

MILTON KEYNES COLLEGE

AUDIT & RISK COMMITTEE

Part 2 Minutes of the meeting held on 17th June 2021, MS Teams,
08:30 to 10:10

Committee Members	Attendance Record 2020-2021	Present at this meeting
Richard Bartlett-Rawlings	3 of 3	Richard Bartlett-Rawlings
Alan Cook (Chair)	3 of 3	Alan Cook
Peter Cox	3 of 3	Peter Cox
Mat Gotkowski	3 of 3	Mat Gotkowski
Kuldip Kaur	3 of 3	Kuldip Kaur
Total percentage attendance this meeting	100%	5/5
Total percentage attendance year to date	100%	15/15

In attendance: Karen Brown, Imelda Galvin, Marc Gillham, Will Gordon, Julie Mills
Simon Cox, Elucidate, Hugh Swainson, Buzzacott, Karl Bentley, RSM (in part)

CONFIDENTIAL PART 1

- 1.0 This part of the meeting was a confidential session with no management present (confidential minutes Part A).

PART 2

- 2.1 There were no apologies as everyone was present.
- 2.2 Declaration of Interests: Richard Bartlett-Rawlings declared an interest in item 4.4 (the Committee did not regard this as conflict and Richard was not required to leave the meeting for this item).

MINUTES OF LAST MEETING: 18th March 2021

- 3.1 **The Committee approved the minutes** (Papers 3.1A, 3.1B and 3.1C)
There were no matters arising from previous meetings.

2020/21 ASSURANCE

There was a change to the agenda.

4.4 Data Assurance – RSM Funding Review (Paper 4.4)

Marc Gillham explained that the College commissioned RSM to conduct a Funding Assurance Review (as it has done in previous years) on Study Programme, Adult and Apprenticeship provision.

The review was designed to mirror an ESFA Audit and was commissioned prior to a public interest disclosure (PID 1B) allegation made to the ESFA concerning Study Programme Hours. The RSM report will be shared with the ESFA.

The College's approach was to treat the review as though it was a formal ESFA Audit.

The overall report was positive reporting no substantial issues with 16-19 study programme or adult provision. However, some weaknesses were identified with (historic) apprenticeship data.

There was one high, twelve medium and sixteen low priority recommendations. The high priority recommendation has been addressed and all other recommendation have been implemented or will be implemented in the 2021/22 academic year.

Karl Bentley, RSM, was welcomed to the meeting and introduced himself as a FE Funding specialist. Karl highlighted:

- In Karl's experience, for apprenticeship provision, the College is in the upper quartile of colleges which have good controls.
- In his recent years of working with the College, good progress has been made e.g. no funding errors were found in the study programme sample; study programme represents funding of £15.8m.
- The main challenge relates to historic apprenticeships records. The high priority recommendation relates to off the job training delivery and if this had been an ESFA audit and if the College had been unable to produce more evidence, current and prior years funding could have been ineligible. Training is recommended for staff and apprentices.
- There was a 10% error rate of under-claims.

The Committee asked questions to which Mark and Karl replied:

Are the sample sizes typical as they seem to be on the low side?

The sample sizes were confirmed with the College, and it was agreed to focus the testing on areas perceived to have a higher risk i.e. apprentices. There was also a full review of the DSAT software which covers the entire records.

21 errors were found in the 30 apprenticeship files sampled - were these discrete errors?

Some files contained multiple errors. During an ESFA audit, there is an opportunity to address evidence for apprentices who are still 'on programme'. Mark confirmed that although it is not reflected in the management response, work has already started to review all records to ensure the evidence is complete (and in some cases, transferred across from OneFile).

What is the risk of prior year adjustments e.g. learners who have completed?

The ESFA audit process reviews funding drawdowns between 1st August and 31st July. Learners who have completed or withdrawn prior to 1st August are out of scope. However if a systemic issue is discovered, the ESFA can request the auditors to also review prior years.

Does the College adjust the claims if this funding review reveals over (or under) claims?

Yes, if the evidence cannot be provided, we will adjust the claim before the year end. However, in most cases, we can ensure the evidence is in place.

How have the recommendations and management actions been categorised?

Low: low impact of refunding (e.g. data issues with no impact on the funding claim)

Medium: risk of a funding impact which requires attention

High: high risk of funding impact requiring additional urgent work across multiple records

Karl was thanked for attending and he left the meeting.

As the report will be shared with the ESFA following the PID 1B, how do we expect the ESFA to view this report?

The PID 1B related to study programme hours and the report is very positive in that there were no funding errors relating the study programme. The College has been raising concerns with the ESFA concerning the complexity of the apprenticeship rules and the administrative burden, so the apprenticeship recommendations are unlikely to be a surprise. Karl has assured the Committee that the College is making progress. The fact that the College commissions these assurance reviews also demonstrates good practice. The ESFA has not yet announced which colleges will be selected for an audit his year, but this report should not raise the College's risk level (the College was last randomly selected in 2017).

The Committee reviewed the report and approved the management response.

