

MILTON KEYNES COLLEGE

AUDIT & RISK COMMITTEE

Part 2 Minutes of the meeting held on 24th November 2022

Room 3, Chaffron Centre

08:45 – 10:25

Committee Members	Attendance Record 2022-2023	Present at this meeting
Richard Bartlett-Rawlings Alan Cook (Chair) Peter Cox Mat Gotkowski	1 of 1 1 of 1 1 of 1 1 of 1	Richard Bartlett-Rawlings Alan Cook Peter Cox Mat Gotkowski
Total percentage attendance this meeting	100%	4/4
Total percentage attendance year to date	100%	4/4

In attendance: Sally Alexander (CEO), Miranda Coles (CFO), Jason Mansell (Principal: Quality and Student Experience) Alasdair McWilliams (Data Protection Officer) (in part), Natalie Malena-Bangs (Judicium Clerk) (Teams), Karen Brown, Head of Governance (Teams), Sam Samuels, Governance Partner
Lee Glover, Haines Watts (Teams), Hugh Swainson, Buzzacott (in part)

PART 1

Confidential (minuted separately)

PART 2

1.0 Financial Statements 2021/22 (not on the agenda)

The Financial Statements (FS) were not available for this meeting consequently the Committee has agreed to hold an additional meeting on 6th December¹.

The Committee Chair sought assurance on the resource needed to meet the revised date and to ensure that the day to day business was being managed.

Miranda Coles gave an update.

¹ Subsequently rearranged for 14th December

Matters outstanding with the FS are:

- Additional information requested by the Finance Group on 22nd November to support Going Concern e.g. cashflow.
- Pensions revaluation.
- Accounts for the subsidiaries; three are straightforward but CMA Ltd requires unpicking and restating. Apprenticeships are being delivered through the College and not the CMA to comply with apprenticeship funding rules.
- Hugh Swainson added that the Teachers' Pension liability of £1.5m is still on the balance and needs to be resolved. This relates to the change in prisons contract and there is no information on potential clawback.

The College will be readvertising for a Director of Finance (no appointment was made in the first recruitment round) and in the meantime the Prisons Management Accountant and an interim technical accountant (who is very capable but does not have FE expertise) are supporting.

The advert for the Chief Operating Officer (CFO) vacancy is live.

Governors requested:

1. A realistic timeline for presenting the draft FS to the Audit & Risk Committee² and to the Board³ for approval (an extraordinary meeting may be necessary). Consider whether additional interim resource is necessary.

Action 1: Miranda Coles and Sally Alexander

2. Alert the ESFA to any issues (if appropriate).

Action 2: Miranda Coles and Sally Alexander

3. Explain the prior year adjustment to the Directors of CMA Ltd (governors can assist if required).

Action 3: Miranda Coles

Hugh Swainson was thanked for attending and he left the meeting at 09:10

PROCEDURAL

2.1 Committee Chair

The Committee ratified the election of Alan Cook as Committee Chair and Richard Bartlett-Rawlings, as Committee Vice-Chair for 2022/23 (previously agreed by email).

2.2 Welcome and Apologies

The Chair welcomed everyone to the first meeting of the new cycle. There were no apologies as everyone was present.

2.2A Declaration of Interests

None.

2.3 Minutes of the Last Meeting

The Committee approved the minutes of the meeting held on 30th June 2022 (previously circulated as Papers Confidential 2.3A, and 2.3B and Confidential 2.3C)

² Agreed as 14th December 2022

³ Agreed as 20th December 2022 (extraordinary meeting)

Matters arising

Date raised	Action	Who	Status
30.6.22	1. Amend the IAS satisfaction questionnaire to show whether the audit was onsite or virtual	GT / IAS	Complete
	2. The assurance reports relating to cyber security / ISO will be shared with Haines Watts.	GT	Complete
	3. Hold a further audit planning session to review the IAS plan / analysis of the assurances and accreditations received in the past 2 years to identify gaps / analysis of the risks which could prevent the delivery of the Strategic Plan.	GT / JMa / MC	Complete (superseded) The IAS plan was approved by the A&R Committee and Board by written resolution.
	4. Having completed action 3, A&R Committee to agree the revised IAS plan and recommend to the Board for approval by written resolution.	FC / MC	Complete
	5. Include RMG minutes with the Risk paper at future meetings.	MC	Complete
	6. Add a deep dive into risk relating to people/culture to the Committee's cycle of business	FC / MC / GT	Carry forward - agenda item for March 2023
30.03.22	3. The directors of PETS (MK) Ltd to pass a formal resolution changing the minimum number of directors from one to two.	KB	Complete (superseded) Not necessary as PETS is to be dissolved.

