MILTON KEYNES COLLEGE
AUDIT & RISK COMMITTEE
Minutes of the meeting held on 30th June 2022
Chaffron Campus F27
8:30am to 10:30am

Committee Members	Attendance Record 2021-2022	Present at this meeting
Richard Bartlett-Rawlings Alan Cook (Chair) Peter Cox Mat Gotkowski	3 of 3 4 of 4 4 of 4 2 of 4	Richard Bartlett-Rawlings Alan Cook Peter Cox Sent apologies
Total percentage attendance this meeting	75%	3/4
Total percentage attendance year to date	87%	13/15

In attendance:

Fiona Chalk (Governance consultant), Simon Cox (Elucidate) (in part), Hugh Swainson (Partner, Buzzacott), Lee Glover (Director, Haines Watts) via Teams

Julie Mills (CEO), Sally Alexander (Deputy CEO), Jason Mansell (Senior Operations Director Prison Services), Miranda Coles (Interim Executive Head of Finance), Gavin Teasdale (Interim Chief Operating Officer), Sam Samuels, Governance Partner

PART 1
Confidential (minuted separately)

PART 2

PROCEDURAL

2.1 Welcome and Apologies
The Committee Chair welcomed everyone to the meeting.
Apologies from Mat Gotkowski and Karen Brown.

2.2 Declaration of Interests
None

3.1 Minutes of the last meeting(s)

The Committee approved the minutes of the meeting held on 30th March 2022 (Part 1 Confidential 3.1A, Part 2 3.1B, Part 2 Confidential 3.1C, Part 3 Confidential 3.1D)

Matters arising:

Date raised	Actions arising from the last and previous meetings	Action Owner	Current position
30/3/22	1. The evaluation report (CoRT3) will an agenda item at the June meeting.	SA	Agenda 6.1
	2. Climate change and sustainability will be reviewed by the Risk Management Group and an update will be given at the next meeting. It may be a specific risk in the Strategic Risk Register or an over-arching theme (which is how EDI risk is managed).	GT	Agenda 6.2
	3. The directors of PETS (MK) Ltd to pass a formal resolution confirming that the minimum number of directors should be two.	KB	Carry forward - agenda item for the next directors meeting.

4.0   2021/22 ASSURANCE

4.1   Internal Audit 2020/21

a)   Progress Report *(previously circulated as paper 4.1A)*

All areas give satisfactory assurance, bar IT Access & User rights. Governance performance management and Subcontracting are still outstanding but will be completed shortly. Once this is completed, the IA can be completed. The Annual Report will be produced in August and the audit plan will be completed by the end of the year.

4.1.1 IT Access & Users Rights
Moderate assurance with 2 'significant' and 1 'merits attention' recommendations for management. Management are working towards completion at July 31st

Governors asked:

Will there be a retrospective review or will this control operate only going forward?
Audit are content with the controls in place. A retrospective review would not add value, management are working with the current position. The new IAS will pick this up following its recommendation completion date post September.

4.1.2 Curriculum Planning
Satisfactory assurance (highest level) with no recommendations. This is an improvement from limited assurance given previously.

Governors asked:
How is the benchmarking tool being utilised?
The benchmarking tool is looking at other high-quality providers on efficiency of curriculum, whilst enhancing the learner experience and quality of education. The tool is being used for efficiency and not cost cutting.

4.1.3 Safeguarding
Satisfactory assurance (highest level) mapped work against controls in the risk register with 1 'merits attention' recommendation. There was an occurrence of an interview where no-one with current training in NSPCC safer recruitment was present, as it had recently expired, so technically non-compliant. This has been addressed with training being updated.

4.1.4 Prison Payroll
Satisfactory assurance (highest level) and no recommendations. There have been no late notifications of staff leaving. There was a one-off over payment in the last 12 months.

Prison Purchase Order tracking – noted there were difficulties given that the financial systems across the group do not speak to each other, so there is central control of POs, which sits in the finance team at the College. The controls are satisfactory. Systems were moderated during Covid when people were remote working, so checks needed to take place. Timesheets will now be completed online rather than through paper copies.

4.1.5 Governance strategic control
Satisfactory assurance (highest level) with one recommendation on the Scheme of Delegation to be completed by December 2022.

The Committee reviewed and approved the management responses.

b) **Satisfaction Questionnaires** *(previously circulated as paper 4.1B)*

Safeguarding response. Related to communication and audits being delivered remotely does have challenge, so a hybrid approach is preferred to assist communication with staff. The new IAS advised a review of the wording of the headings and format of the form moving forward, perhaps to capture whether the review is remote or on-site.
Action 1: IAS/Gavin Teasdale

The Committee noted the Satisfaction Questionnaires.

