# CAPITAL CITY COLLEGE GROUP

AC 19/11/2018 **ITEM:1**

### AUDIT COMMITTEE

#### Minutes of telephone conference held on 2nd October 2018

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| **PRESENT** | Leslie Brissett (by telephone), Keith Brown (by telephone), Paul McLoughlin (by telephone), Cosette Reczek (by telephone), Fiona Thompson (Chair) |
| **IN ATTENDANCE** | Graham Drummond (Director of Governance), Nirmal Borkhataria (Chief Operating Officer), Simon Evans, (Director of Financial Accounting, by telephone), Graeme Clarke (Mazars, CCCG Internal Auditors), Julie Ellis (Governance Officer) |
| **APOLOGIES** | None |
| **DECLARATIONS OF INTEREST** | None |

The Chair welcomed Cosette Reczek, appointed to this Committee as a co-opted member at the Board meeting of 23rd May, to her first meeting and Keith Brown to his first meeting since joining this committee.

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|  |  | Action |
| **1.** | MINUTES OF THE MEETING HELD ON 19th JUNE 2018 |  |
|  | The minutes were agreed and signed by the Chair as a correct record. |  |
| **2.** | **MATTERS ARISING**  With respect to the minutes of the meeting held on 20th March 2018, it was noted that:   * In relation to item 2 Matters Arising, a draft action point tracker has been produced. The content and format will be determined before it will be produced before every meeting to monitor progress of action points raised during meetings of the Committee; * In relation to item 2 KPMG Funding Assurance Report, a follow up audit will start tomorrow and the findings reported to the next Committee meeting; * In relation to item 3 Annual Health and Safety Report, the Group’s insurance cover for legal expenses has been considered to ensure it remains adequate. It was confirmed that expenses are covered, but not any penalties imposed, which are standard terms; * Also in relation to item 3, a brief health and safety update will be presented to the audit committee and then to the Board; * In relation to item 4.1 p2 External Audit Fees, this item was on the agenda for the external auditors to provide further detail on fees at the request of this committee at its last meeting. A paper to clarify these was included amongst those issued for this meeting and was regarded as self-explanatory; * In relation to item 4.1 p3, the ESFA has not yet issued its template for reporting, but no significant changes are anticipated; * In relation to item 7, Modern Slavery Policy, the Group has yet to appoint a new procurement manager; * In relation to item 9, the internal auditors could use some of the contingency time during their audit to provide a report on the financial regulations and to test the website, which needs updating, as OfSTED pays close attention to this. As there is now no longer a finance and resources committee following the Governance Review, the scheme of delegation of financial limits will need to be re-assessed. Consideration will be given to whether papers which would have previously been scrutinised by the Finance and Resources Committee will now be considered by this Committee before going to the Board, though Board meeting minutes can be a starting point with further items supplied on request. | **FT/JE**  **GD/NB**  **FT/GD** |
| **3.** | **INTERNAL AUDIT** |  |
| **3.1** | **INTERNAL AUDIT PLAN** |  |
|  | A draft of the proposed plan was considered and received. It was noted:   * The internal audit strategy and operational plan have been endorsed by the GLT; * The audit code of practice no longer prescribes mandatory areas for the internal audit service (IAS) to review, however the funding agency still require colleges to demonstrate that their subcontracting arrangements have been independently audited on an annual basis, in most cases this is carried out by the IAS and the previously mandated areas still provide a useful framework. The Group is free to include “softer” areas for focus, such as staff development, or the committee terms of reference in any audit cycle; * Key areas for focus include: * Subcontracting. This will be a fixed item, as the subcontracting report is written as part of the assurance process to ensure that the requirements funding bodies are complied with. The Group’s practices continue to meet these and if there were any risk the Group missing its targets, an extra piece of internal audit can be commissioned in the spring to put it back on track. It will be challenging for FE providers generally to offer a high level of service within the 20% cap on management fees; * The monitoring of learner numbers for CCCG will continue to be the subject of specialist focus for the time being by KPMG, while Mazars will report on this area for CONEL.   The Internal Audit Plan was **APPROVED**. |  |
| **3.2** | **OUTSTANDING ACTIONS** |  |