3.0 2021/22 ASSURANCE

3.1 Internal Audit 2021/22 (previously circulated as Paper 3.1)

Miranda Coles advised that Elucidate Consulting Ltd had completed the final two audits:

3.1.1 Governance – Performance Management

The opinion is that the systems and controls provide '**satisfactory assurance**' (which is the highest level).

There were no recommendations.

3.1.2 Sub-Contracting

The opinion is that the systems and controls provide '**moderate assurance**' and there were four significant recommendations (three of which have been addressed and the fourth is addressed at this meeting through agenda item 4.2 below).

Lee Glover added that specific documentation is now required to meet the new sub-contracting requirements and there should be regular reports to governors.

The Committee noted the report and approved the management responses.

3.2 Internal Audit Satisfaction Questionnaires (previously circulated as Paper 3.2A and 3.2B)

The Committee noted the satisfaction questionnaires relating to item 3.1

3.3 Internal Audit Annual Report and Assurance Statement 2021/22 (previously circulated as Paper 3.3)

Elucidate Consulting Ltd has provided the annual report for 2021/22 including an unqualified audit opinion.

“Based on the internal work carried out in 2021/22, we consider that Milton Keynes College’s governance, risk management and internal control arrangements are generally adequate and effective to manage its achievement of the College’s objectives. Certain weaknesses and exceptions were highlighted by our audit work and all these matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.”

“The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.”

There were 15 reviews during 2021/22 (10 in 2020/21):

- 13 reviews received satisfactory assurance (highest level)
- 2 reviews received moderate assurance
- 1 review was deferred (assurance framework governance – information governance / GDPR)
- No reviews received limited assurance
- Overall there had been:
 - No fundamental recommendations
 - 6 significant recommendations
 - 12 merits attention recommendations

The Committee reviewed and approved the Internal Auditor’s annual report and assurance statement for the year ending 31 July 2022 and recommended this to the Board for approval.

4.0 2022/23 ASSURANCE

4.1 Internal Audit Progress Report 2022/23 (previously circulated as Paper 4.1)

Lee Glover advised that the HR Health Check was in progress and should be completed in December. There has been a discussion with management about postponing the Core Financial Controls audit which overlaps with the Counter Fraud Health Check; the Committee agreed to review this at the next meeting (when the new COO and Director of Finance may be in post).

Action 4: Miranda Coles / Audit & Risk Committee

Sector Updates

Haines Watts has published sector updates via LinkedIn on:

- [The Scope of Work of Audit Committees and Internal Auditors in College Corporations \(January 2022\)](#) (see item 6.9 below)
- [ESFA Post 16 Audit Code of Practice \(April 2022\)](#) (see item 6.10 below)
- [Subcontracting Standard Audit Requirements \(August 2022\)](#) (see item 4.2 below)
- [DfE Keeping Children Safe in Education \(September 2022\)](#) (Board item 5th October 2022)
- Grant Management (September 2022)

The Committee stated that not all members use LinkedIn and requested a new standing item at future meetings to brief governors on sector developments.

Action 5: Miranda Coles / Auditors

The Committee noted the internal audit progress report

4.2 Sub-Contracting (previously circulated as Paper 4.2)

In response to a previous audit recommendation, and changes to the ESFA conditions of funding from 2022/23, sub-contracting will be a standing item at future Committee meetings.

Action 6: Miranda Coles

Miranda Coles referred the Committee to paper 4.2 which describes the new sub-contracting standard. This will be the first year with the standard being externally validated prior to ESFA accreditation.

The internal auditors (Elucidate) carried out a sub-contracting audit in July 2022 and made a 'significant' recommendation that *'The College formerly reports to the Board in December 2022 on progress in achieving the required subcontracting control framework for the Subcontracting Standard which will apply in 2022/23'*. The management response was *'The Audit and Risk Committee will receive a paper in November which updates contract values and covers the annual due diligence and quality monitoring processes. The December Board meeting will include an update from the Chair of the Audit and Risk Committee which covers these items.'*

Haines Watts will be carrying out a review on sub-contracting as part of the agreed plan of activity for 2022/23.

The College's Sub-contracting Strategy, Fees and Charges Policy is published on the College website. When sub-contracting, the ESFA requires colleges to demonstrate there is a local need which it cannot meet directly.

