Minutes of the Audit Committee
Tuesday 20 June 2019
Tower Board Room, Bedford

Present: Sheila Selwood (Chair)
             Stewart Briggs
             Richard Dimbleby

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

Action

AC/13/19   **Apologies for absence**

Apologies for absence were received from Casandra Daubney

AC/14/19   **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/15/19   **Internal Audit Recommendations**

The Chair introduced the report.

The report highlighted 6 medium and 1 high risk recommendations currently being monitored and progress against each was reviewed and discussed. In particular the Committee discussed;

Subcontracting

An update was given on the intended purchase of an e-tendering system. Assurance was given that College is below the threshold for subcontracting on education provision. It is anticipated that the review of an e-tendering system will be completed by September 2019.

Performance management

The Committee sought clarification on the reference to "noted" and questioned what action is being taken. *The Director of Finance agreed to seek clarification and identify a date for completion.***(PJ)**   PJ

Chair Approved 25.06.19

Data Protection and GDPR

The Committee sought clarification on wording and raised concerns over work not completed by some areas. It was explained that the Principal has agreed that where third parties have not signed the necessary contractual provisions departments will be instructed not to use them after the end of the academic year.

Procurement cards

It was estimated that between 80 -100 cards in place but this is managed by the Financial Controller who was not present at the meeting. Work is being done to reduce the number of cards but it was acknowledged that there is still a need for some cards. The procedure is being updated to reflect current practices.

ESFA Funding Audit

The need to prepare people involved in the admissions and enrolment process was acknowledged.

The internal auditor concurred that the approach being adopted by the College is appropriate to deal with the issues raised in the audit.

Further intelligence on the recommendations is anticipated in the Apprenticeship audit reports which are currently being finalised.

In summary ICCA advised that the College continues to make good progress in implementing these recommendations.

The Committee was satisfied with the assurance received and noted the report.

AC/16/19   **Funding optimisation for DSAT**

DSAT is a data sampling and auditing tool. It was explained that the reports produced are reviewed by the College to ascertain course and enrolment funding optimization potential.

The report and verbal update outlined the College's approach and current position. The Committee noted that the College is now potentially in a position to apply to the ESFA for additional funding.

The internal auditor explained the process of checking for data anomalies and the approach taken to dealing with issues.

The Director of College Information Systems reported that the feedback provided from the audit was narrower than expected. The potential scope for future reports to comment on the actual level of funding and level of fees charged was discussed.

It was confirmed that the College routinely goes through the reports. A deeper analysis of the data presented was carried out internally with only 383 checks of 8574 remaining.

The relationship between optimisation of funding, theoretical adjustments and considerations in attracting students was highlighted. It was acknowledged that in certain circumstances the College has determined that no charge should be made.

Although it was acknowledged that College policy is to maximise income it was understood by the Committee that the College has to consider a number of factors and balance policies.

Income is maximized by balancing funding between ILR claims and use of alternative funding streams such as bursaries.

The role of the Audit Committee in regard to the DSAT optimisation report was questioned.

Assurance was given that the exercise identified gaps in ESFA funding which have been reviewed with the College satisfied that no further funding will be achieved given the over performance against contract.

Further assurance was given that the policy of not charging for particular courses is reviewed periodically and that forms have been changed to ensure funding rules are applied consistently.

The College will determine in due course whether a business case will be presented to the ESFA for additional funding.

The Committee noted the report.

AC/17/19   **Follow up audit recommendations**

ICCA provided substantial assurance on progress. 87% of recommendations have been fully implemented by management - those remaining are in progress, considered low risk and have revised implementation dates of 31 August.

A payroll review is provided for in the audit plan in 2019-2020.

On page 7 of the report it was noted that Business Development Managers have a target to bring in at least 5 new levy accounts in the next year.

The report was noted.

AC/18/19   **Apprenticeships Audit**

A presentation by the Director of Finance outlined a dual enquiry being undertaken within the College by specialists (Lockhart Hawkins) i.e. funding compliance and quality appraisal.