|  | A report on outstanding audit recommendations was received and considered. It was noted:   * An updated version of the tracker summary was produced. The full report with the detail underlying each recommendation was sent by e-mail; * The new version has additional columns to indicate the importance of the recommendation and a reconciliation with the previous report; * The Committee requested that MIS issues be covered in future versions of the tracker summary; * Of the 88 recommendations, 59 have been identified as complete by internal managers with 29 in progress. 25 are overdue.   The Committee welcomed the revised format of the tracker and asked that this format is used for at least its next iteration. |  |
| **3.3** | **FOLLOW-UP** |  |
|  | A follow-up report was received relating to the second of the internal visits scheduled under the 2017/18 internal audit plan. This item had been adjourned from the last Committee meeting for departmental management responses. It was noted:   * The purpose of the follow-up is to independently verify management recommendations; * Of the 39 recommendations, 22 have been implemented. The auditors did? not agree with all management responses, for example, the processes in respect of four of the five payroll starters sampled for the follow-up audit fell below the standard expected, but this may be due to partial implementation or evidence not yet being supplied to support completion rather than systems being faulty; * The Committee would welcome some benchmarking to show how the Group acts upon audit recommendations in comparison to other colleges to inform CCCG’s self-assessment; * Some of the recommendations are aged and could do with review, such as a June 2015 recommendation regarding risk assessments for educational trips (p8) as the approach has been revised while a group process is established. |  |
| **3.4** | **FORECASTING AND REPORTING** |  |
|  | A report on forecasting and reporting was received. It was noted:   * This was the second of two visits in this area. The first visit of the auditors was in March, focussing on budget preparation and processes to monitor delivery, and all recommendations made then have since been closed down as complete or no longer necessary; * Adequate assurance was issued in respect of the second visit in this area, which focussed on mid-year forecasting and accuracy of assumptions; * Priority 2 recommendations have been issued in respect of the consistency of budget reports and the ability to drill down into the data provided by budget holders; * The committee were assured that improvements have been made to reporting practices which will prevent the recurrence of forecasts being based on estimates rather than actual enrolments; * It will be critical to ensure that systems and controls are in place sufficiently early in the academic year to maintain this progress and it was noted that the first visit of the IAS will be in December, after this Committee’s November meeting. There was some discussion as to whether scenario planning would enable the Group to anticipate problems with meeting targets earlier in the year, which the finance team would consider. | NB |
| **3.5** | **GDPR** |  |
|  | A report on GDPR was received. It was noted:   * Adequate assurance has been issued; priority 2 recommendations have been made in respect of the need for a breach policy and a framework for conducting privacy impact assessments; * A GDPR and cybersecurity audit of CONEL that had been commissioned before its merger into CCCG had issued limited assurance, but CONEL will now be covered by the Group’s policies and procedures; * There are staff and student privacy policies in place, but the Group should establish a policy in respect of third parties. * There is a Data Protection Steering Group which should meet again this term and training for staff was rolled out over the entire Group last term; * Since the GDPR came into force in May of this year there have been a number of subject access requests, however no data breaches have occurred or been reported to the ICO.   It was agreed that GDPR should be a standing item until the recommendations contained within the report have been actioned. | **GD** |
| **4.** | **TERMS OF REFERENCE** |  |
|  | The committee’s new terms of reference (approved by the Board in July) were received for information. |  |
| **5.** | **SCHEDULE OF BUSINESS** |  |
|  | The committee’s schedule of business was received and considered. It was noted:   * The Group’s insurance arrangements would be better considered by the Committee in the Spring if the Committee wanted any input in the terms of the policies, which are generally negotiated in June or July; * Internal and external audit appointments should be considered earlier in the year than they were last year (some appointments were confirmed at the November meeting); * It was suggested that the schedule of business be mapped to the Terms of Reference; * It was noted that work had previously been done on the risk management framework based on the ‘three lines of defence’ model and should be incorporated; * Some items could be dealt with by e-mail before the committee’s November meeting if necessary, as the agenda is likely to be a full one. |  |

The next meeting will take place on 15th November 2018, venue to be confirmed.

Signed as a correct record: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Fiona Thompson, Chair of the Committee