Minutes of the Audit Committee
Tuesday 5 March 2019
Tower Board Room, Bedford

Present: Sheila Selwood (Chair)
                 Stewart Briggs
                 Casandra Daubney

In Attendance: Pat Jones, Director of Finance (PJ)
                 Rachel Nicol, Director of Governance & Clerk to the Corporation (RN)
                 Eno Kadiri, Data Protection Officer (EK)

Action

AC/01/19   Apologies for absence

Apologies for absence were received from Richard Dimbleby

AC/02/19   Matters arising; not covered elsewhere on the agenda

It was agreed to take the agenda items in a different order due to availability of those presenting papers;

AC/03/19   GDPR

The Data Protection Officer ("DPO") attended to present the report at agenda item 7.

Recent activities to monitor compliance across the Group were summarised including; data audits at Tresham and Shuttleworth.

Assurance was given that there had been no significant concerns noted at either site but that advice had been given and noted on further enhancement of data security.

The report highlighted the following; no reportable data breaches recorded, non-reportable breaches summarised, two subject access requests in the period since the last report. Neither subject access request had been progressed due to identification not being provided. It was confirmed that the process is working well and the central tracking being well managed.

The overall rag rating of compliance was referenced with no major events since the time of the last report.

Chair approved 23.03.19
Committee approved 20.06.19

Assurance was sought and given that progress is taking place at an acceptable pace for an organisation of the size of The Bedford College Group ("BCG"). BCG has acknowledged the requirement for further data cleansing and archiving management but it was recognised that such activities will require resource and time to resolve but in the meantime the risks are being mitigated.

The non-reportable breaches have been attributed to human error and further work is being done to increase training and awareness. The requirement for data to meet operational needs is being managed to balance the requirement for data security. The Committee discussed how the College will grade progress under the rag rating whilst accepting that targets are evolving due to the need to continually impact assess data processes.

The DPO reiterated the requirement for internal departments to engage with data management and carry out necessary work.

Currently recommendations are rated green if recommendations have been completed according to agreed College processes.

The Committee noted the reduction in recommendations for urgent action demonstrating progress. The Committee requested that target dates are implemented against recommendations to facilitate the monitoring of progress.

The reference to the delay on penetration testing was discussed. The justification and timeline for completion of the work was considered. It was noted that the Executive had considered the timeline in relation to the implementation of cyber security and agreed the timeline.

Data Processing agreements were discussed. The DPO has reviewed progress and will communicate with departments to request further steps are taken both to monitor progress and to complete the exercise.

Training and awareness is being monitored through the recording of breaches.

The DPO left the meeting and assurance was noted.

**AC/04/19   Internal Audit reports
                Subcontracting certificate**

The Director of College Information Systems introduced the audit report. The internal auditor provided background on the requirement for the audit, being both at the Audit Committee's request and as a result of the National Audit Office requirement for assurance in respect of ESFA funding.

It was confirmed that the review looks at the contractual arrangements in place and controls in place to manage subcontracted activity. The overall level of subcontractor activity from the two contractors reviewed, circa £500k was noted by the internal auditor to be low for the overall size of the BCG.

A certificate will be issued which confirms the work has been done. The report summarises whether areas reviewed are compliant (5) or partially compliant (2) and non-compliant (1).

Recommendations in respect of areas of partial compliance and non-compliance and relevant actions were reviewed. Assurance was given that signed contracts are now in place and that no new enrolments had occurred prior to the contract being signed.

The Committee reviewed progress in respect of recommendations in the previous year and expressed concern that two actions had not been implemented and that in one case the recommendation was repeated in the current year. It was confirmed that the Executive had discussed the report. There were requirements for amendments to the drafted contract which took time to resolve but assurance given that recommendations and required actions are being managed.

The ESFA amend contracts annually due to changes required by them. A recommendation in respect of the requirement to take specific legal advice was referenced. The Chair questioned the management response and the internal auditor concurred that the response is not clear. The Director of Finance confirmed that advice can be taken from the College's Procurement Advisor. The Committee reiterated that it would be helpful to have a broader explanation in the management responses in future responses to articulate the action being taken.

The nature and relevance of the advice suggested was debated. It was confirmed that there is assurance that the procurement process is not challengeable. Further clarification was sought on what the recommendation means from the internal auditor.

A further recommendation around specific contingency arrangements where a subcontractor goes into liquidation was

highlighted. The Executive agreed this will be reviewed in terms of contract provisions.

It was reiterated that the subcontractor income in relation to the size of the College is limited but that the certificate is a requirement for funding.

The Committee asked that management review their responses in reports to ensure information to the Committee articulates their reflection on the recommendations.

Assurance that actions will now be taken were noted and the recommendations will be monitored on the rolling action plan.

AC/05/19   **ESFA Funding Audit**

The report was introduced by the internal auditor. The audit followed a methodology in approach similar to that the ESFA would take except that the sample sizes are smaller than a typical funding audit. A funding audit would also include testing of bursary funds which hasn't been undertaken.

The overall assurance conclusion of the internal auditor was adequate design, weak application/ compliance with overall reasonable assurance. Section 2 and the Executive summary was referenced.

Recommendations centered around;
- Data errors, for example on enrolment forms
- Recording of apprenticeship activity, review of start dates, activities, evidence to support learning commencement, demonstration of clear progression and participation.
- Recoding of off the job training and demonstration that training is planned and evidenced

It was noted that it is a complicated data set but further analysis is required to manage and resolve issues. Some issues have been resolved subsequently internally.

The Committee questioned the point of reference for determination of the sample size and application of extrapolation.