The presentation of DLH given to the Executive was explained to the Committee and highlights provided as follows;

- Scope of work carried out.
- Review of the process around the initial assessment of learners and negotiation of price around prior learning and changes to shape and scope of the programme.
- Funding opportunities that have been identified around learning needs, process set up and transfer of information
- Commitment to assist in implementation work and further input on the follow up.
- Programme design and issues identified, in particular off the job training and evidence of compliance with rules.
- Risk around end point assessment if end point assessor is not identified at the outset. Management of the process given the decision on the end point assessor sits with the employer.
- Existence of documents, need to use documentation to shape the programme and ensure appropriate contracts are in place.
- Need to review contracts to ensure scope for charges and efficient management of contracts.
- Employer involvement in use of digital apprenticeship system and impact.
- Delivery to own staff, requirement to look at suitability of apprenticeship jobs.

- Consistent processes and questions to ensure correct identification of levy / non levy employers at outset.

Compliance and process issues have been revealed, along with opportunities. It was acknowledged that this is considered a high risk area for the College, including potential implications regarding Apprenticeship delivery.

Assurance was given that the focus and priority of the Executive is on;

- Design work around processes to ensure information is received and managed appropriately.
- Employer engagement model.
- Need to review all the steps involved and look at systems solutions

The timeline was explained;

- Close down meeting with auditors on 21 June 2019.
- Executive report on 2 July for formal feedback.
- Review of written recommendations and work over the summer
- Longer term action plan for implementation of recommendations.

Actions agreed included
a) A report to Corporation at the July meeting.
b) Audit members advised by email of the outcomes of the review.
c) Review at the Board Development Day.
d) Standing item to Audit for at least the next two meetings,
e) QSA kept appraised via Apprenticeship reports.
f) Project team to liaise with DPO on data impact of process changes.

The Committee noted that although the area is high risk   RN
the College has identified the issues and accepted the
assurance around management actions.

AC/19/19   **Internal audit plan and updated strategy**

The internal auditor had met with the Director of Finance to produce the initial draft. The presented plan, created with due regard to the risk register and reflecting key college risks, was reviewed and agreed. The key performance indicators for assessment of Internal Auditor performance were also approved.

Highlights of items included in the plan were;

- Payroll
- Safeguarding with focus on Single Central record
- Review of learner progress monitoring, actions to drive improvements
- Financial planning and controls
- ESFA mock funding audit excluding apprenticeships
- OFS registration process
- External assurance on subcontractors

The Audit Committee further discussed;

- Relationship between risk register and internal audit plan. The Committee requested that the document relates the planned audits to the Risk Register.
- The reference to inspection grading in the plan. It was agreed that reference should be made to the Self-Assessment Report with links made with action being taken on apprenticeships.

The Committee supported the exclusion of a governance audit for 2019-2020 with College priorities being focused on other areas.

The number of days will be guideline 40 against the current year of 46 but with flexibility as required.   ICCA

The internal audit plan was approved subject to the minor amendments suggested and it was agreed that there is no requirement to review it in the Autumn term.

AC/20/19   **Business and continuity plan update**

The Director of Estates and Facilities attended the meeting.

The update report was presented and included the drawing up of templates for Business Impact Assessments ("BIAs") and the next steps required to implement BIAs.

Concern was expressed over whether these would be given priority over other college needs in order to ensure that BIAs are in place for all key college areas. A lockdown alarm system is under review, and this was welcomed.

It was reiterated that all departments need to buy in to the business impact assessments with a committee established to review the plans. The intention is that Directors work with their Heads to establish the plans and areas will be asked to look at critical areas.

The Committee discussed;

- The feasibility of completion of work to implement BIAs and requirement to prioritise areas of greatest risk.
- Assurance given on the communications system.
- Potential to break down tasks and cover risks on large areas such as estates and IT.
- College readiness in the event of incidents.

The Committee sought assurance that a plan in place to prioritise key risk areas and to put in place business impact assessments.

The Committee concluded that they did not want to push the paper back and although the risk around management capacity was acknowledged the Executive will be asked to consider progress **(PJ/DG)**.   PJ/DG

The Committee requested update reports on BCP during 2019/20 and will seek further assurance on the progress of BCP including the completion of BIAs.

Progress made was noted.

AC/21/19   **Key Risk Review**

The latest version of the risk register was reviewed, including the most recent highlighted risks, mitigating actions and scores. As previously noted the apprenticeship review has highlighted key areas of risk included at C1. The lower cost bases required to meet the reduction in income for 2019/20 was also noted to be significant. The Director of Finance further highlighted;

- Management of cash to complete capital projects is critical to the controls
- Risks at BSF around vocational delivery with risk to recruitment and reputation. Further information was

provided on performance and action taken to resolve issues. Use of college central reporting mechanisms had not been consistent but are now in operation. Structural changes to resolve problems were also outlined.