4.2 **Progress Review on Internal and External Audit Reports** *(previously circulated as Paper 4.2)*
RSM work, IA, and EA progress reports to end of June:
- General ledger – working remotely provided challenges to manual procedures and these have now moved to electronic processes, and a timetable of activities is to be completed monthly
- Sun accounting system - there are 2 super users, with limited access per person, on an as required basis
- Programme and project management remains an outstanding piece of work due to staff and team changes, but will be in place for the end of July
- Bursaries will be implemented by the end of July
- Sports Central contract is being processed and awaiting signature
- Refectory stock control – there are now monthly stock accounts with a long-term aim to get finance systems that can 'communicate' with each other
- IT access user rights – draft policies being put in place for ISO check
- Safeguarding – training is ongoing and will be completed by July
- Subsidiary work is taking place

Governors asked:

There is a lot of work to be completed by year-end (31st July). Is this deliverable?

Yes, there is confidence that this is deliverable.
Governors agreed an extension to the Project Management work.

Reports suggest that there are a number of issues in IT, so how robust is the system and how can we get it integrated? Can we get a new system in place for next year end and what is the cost and will it be in next year's budget?
It will be considered in the budget for the next financial year.

How will management ensure continuing internal audit coverage in the handover to new IAS?
There is a changeover and the new IAS will carry forward recommendations. There is a follow up review within the draft strategy to look at tracking processes and the accuracy of receiving and implementation dates.

The Committee noted the Report and progress in responding to previous audit recommendations and approved extensions to the project management implementation date.

The Chair thanked the IAS for their long serving work and stated the requirement to rotate the IAS. The progress in the increase in level of satisfactory audits in the College over the past couple of years and the increase in the quality of education, particularly in the prisons, was noted.

Simon Cox, Eluicidate left the meeting

4.3   **External Audit Strategy and Planning Memorandum 2021/22** *(previously circulated as Paper 4.3)*

The External Auditor (EA) advised he has met with management and planned out the audit, including financial statements, regularity, and teachers pensions audit. The timetable was noted, along with the deadlines for meeting with the ESFA's requirements.

The EA advised there will be a key focus on:
a) Going concern, although a surplus is anticipated, given the position of inflation and slight decrease in student numbers.
b) The IOT, including the £28m funding received and the Activate partnership, and how this is recognised in the accounts, i.e. if it is noted as expenditure or whether it is an agent payment.
   Management advised that the DfE has set the way the College funding agreement works for the IoT, and agreed how this is accounted for needs to be clarified.
c) Capitalisation of costs against the £3m additional funding
d) £7.4m transformation fund, although it may not impact this year, forward financial planning needs to be considered.
e) Subsidiary companies – regularising these and they will be audited for capitalising and VAT disclosures.
f) Income recognition, an area the auditors now do more work on, as detailed in the ACOP, to give necessary assurance, in addition to the RSM audits of the ILR
g) Regularity assurance and related party transaction controls – Arts1.
h) Accounting estimates – depreciation charges and LG pension scheme and vat liabilities, holiday pay accrual, teachers' pension grant received, for increased costs and any potential clawbacks and releases from liability.
i) Management override controls

Teachers' Pension contributions will be followed up with a view to release these funds this year. It's been carried forward as a capital return and the EA stated they cannot see any

reason why it should be deferred; it is just about following the correct process. This is related to prisons, so it is not a general issue across the sector.

The proposed Audit fees were noted.

The EA advised that there will be a change in auditing standards next year, but there are little changes this year.

Governors asked:

> ***Is there a carbon reporting requirement?***
> The ESFA state this is advisory only.
>
> ***Given current recruitment difficulties, do the EA have the right team of the right quality and is there sufficient capacity within the organisation to deliver a timely service?***
> *EA agreed recruitment is a challenge, but their retention is good. They have had to be selective as to the work being taken on by the firm but are confident that a timely service will be provided.*

Governors stated there must be sufficient time for papers to be circulated for the November Audit & Risk Committee.

Governors agreed that the general sector information provided by Buzzacott is useful to Governors.

The Committee reviewed and recommended the EA Strategy & Planning Memorandum 2021/22 to the Board for approval.

4.4   Post-16 Joint Audit Code of Practice 2021/22 (JACOP)

a) Briefing on the New ACoP and Q&A

The External Auditors briefed the Committee on the revisions to the JACOP which were published in April 2022.