The College currently works with 4 providers:

- Arts 1 (performing arts)
- SOFEA (education, employability, and wellbeing programmes for vulnerable young people)
- MacIntyre No Limits (education and skills for young people with Autism, Special Education Needs and Social, Emotional and Mental Health needs)
- Walnuts Care Limited (similar to MacIntyre for autistic young people post 16 who cannot access mainstream education).

Contracts are issued with Maximum Contract Values (MCV) and the College retains a management fee to cover the cost of quality assurance, monitoring, training and support.

Subcontract Partner	Learner Numbers	MCV
Arts 1 (contract is reducing)	100	£632k
SOFEA	20	£88k
MacIntyre No Limits	60	£2,588k
Walnuts Care	7	£248k

The College team has identified roles and responsibilities as required by the Standard: monthly contract management meetings are held with sub-contract partners where minutes are taken with actions identified.

Governors asked:

How do the sub-contracting arrangements for the IoT feature in this assurance?

Apprenticeships are being delivered through the College and not the CMA to comply with apprenticeship funding rules. The contracts are between the College and employers (the IoT is not currently on the sub-contractors register).

To satisfy the audit recommendation, the Board will receive a report of this meeting from the Committee Chair and minutes of this meeting.

The Committee noted the assurance on sub-contracting

4.3 Progress in implementing recommendations from previous audit reports (previously circulated as Paper 4.3)

Miranda Coles updated the Committee on the progress in implementing previous audit recommendations:

Internal Audit

Since the last meeting, there have been 4 new and 9 completed recommendations. There are currently 4 recommendations outstanding which have passed their implementation date (1 significant and 3 merits attention).

The Committee agreed the extensions.

External Audit

There are two recommendations from the 2020/21 external audit with implementation dates of July 2022. These will be reviewed as part of the 2021/22 external audit.

Funding Assurance Review 2022 (RSM)

The report and management response will be submitted for review and approval at the next meeting.

Action 7: Miranda Coles

The Committee reviewed the report, noted progress, and agreed revised implementation dates where requested.

4.4 Risk Management & Board Assurance (previously circulated as Papers 4.4, 4.4A, 4.4B and 4.4C)

Miranda Coles reported that since the A&R Committee meeting in June, the College's Risk Management Group (RMG) had met three times and the minutes were circulated for this meeting (Paper 4.4B) together with the RMG's Terms of Reference (Paper 4.4C).

Matters reviewed by the RMG included safeguarding, data breach, cyber-attacks, IOT project and staff recruitment, retention, and development.

The Strategic Risk Register has been updated (4.4B). There are thirteen strategic risks of which four residual risks are red (highest impact / likelihood) and nine are amber (medium impact / priority). The red residual risks are:

1. Harm to students, staff, and members of the wider college community – **Safeguarding**
2. **Data breach** resulting in a fine and reputational damage
3. Financial/data losses and reputational damage as a result of a **cyber attack**
4. Financial losses and/or reputational damage as a result of failing to effectively manage **the Institute of Technology** Project

As requested at the last meeting, there will be a deep dive into people/culture risk in the Spring term (agenda item for the next meeting).

Action 8: Miranda Coles

Governors asked questions:

The September RMG minutes of 9th September refer to risk appetite. Was this followed up?

Haines Watts enquired about risk appetite as part of a current assignment.

The Committee requested a proposal at a future meeting on how risk appetite could be applied to the risk management process e.g. when audit planning.

Action 8: Miranda Coles

The October RMG minutes refer to a new risk - cost of living / hardship / the economy, which is not included in the heatmap. Has this risk been assigned an owner?

This is a new risk which we are still scoping. Kaye Dwight may be assigned as owner.

The Committee recommended the Strategic Risk Register to the Board for approval

Alasdair McWilliams joined the meeting

4.5 Data Security / GDPR (previously circulated as Paper 4.5)

Alasdair McWilliams who is the new Group DPO (Data Protection Officer), provided assurance on data security.

Number of Requests / Data Breach

- Since the last meeting there have been ten DSAR requests, nine FOI requests and six other requests for information which have been dealt with.
- There was one minor data breach which did not require reporting to the ICO.

Cyber Attacks

- The risks of Cyber-attacks leading to data breaches in the sector continues to be high; 75% of FE Colleges surveyed by the Government had suffered a cyber security attack or breach in the last 12 months.
- Improvements continue to be made to data security e.g. multi-factor authentication
- There is close collaboration between the DPO and IT Services Team.

