- Three net risks have been decreased:
  - Risk 2: 16-18s Turn Decline into Growth, net risk down from 16 to 12. Enrolment of new 16-18s this year has been much stronger and applicants for next year are also up. The committee noted however, that the long-term perspective is less certain, albeit that demographic forecasts indicate steady growth in this population age group in the geographic area served by the Group.
  - Risk 11: Industrial Action, net risk down from 16 to 12. The UCU dispute during the current year has been settled and no further strike action is now expected during 2023-24, although longer term risks remain.
  - Risk 12: Business Continuity, net risk down from 10 to 8. Progress has been made over the past twelve months in implementing the plan to manage risks and the internal audit report, presented to this meeting, gives reasonable assurance. Notably, however, the risk of cyber attacks has not been reduced
- Two risks have been removed:
  - Risk 9: Staff and Student Wellbeing, former net risk 9. This risk is adequately expressed through

other items; Quality (1) and Safeguarding (19) with respect to students; and Recruit and Retain Staff (11), Industrial Action (12) and Legislation (17) with respect to staff.

- o Corporate Services, former net risk 12. This risk is adequately expressed through other items; Quality (1), Financial Health “Good” (7), Legislation (17), Security/Network Failure/loss (16), Recruit and Retain Staff (11) and Capital Investment Strategy (13). The mid-year quality improvement plan review showed a significant improvement in corporate services.

The CFO advised that changes have been agreed to the terms of reference of the Risk Management Group, aimed at further enhancing the underlying processes for evaluating and managing risks.

## 6. ANNUAL INSURANCE REPORT

The committee received a report and the following was noted:

- The Group secures its insurances from Aviva.
- The market has been reviewed and tested by the Group’s specialist education brokers, Gallagher. This review considered all relevant risk mitigation and general changes across the Group and ensures appropriate cover is in place.
- The total premium for 2023/24 is £411.1k, compared with £379.9k for 2022/23. A breakdown was provided showing the increases across areas and the rationale. The only increase of particular note related to cyber security (an increase of 10%). The committee requested further detail of the cyber-security cover and the Deputy Director of Finance agreed to provide this subsequent to the meeting.
- Claim levels in relation to Health and Safety are very low, to the extent that the Group receives a rebate each year, the insurance company being satisfied with Group’s processes for risk assessment, recording incidents and managing Health and Safety.
- An initial meeting has taken place with Gallagher relating to renewal for 2024/25 and the Pre-Renewal questionnaire is currently being reviewed.
- One area under review is the Victoria Centre, which is a Grade 2\* listed building. Aviva are not keen to continue this cover going forward as they do not normally provide cover for listed buildings. Alternative providers are therefore being sought. Recognising the risks arising from kitchen facilities that are necessary in the building to support its catering provision, the Group has installed fire suppressant equipment, which going forward will also be installed at the Group’s other sites.
- The committee asked about the insurance company’s involvement in business continuity and it was noted that, in accordance with the BCP plans in place, early contact with the insurance company is one of the very early elements of a response to a critical incident in order to access any assistance that they are able to provide.
- The committee requested clarification relating to the significant (£55k) third party bodily injury claim in place. It was noted that this claim is being defended. Whilst appropriate actions had been taken following the incident, there were learnings relating to gathering and retention of evidence including CCTV recordings.

SV

## 7. RSM CLIENT BRIEFINGS

The committee received for information copies of the following RSM briefings:

- Reclassification and the Rules – February 2024
- Taking Action to Manage Risks and Drive Improvement – February 2024
- Global Internal Audit Standards – February 2024
- Emerging Risk Radar – Emerging risk considerations - January 2024

## 8. SCHEDULE OF BUSINESS

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

## 9. DRAFT PAY POLICY – CONSULTATION DOCUMENT

The committee received for information, a copy of the draft pay policy as referred to under matters arising.

## 10. BOARD MINUTES

The committee received for information:

- Draft minutes of the Group Board meeting of 14<sup>th</sup> December 2023 and 9<sup>th</sup> February 2024

## 11. CONFIDENTIAL DISCUSSION WITH AUDITORS

This item is the subject of a separate confidential minute.

Date of next meeting:

Tuesday 18<sup>th</sup> June 2024 at 5.00pm