The Committee expressed concern on the number of errors found in percentage terms. The management responses were considered and the Committee asked that the management responses are reviewed to ensure they properly consider and reflect the recommendations. It was noted that report timing in future years will be looked at to ensure management have

sufficient time to complete responses prior to consideration by the Committee.

Assurance was given that the Executive are managing the approach to data and the focus on eliminating errors. The Executive will review accountability in the College and it was recognised that a number of departments will be involved in the action plan to address issues.

The report was noted.

The Director of College Information Systems was thanked and left the meeting.

AC/06/19   **Business Continuity Plan**

The Director of Estates and Facilities joined the meeting and presented the report at agenda item 6.

Highlights of the report and lessons learned from the college closure resulting from a police incident were highlighted;

- Communication across the group and analogue radio use. Digital radios have now been purchased. Sharing of mobile numbers is being looked at.
- Timing and length of closure
- Curriculum department activity review
- Management plans

The Committee was pleased that a thorough review had been carried out. The issue of rate of cascade of information and testing was raised by the Committee. The openness on perceived weaknesses was commended. Clarity on decision making and messaging is being reviewed. Each director will be asked to look at their own area and required role in various scenarios. The Executive will consider the type of testing required and an agreed programme established to ensure testing is carried out every 2 years.

The Committee questioned what would have happened if exams had been scheduled. This issue will be considered by the management team. The Committee discussed the value of a Business Impact Assessment to look at the processes and identify the priorities for their restoration in various scenarios. The concept of instant command and control was considered. It was agreed that plans will be supplemented by appropriate training.

The debrief activities in individual departments were discussed. This will be picked up in the directors' meetings. The issue was

raised that the Business continuity plan should be underpinned by business impact assessments. It was agreed that there is additional work being done and the Committee will receive further assurance on additional work in due course. *A progress report will be brought to evidence how actions are being taken forward (Director of Estates & Facilities).*

The update was noted.

The Director of Estates and Facilities was thanked and left the meeting

AC/07/19   **Internal Audit Progress report 2018-2019**

The Internal Auditor presented the report.

It was noted that in respect of the internal audit plan for 2018/2019 no systematic control weaknesses have been identified and that progress on the plan is as expected. Seven audits have been completed of which 4 were advisory and 4 finalised. Two further advisory audits will be completed by specialist consultants.

It was represented that the timescale for the audit fieldwork is appropriate but that consideration will be given to the need for management to have adequate time to respond to recommendations prior to finalisation of the reports. To date it was noted that there has been two high level recommendations, 6 medium and 9 low.

It was reported that the Chair of the Committee and the Clerk had attended a pre meeting with the Internal auditor who has taken over as the lead audit partner for BCG. The discussion had included; issues that have arisen on audits to date, clarification of expectations for remaining audits for the academic year, audit outcomes and management responses to recommendations.

The report was noted.

Chair approved 23.03.19
Committee approved 20.06.19

AC/08/19   **HR reporting (advisory report).**

The audit was undertaken to assist in meeting information requirements including looking at the type and frequency of HR information to be provided and identifying best practice. No assurance conclusion was given due to the advisory nature of the audit. It was agreed that implementation dates and details of individuals responsible for actions will be input.

The question of resources was raised. It was confirmed that a lead person has been allocated within the HR department to the role of report production.

The limitations in the current system producing management information was questioned. Assurance was given that the system capabilities are being closely scrutinised.

Equality & Diversity reporting referenced at 2.3 was highlighted. Concern was raised as to whether the College can demonstrate effectiveness of its' Equality & Diversity policies.

Management will continue to look at the available reports and stakeholder engagement was supported as a sensible means of identifying the reports required.

The Committee agreed that the report will be sent to the Resources Committee for consideration in due course (RN).

The Committee was satisfied with the report and the planned actions.

The report was noted.

AC/09/19   **Internal audit reports, Key financial controls – use of procurement cards**

The Internal auditor presented the report and the overall conclusion of the auditor was; adequate design, adequate application/compliance and reasonable assurance opinion with no significant weaknesses identified, three medium and one low level recommendation. The Financial Controller attended to provide further information. The Committee discussed; higher than expected number of cards, requirement for heightened controls, reconciliations and provision of receipts. The requirement for compliance with agreed procedures was acknowledged.

The Committee questioned the level of assurance given based on the narrative in the report. The Director of Finance provided an explanation in respect of "active cards" verses "cards issued" .The

Committee confirmed that the explanation should be included in the management responses and assurance was given that the list has now been consolidated.

It was recognised that the activity of one area is being closely reviewed to manage compliance. Management supported the potential for card suspension where policies are not followed. Alternative procurement methods and training are being reviewed but the impact on the purchase ledger on removal of credit cards was highlighted.

The Committee was satisfied with the detail of the management responses.

The Financial Controller left the meeting.
SB left the meeting

AC/10/19   Internal audit recommendations

The review outlined the one high and six medium audit recommendations outstanding from earlier fieldwork reports. Progress on each was discussed and noted.

The Committee noted the assurance given.

AC/11/19   Key Risk Review

An updated Risk Register was tabled. As at February 2019 there are 10 inherent risks included (9 in November 2018) scoring 15 or more with 1 risk increasing in score. The risk in relation to improving student outcomes was considered and discussed. It was noted that following mitigating actions all residual risks score less than 15 but that further work is being carried out to bring risks down to target.

The report was noted

AC/12/19   Minutes

The minutes were agreed to be an accurate record of the meeting held on 19 November 2018.

Actions in future minutes to be in italics. An update was given on AC/31/18 on Stability of the Leadership internal audit. The Chair confirmed the list has been compiled for Search & Governance and will go to the next meeting.

Meeting closed