Staff Training

- The College's Information Security and Data Protection mandatory training modules are adequate but will be updated when the contract is renewed.
- This year 84% of staff have completed Data Protection/GDPR training and 78% of staff have completed Information Security training.
- Ad-hoc training and advice is also provided on request.

Documentation Review

- There is an ongoing review of Data Protection Impact Assessments (DPIAs) and data sharing and data protection clauses in contracts.

Governors asked:

What is your greatest concern?

There are no red flags. There are a lot of administrative tasks outstanding, and some work required to educate our contractors and partners, but this is low risk.

The Committee noted the assurance on Data Security and GDPR

5.0 Governance

5.1 Committee Annual Report to the Board 2021/22 (draft) (previously circulated as Paper 5.1)

The draft report outlines the work of the A&R Committee for the period 1st August 2021 to 24th November 2022 including matters covered at this meeting. The report will be updated and resubmitted at the Committee meeting on 14th December 2022 when the Financial Statements information and external audit opinion will be added. A copy of the final report will be submitted to the Board on 20th December and sent to the ESFA with the financial statements.

The Committee identified the resourcing challenges and ONS reclassification as emerging issues.

The Committee reviewed and approved its draft Annual Report for 2021/22 up to the date of this meeting

CONSENT AGENDA

The following items were approved by consent / without discussion:

6.1 Regularity Self-assessment questionnaire (RSAQ) (previously circulated as Paper 6.1)

The Committee reviewed and approved the RSAQ and authorised the CEO & Group Principal and Chair of Governors to sign this (for submission to the Board with the financial statements)

6.2 Self-Assessment against Annex C of the Audit Code of Practice - Summary of regularity concerns (previously circulated as Paper 6.2)

The Committee received the assurance relating to Annex C

6.3 Assurance relating to anti-fraud (ACoP Annex D) (previously circulated as Paper 6.3)

The Committee received the assurance relating to Annex D

6.4 Value for Money Statement 2020/21, KPIs for 2021/22 / Value for Money Policy (previously circulated as Paper 6.4)

The Committee:

- **Approved the Value for Money Statement for 2021/22**
- **Approved the KPIs for 2022/23**

6.5 Code of Good Governance for English Colleges

The Committee noted that the Search & Governance Committee, at its meeting on 8th November 2022, reviewed the Code of Good Governance for English Colleges and agreed that the Board was compliant in all areas.

6.6 Board Members' and ELT Expenses, Gifts and Hospitality 2020/21 (previously circulated as Paper 6.6)

Governors asked:

Why has credit card expenditure increased significantly in 2021/22?

The College changed its credit card company and reduced the number of cards e.g. IoT / curriculum expenditure was charged to Alex Warner's card and Prisons did not have a separate credit card for several months, so travel and accommodation expenditure was charged to the CEO's card.

A more detailed breakdown of the expenditure will be circulated to the Committee and the report will be updated before it is published on the College website.

Action 9: Miranda Coles / Karen Brown

The Committee approved the report for publication on the College website (subject to the action minuted above)

6.7 College Financial Regulations (previously circulated as Paper 6.7)

The Committee reviewed the following sections of the Financial Regulations:

- Section 2: Responsibility Delegation and Monitoring
- Section 6: Purchasing and Competitive Tendering
- Section 12: Inventory & Asset Management
- Section 13: Capital Projects
- Annex 1: Post Holder Titles and Groups

The table in Section 6 will be amended to refer to the Public Contracts Regulations (PCR) before the Financial Regulations are presented to the Board for approval.

Action 10: Miranda Coles

The Committee recommended the Financial Regulations to the Board for approval (subject to the amendment minuted above)

6.8 Committee Performance – self-assessment 2021/22 (previously circulated as Paper 6.8)

The Committee approved the self-assessment of the Committee's performance

6.9 Good Practice Guide Action Plan (previously circulated as Paper 6.9)

All actions have been completed.

The Committee noted progress with the self-assessment action plan.

- 6.10 Audit Code of Practice self-assessment (previously circulated as Paper 6.9)**
One action is carried forward.

The Committee noted progress with the self-assessment action plan.

ANY OTHER BUSINESS

7.1 Nothing was raised.

NEXT MEETING: 14th December 2022

Lee Glover was thanked for attending and he left the meeting.

PART 3

Confidential (minuted separately)

A handwritten signature in black ink, appearing to read 'Alan Cook', with a long horizontal flourish extending to the right.

Approved 14 December 2022
Chair of Audit and Risk – Alan Cook