- There are not many changes and these are detailed in Appendix 2 of the audit strategy document (paper 4.3)
- The JACOP sets out the overarching framework for audit assurance arrangements for colleges. It links to other government guidance to audit committees, including the publication, 'Scope of the Work of Audit Committees in Colleges', which sets out good audit practices (paper 6.7). It contains a good list of reminder topics for audit committees to consider.
- Fraud features heavily as a theme, and it details Audit committee responsibilities. The update defines 'significant' fraud as being over £10k or in the public interest.
- Updated guidance on regularity audit, are around proprietary, standards of conduct, behaviours, and culture.

Governors asked:'
> ***With regards to the ILR which does form part of the regularity audit, if there are any issues, how does this impact regularity reporting.***
> Regularity does consider subsidiary companies and any audit findings must be taken into account. The ESFA takes assurance for HE programmes on a sample basis

b) Assurance on compliance with the New JACoP requirements *(previously circulated as paper 4.4)*

A self-assessment against the new JACOP has been carried out which demonstrates that the College is compliant. One change to the Terms of Reference has been approved.

The Committee noted the briefing and self-assessment

5.0 2022/23 ASSURANCE

5.1 Draft Strategy and Plan for Internal Audit *(paper circulated as Paper 5.1)*

The Chair welcomed the new Internal Auditor (IA) (Haines Watts).

The IA apologised for the lateness in circulating Paper 5.1 following conversations with management and the Chair of Audit committee relating to the audit needs assessment process. The draft document (Paper 5.1) was noted. The IA advised that sector updates were posted on LinkedIn and the link is included in the paper.

Haines Watts quality standards were noted following the recent external quality review.

The IA advised that the recommended plan can be flexed if there are changes in the risk environment in year. Key areas for follow up, based on the College's recommendation tracker, have been noted to ensure progress is completed for current audits.

The IAS plan for 2022/23, takes into consideration:
a. Points from the Board and Committee minutes
b. Sector updates, including best practice reporting on climate issues and apprenticeship funding rules and removal of subcontracting certification replaced by the subcontracting standards
c. The Risk Register is an area of review for IA for this year, to ensure it is fit for purpose and for the Committee to have assurance over the controls that manage red rag-rated risks down to green – where the managed down is over 40%, these will be monitored by IAS
d. Previous IA and EAs from the past 3 years, and RSM audits. The only negative assurance was on Health & Safety, so it is timely to look at this again, and will be part of the IA strategy.

The recommended areas for Year one are risk register, counter fraud health check, financial controls, HR health check, Health and Wellbeing, student records, prison contracts, campus management, cyber security, information governance, with a follow up with management through feedback questionnaires, giving a total of 60 days of work for year one.

Governors asked:
> ***What has driven the increase in audit days? At the point of tender, it was estimated at 40 days and now proposes 60 days.***
> This judgement is made on audit needs assessment, but it is the role of the Audit Committee/management to discuss any reductions if required, whilst giving necessary assurances. A typical framework would see of every £1m turnover = 1 day of audit.

> ***What is the distinction between information governance and cyber security.***

The latter is focused on infrastructure, whereas information governance looks at data.

Management advised that these areas have been looked at recently by Elucidate, and JISC completed significant work following the cyber-attack. Together with the ISO and cyber security essentials, this area has received significant assurance. The reports will be shared with the IAs.

Action 2: Gavin Teasdale

Is the split between College and Prisons appropriate?
The scope of works can be shared to show this split more clearly.

Governors requested:
a) a further audit planning session to review the IAS plan prior to recommending this to the Board for approval.
b) an analysis of the assurances and accreditations received in the past 2 years to identify gaps which can then inform the internal audit plan. The analysis will provide the Audit & Risk Committee with an assurance framework i.e. oversight across the College.
c) An analysis of the risks which could prevent the delivery of the Strategic Plan e.g. EDI, stakeholder engagement. There needs to be a focus on future priorities and opportunities.

Action 3: Gavin Teasdale / Miranda Coles / Jason Mansell

Having completed the work above, the IAS plan for 2022/23 can be agreed by the Audit & Risk Committee at a virtual meeting and recommended to the Board for approval by written resolution.

Action 4: Fiona Chalk / Miranda Coles

6.0   COLLEGE

6.1   Evaluation of CoRT 3 *(previously circulated as Paper 6.1)*

There have been three critical incidents where Core Recovery Teams (CORT) have been convened in accordance with the College's Business Continuity Plan:
- CORT1: COVID-19
- CORT 2:Cyber attack
- CORT 3: the fatal stabbing of a young man close to the College.