The Committee discussed;

- The scoring system and approach of reviewing risks where scores are consistently above 15 and whether risks meeting the residual target should continue to be reviewed.
- The relationship between the risk strategy and risk matrix.
- Process around cascade of area risk registers and relationship to corporate risk register. The register is updated by the Executive prior to the Committee.
- The stage at which a "risk treatment plan" is put in place. The owners are the leaders on the risks allocated to them.
- The need to update the dialogue **(PJ)**   PJ
- *Need to review current residual risk on GDPR* **(DPO).**   DPO
- Impending pension changes and financial control. Strategic choices and potential crystallisation of debt. Assurance given around pension grant for one year.
- Uncertainties around the political picture and leadership.

The Director of Finance will review the general comments and narrative to ensure it reflects the forthcoming year.

The Committee noted the Risk Register and the assurance received.

AC/22/19   Data Protection

The DPO report highlighted the continuing work in this area to ensure GDPR compliance, including the need to ensure staff awareness is raised e.g. on what a data breach is, how retention is managed etc.

Actions taken in areas of non- compliance by staff were discussed. To date there is a positive verbal report on penetration testing. The Committee again asked for target dates to be included in the DPO reports next year against outstanding recommendations. It was further explained that;

- Positive progress was made on the finalization of the retention schedule and the initial schedule has now been completed.

- No ICO reportable breaches have been registered and an update on non-reportable breaches was given. Further guidance will be produced to help individuals identify the nature of breaches and log all incidents for review. It was explained that benchmarking with other Colleges provided assurance that the number of breaches is typical in the sector at this stage.
- Impact assessments and the need for records of processing activity to be completed. It is planned to roll forward the exercise with the main support areas initially.**(DPO)**   DPO
- Recommendations review, a further review will be carried out on 1 July. Target dates will be set and recommendations grouped. Progress has been made but it was acknowledged that there is a need to complete the evidence gap and ensure the audit is completed.
- Data subject rights, right to be forgotten, corrections etc. Controls, dates, triggers and tracking have been established and are working well. The Governance Administrator was commended for her involvement in this project.
- *Penetration testing has now been carried out and the department is understood to have received positive feedback. A full report will be reviewed in due course* **(DPO/RC)**   DPO/RC
- The need for near misses to be logged so that training needs are followed up.
- Key area of concern; processing agreements.(**DPO**)   DPO
- Next steps, more training and awareness. Continued offer of lunchtime sessions and refresher training as part of staff development.

The Committee discussed;

- Endorsement of the approach of zero tolerance
- Need to ensure actions in place.
- Whether the residual risk on the register should be adjusted to reflect lack of compliance on third party processor exercise. Assurance was given that it was a fair score based on the actions but will continue to be reviewed.
- Apparent static score on the red recommendations, confirmation that there is progress that is not reflected.

The report was noted.

AC/23/19   Internal regularity

The committee considered the internal regularity report, noting the incidents reported. This joint report from the Director of Governance and Financial Controller was noted as helpful in both providing information and assurance; in future the Director of HR will also be included to assist triangulation.

The Committee requested that further advice should be taken from HR to ensure the actions identified in respect of management letters have been completed and sent and covered all areas of concern identified in respect of the Post 16 Audit Code of Practice, Funding memorandum and other regulatory requirements.

The Committee noted the report.

AC/24/19   Recommendation of the Financial Statements Auditor and the Internal Auditors for 2019-2020

The Committee considered the report and recommended the appointment of;

a) Macintyre Hudson as Financial Statements Auditors for 2019/20, and
b) ICCA as Internal Auditors for 2019/20

AC/25/19   Minutes

The minutes of the meeting on 5 March 2019 were approved as an accurate record of the meeting.

AC/26/19   Committee Self- Assessment, terms of reference and business plan

It was agreed that the self-assessment key outcomes will be   RN
circulated and discussed via email with members.

The terms of reference review was accepted and the Business Plan for 2019/20 approved subject to the addition of items agreed in the meeting.

Meeting closed

Chair Approved 25.06.19