4.1 Internal Audit 2020/21

a) Internal Audit Report (Paper 4.1A)

Simon Cox referred to the progress report:

- The Committee agreed to defer the governance - performance management audit (which will review the KPIs underpinning the strategic plan) until 2021/22 as the new strategic plan, with associated KPIs, will be launched in July.
- Estates Strategy, Prison Education, Sub-contracting, and Safeguarding audits are in progress and will be completed by the end of July (subject to access to prisons). The Committee asked that the reports be circulated on completion (for review formally at the next meeting).

Action 1: Elucidate

- There has been one completed audit since the last meeting:

General Ledger

The opinion is that the systems and controls provide '**moderate assurance**'.

There were two significant and two merits attention recommendations. The report has been accepted by college management.

Simon explained the reasons behind his opinion and the robust conversations which had taken place with Will Gordon.

The Committee asked questions:

Will there be a retrospective review of transactions carried out to the General Ledger Sun Accounting System?

Any bank account changes are reviewed and signed-off weekly. There are robust controls in place and only three super users can access the management console to make set up changes to General Ledger. Implementation of the separate access rights was delayed due to COVID, but work will commence later this month with a planned completion date of 31st July.

Does external audit review General Ledger controls?

There is an understanding but no detailed testing of controls. The journals however are tested.

The Committee noted the report and approved the management responses.

b) Satisfaction Questionnaire (Paper 4.1B)

The Committee noted the Performance Survey questionnaire relating to the General Ledger audit (and the scores which reflected the robust conversations between the auditors and management)

4.2 Progress in implementing recommendations from previous audit reports (Paper 4.2)

Will Gordon updated the Committee on the progress in implementing previous audit recommendations. Twelve recommendations were carried forward and since the last meeting, four new recommendations have been added and seven recommendations have been actioned. Nine recommendations are carried forward.

Simon Cox confirmed that Elucidate produce Table 3 and that the recommendations marked as implemented had been followed up and tested.

No recommendations have passed their implementation dates.

The Committee reviewed the report and noted progress.

4.3 External Audit Strategy and Planning Memorandum for year ending 31st July 2021 (Paper 4.3)

Hugh Swainson drew attention to sections of the report including:

- The services to be provided are Financial Statements Audit, Regularity Assurance and Teachers' Pension Scheme audit.
- The audit fieldwork will commence on 18th October and the clearance meeting will take place on 15th November. The draft report and accounts will be available for circulating to the Audit & Risk Committee on 25th November (for the meeting on 2nd December).
- The intention is to undertake the audit work onsite (if this is possible) with some work being completed remotely.

- The financial statements will be drafted in accordance with the 2020/21 Accounts Direction Framework. An additional bulletin relating to issues arising from COVID is expected.
- Following publication of the Post-16 Audit Code of Practice (ACoP) 2020/21, auditors can no longer place reliance on ESFA funding reconciliation statements. There are also new requirements for the Audit Committee's annual report to the Board.
- There is a new auditing standard relating to 'going concern' with auditors being required to provide a higher level of assurance including increased audit work to robustly challenge management's assessment of going concern and testing the adequacy of supporting evidence. All assumptions, risks, and sensitivities etc should be documented and a supporting paper justifying going concern is becoming standard practice.
- The usual regularity self-assessment questionnaire (signed by the Chair and CEO) will be required to support the regularity assurance.
- The issues of audit significance were agreed with Imelda Galvin and Will Gordon at the pre-audit planning meeting. These are: impact of COVID on going concern, income recognition including prison education, regularity, IoT project, active subsidiary companies, staff costs, sub-contractor provision, management override of controls (journals), related party transactions and accounting estimates.
- Fees, which have been agreed with the College reflect increased work this year (and further expected guidance from the ESFA).

The Committee asked questions to which Hugh responded:

Is a benchmarking report produced?

Yes, data is benchmarked against similar colleges audited by Buzzacott and reported in the post-audit report.

What impact will the RSM report have on the audit plan (revenue testing)?

The materiality gives confidence for the College as most of the funding is 16-18 study programme and prison education. We are waiting for the ESFA further guidance to know what is required (hence the range in fees quoted).

The Committee reviewed the External Audit Strategy and Plan for 2020/21 and recommended this to the Board for approval.

4.5 Post-16 Joint Audit Code of Practice (ACoP) 2020/21

a) Committee training: new ACoP (presentation))

Hugh Swainson briefed the Committee on changes to the ACoP 2020/21.

In response to a question from the Committee Hugh confirmed that external auditors are not expected to attend the Board meeting providing that the External Audit Findings report is scrutinised by the Audit & Risk Committee and is shared with the Board. Buzzacott has confirmed this with the ESFA. Buzzacott will however attend if the Board requests it.

b) Self-Assessment against the new ACoP requirements (Paper 4.5)

The College has carried out a self-assessment against the ACoP changes and is fully compliant in all areas with one exception (due to the delay in completing the sub-contracting audit which is in progress). As a result of the ACoP, changes have been made to the Financial Regulations (Paper 6.4) and the Committee's Terms of Reference (Paper 8.1).