Paper 6.1 is an evaluation of CORT3. Neither the victim nor the perpetrator were MK College students. The evaluation concludes that all appropriate processes were followed however improvement actions were identified which are being worked through e.g. a duty manager on-site from September 2022 and the communication of this; continue to develop communications with stakeholders across MK; and improved internal security between campuses and on-site, such as wearing ID badges.
The incident did have an impact on staff and students, and the College is reviewing how it works with students and stakeholders on knife crime. The College is working with the victim's family and with a local MAT (multi-academy trust) to improve communications locally. This work includes working with Knife Angel, linking with Prison work, and the launch of a Foundation by the family of the victim, in conjunction with the College.
There needs to be a balance between making students feel secure, without having cameras everywhere. Body heat cameras are being considered and the College continues to liaise with students, police etc. to achieve the right approach.

The Committee approved the evaluation of CORT 3

6.2   Risk Management & Board Assurance

  a) Risk Report including minutes of RMG meetings *(previously circulated as Paper 6.2A)*

Management advised that the RMG reviews open actions and the Strategic Risk Register at each meeting and identifies future risks. Equality impact assessment are taking place for each risk, and these will be reviewed at the July RMG meeting. The RMG will also review the College's response to climate change and sustainability. This is a separate group with its own terms of reference, which will feed into the RMG.

Governors requested that RMG minutes are included in the audit committee papers in future.

Action 5: Fiona Clarke /Sam Samuels.

  b) Strategic Risk Register (SRR) *(previously circulated as Paper 6.2B)*

Significant risks include the large spend on payroll, which stands at two-thirds of the College's expenditure. Governors stated that given the recent personnel changes, culture and people risks are high. Management advised that people risks are to be reviewed in the SRR and will be a substantive issue at the next RMG meeting. Interims are also a risk and people/culture could be a deep dive topic at a future Audit & Risk Committee meeting (to be added to the Committee's annual business cycle).

Action 6: Fiona Clarke / Miranda Coles / Gavin Teasdale.

The Committee reviewed the current strategic risks and recommended the Strategic Risk Register to the Board for approval

6.3   Data Protection / Freedom of Information Annual Report(s) *(previously circulated as Paper 6.3)*

Governors noted that significant work has taken place since the recent cyber attack. New cyber staff have been appointed and a DPO is being appointed shortly. There have been 13 FOI requests, predominantly around IT costs, spend on employment agencies, and prison complaints. 3 of 5 have been dealt with and the others will be responded to in time allotted.

The Committee reviewed and approved the report(s)

6.4   Contracts above £10k involving a Related Party Transaction *(previously circulated as Paper 6.4)*
Minuted as confidential.

6.5   Subsidiary Companies *(previously circulated as Paper 6.5)*
The College has 4 subsidiary companies: The Code Makers Academy Limited, MKC Commercial Limited, Prison Education Training Services (MK) Limited, and Milton Keynes Manpower Forum Limited (the latter two being dormant). Governors noted that work is ongoing to ensure correct legal, governance, and financial arrangements of the subsidiaries. Meeting dates are being agreed for July to discuss and agree key actions.

Governors asked:

> ***Does writing off a loan between a parent / subsidiary have tax implications?***
> No, it does not.

The Committee reviewed and noted the actions proposed

6.6   College Financial Regulations *(previously circulated as Paper 6.6)*

The updates to sections of the Financial Regulations were noted and agreed:
Section 1 – Introduction and General
Section 7 – Reimbursement of Expenses
Section 8 - Income
Section 10 – Treasury Management, Banking and Cash
Section 13 – Capital Projects
Section 17 – College Companies and Joint Ventures

Governors asked:

> ***Is the mileage allowance correct?***
> An additional 5p per mile has been allowable by HMRC. Historically it had been paid and this position subsequently changed. There have been repeated requests to re-instate this. It would cost several thousands of pounds to do so, but it does help several staff.
>
> The Committee agreed it was a management decision whether to re-instate this.

The Committee reviewed and recommended to the Board for approval, six sections of the financial regulations.

6.7   Self-Assessment against Good Practice Guide *(previously circulated as Paper 6.7)*

A number of changes were agreed at the March meeting – 4 are not yet due and the one that was due is still outstanding. Management requested an extension to the November meeting which was agreed.

The Committee noted the actions since last meeting

7.0   AOB

The committee requested that the Internal Auditor attend committee meetings in person in the future.

8.0   CONSENT AGENDA
The following actions were agreed without discussion:

8.1   a) Terms of Reference 2022/23 *(previously circulated as Paper 8.1)*

b) Draft Business Plan 2/22/23

The Committee approved its Business Plan for 2022/23 and recommended its Terms of Reference to the Board for approval

NEXT MEETING: 24ᵗʰ November 2022 08:30 – 11:00