The Committee noted the briefing on the ACoP 2021/21 and the assurance on compliance

2021/22 ASSURANCE

5.1 Draft Strategy & Plan for Internal Audit 2021/22 (Paper 5.1)

Simon Cox and Will Gordon referred to the proposed plan which is based on a three-year cycle. Will assured the Committee that the plan was aligned to the Strategic Risk Register and had been discussed with the College's Risk Management Group.

The Committee recommended the Internal Audit Strategy and Plan for 2021/22 to the Board for approval

COLLEGE ASSURANCE

6.1 Risk Management & Board Assurance / Strategic Risk Register (Papers 6.1A and 6.1B)

Since the A&R Committee meeting in March, the College's Risk Management Group (RMG) has met twice (the minutes of the meeting held on 4th May 2021 were attached to Paper 6.1A for information).

There are eleven strategic risks of which two residual risks are red (highest priority) and nine are amber (medium priority). The two red residual risks are (1) inadequate buildings / infrastructure and (2) health and well-being due to the pandemic. Matters reviewed in depth by the RMG were ransomware and employee wellbeing.

The buildings and infrastructure risk relates to not having a Board approved Estates Strategy; the intention is to convene a Task & Finish Group to review the developing strategy.

The Committee reviewed the strategic risk register and noted the level of activity since the last meeting which provides assurance that risk is being managed by the College.

Risk Management Policy (Paper 6.1C)

There have been no changes to the Policy apart from a recommendation to change the review period from one year to three years.

The Committee recommended to the Board for approval:

- ***The Strategic Risk Register***
- ***The Risk Management Policy***

6.2 Data Security / GDPR / Freedom of Information (Paper 6.2)

Marc Gillham updated the Committee on data security and freedom of information.

Data Security

The main risk continues to be the security of systems and data; ransomware and malware attacks are on the rise. The College continues to invest significantly in IT infrastructure, staff training and good practice measures. Data sharing agreements are being reviewed.

Subject Access and Freedom of Information

The number of requests has not increased significantly but the complexity of requests (and the time involved to respond) has increased significantly. The Data Protection Officer (DPO) role / administration support is under review.

Freedom of Information / Data Protection Policies

The Policies have been reviewed; there are no significant changes.

The Committee asked questions to which Marc responded:

Are there plans to repeat staff training (e.g. clear desk) as more staff are coming back on site?

Yes and training has been ongoing with the curriculum teams. We have also reviewed the College's mandatory training to target individual's needs.

Does Marc have a deputy in the event he is not available? It would be good to have a formal arrangement in place.

Formally no but the Head of Information Services would step in and support.

The Committee:

- ***Noted the assurance on data security / GDPR***
- ***Recommended to the Board for approval:***
 - ***The annual report of Data Protection and Freedom of Information requests***
 - ***The GDPR / Data Protection Policy***
 - ***The Freedom of Information Policy***

6.3 Contracts above £10k involving a Related Party Transaction (Paper 6.3)

In accordance with the Conflicts of Interest Policy (perceptions risk), the Committee Chair and COO had discussed a proposed contact with Arts1 for 2021/22 and concluded that further action, over and above the usual due diligence, was not necessary. A recommendation on sub-contracting will be made to the Board in July. The Committee agreed the approach.

The Committee ratified the decision of the Committee Chair and COO in relation to a related party transaction.

6.4 College Financial Regulations (Paper 6.4)

Section 2 of the Financial Regulations has been amended to add a policy on retendering internal and external audit services every three to five years (the requirement to retender external audit services at least every five years is a new ACoP requirement as discussed in item 4.5 above).

The Committee reviewed Section 2 of the Financial Regulations and recommended this to the Board for approval

6.5 ESFA Letter confirming Financial Health / College Dashboard (Paper 6.5)

The Committee noted the ESFA letter dated 13th May 2021 which will be scrutinised by the Finance Group

7.0 ANY OTHER BUSINESS

7.1 Public Interest Disclosure (Whistleblowing) / Malpractice Investigation (Paper 7.1)

Imelda Galvin updated the Committee:

- PID 1A – the allegations were investigated by the internal auditor and the overall conclusion was “the whistleblowing investigation finds no issues of concern related to the matters raised”. A copy of the report was sent to the discloser and there has been no response. This investigation will be closed.
- PID 1B – a copy of the RSM report (agenda item 4.4) will be sent to the ESFA. Pending a response from the ESFA, this investigation will remain open.
- PID 2 – the Chair of Governors and Chair of Audit & Risk Committee investigated the facts and concluded there had been no breach of the Financial Regulations. This investigation will be closed.
- A malpractice investigation involving a former sub-contractor was previously reported to this Committee and the CQG. Pearson has now issued a letter confirming the investigation is closed.

The Committee noted the update and approved the proposed actions.

8.0 CONSENT AGENDA

8.1 Committee Terms of Reference / Business Plan for 2021/22 (Paper 8.1)

The Terms of Reference have been updated to reflect the changes to the ACoP (and the supplementary ESFA guidance). The Committee’s responsibilities are covered by the business plan.

The Committee approved the Committee’s Business Plan and recommended the TOR to the Board for approval

NEXT MEETING: 2nd December 2021 08:30 – 11:00