

MILTON KEYNES COLLEGE

AUDIT & RISK COMMITTEE

Part 2 Minutes of the meeting held on 23rd March 2023

Room 2, Chaffron Business Centre

08:40 – 10:30

Committee Members	Attendance Record 2022-2023	Present at this meeting
Richard Bartlett-Rawlings Alan Cook (Chair) Peter Cox Jasmine Fergusson (Associate) (from 23/3/23) Mat Gotkowski	3 of 3 3 of 3 3 of 3 1 of 1 2 of 3	Richard Bartlett-Rawlings Alan Cook Peter Cox Jasmine Fergusson Mat Gotkowski (Teams)
Total percentage attendance this meeting	100%	5/5
Total percentage attendance year to date	92%	12/13

In attendance: Sally Alexander (CEO), Miranda Coles (CFO), Jason Mansell (COO), Alasdair McWilliams (DPO) (in part via Teams), Karen Brown, Head of Governance, Sam Samuels, Governance Partner.

Irene Mortimer (Haines Watts) (in part) (Teams), Hugh Swainson, Buzzacott (in part) (Teams)

Governors Ian Revell and Charlyne Pullen attended for item 5.1 By Teams.

PART 1

Confidential (minuted separately)

PART 2

PROCEDURAL

2.1 Welcome and Apologies

The Chair thanked everyone for attending and welcomed Jasmine Fergusson Associate Governor (co-opted member of the Audit & Risk Committee) and Irene Mortimer (Haines Watts). Apologies had been received from Lee Glover (Haines Watts).

2.2 Declaration of Interests

Richard Bartlett-Rawlings has declared in interest in item 3.1 and 6.2 (but this was not considered to be a conflict).

2.3 Minutes of the Last Meeting (19th December 2022)

The Committee approved the minutes of the meeting held on 19th December 2022 (previously circulated as Papers Confidential 2.3A and 2.3B)

Matters arising

Board and ELT expenses analysis

A revised report, with the requested breakdown of credit card expenditure. was circulated to Committee members on 21/2/23 as Paper 2.3.

The Committee approved the report for publication on the College website.

Action 1: Karen Brown

Date Raised	Actions arising from the last and previous meetings	Action Owner	Current position
19/12/22	Recommend to the Board that final signing of the Financial Statements is delegated to the Chair / Vice-Chair of the A&R Committee	MCC	Complete
	Present the strategies to retain a financial health score of 'good' for discussion with the Board.	MCC	Superseded. The proposed measures affecting the Financial Health Score are not being introduced following the ONS reclassification.
22/11/22	4. Review whether to postpone the Core Financial Controls internal audit which overlaps with the Counter Fraud Health	MCC	Complete - this has been postponed to next year to enable the new FD to be involved in the audit
	5. Brief Committee members on sector developments (new standing item)	Auditors	Complete (included in 3.1)
	4. Board and ELT expenses analysis - Circulate a detailed breakdown of expenses to the Committee	MCC / KB	Complete as minuted above
30/6/22	6. Add a deep dive into risk relating to people/culture to the Committee's cycle of business	MCC / AA	Complete – included in agenda item 3.3

5.0 ANY OTHER BUSINESS

5.1 Briefing on ONS Reclassification

Hugh Swainson was thanked for attending to present this item. Governors Ian Revell and Charlynn Pullen were also welcomed to the meeting. The presentation was circulated to the Committee after the meeting.

Hugh gave a presentation on the key features of the ONS reclassification; more information and interpretation is still evolving. Key headlines at this time are:

- Managing Public Money e.g., restrictions on borrowing and senior pay
- [Bite size guides](#) are being published by the ESFA
- There will be a new Financial Handbook published in March 2024 (which will apply to the 2024/25 financial year)
- Many things have not changed (yet) e.g., colleges year-end, insolvency regime, requirement to adopt a governance code, exempt charity status
- Consent will be required (*within stipulated limits) for:
 - Borrowing including overdraft facilities
 - Write-offs* and Letters of Support*

- Compensation/ severance payments*
- Ex-gratia payments (any amount)
- Novel, contentious and repercussive transactions
- Using the proceeds of asset sales for working capital or repayment of loans
- Regulations apply to subsidiary companies
- Policies, delegation, and approvals may need amending to comply with the new regulations e.g., write-off limits.

Questions and discussion included:

- Policies and the Financial Regulations will be reviewed to ensure compliance with the new regulations.

Action 2: Miranda Coles

- The College will consider how the regulations impact strategic risks and update the Strategic Risk Register appropriately.

Action 3: Jason Mansell

- It was introduced as a technical re-classification rather than being politically motivated. A consequence is that there will be greater control from central government and the role of the Accounting Officer has been strengthened.
- Consent, where required, will come from the ESFA. Complex requests could take some time (e.g., 2 months has been given as an indication). However, the College will be in ongoing dialogue with the ESFA.
- The MoJ works in a similar way, so the College has experience of these type of regulations.
- On the advice of the auditors, the wording in the Letters of Support between the College and the subsidiaries were revised so that they did not require ESFA consent.
- There is no transitional period – the regulations have been in place since 29th November. However, the ESFA may exercise some degree of tolerance in the short term e.g., until the Financial handbook is published.
- At the annual strategic conversation with the ESFA in January 2023, the College was advised to exercise its own judgement and advise the EFSA later (rather than seek prior permission). Reasons behind decisions taken should be documented.
- A new, one-off return will be required for the period 29/11/22 – 31/3/23.

Hugh Swainson, Ian Revell and Charlynn Pullen were thanked for attending and they left the meeting.

3.0 2022/23 ASSURANCE

3.1 Internal Audit Progress Report 2022/23 *(previously circulated as Paper 3.1)*

Irene Mortimer presented the internal audit report and referred to the annual plan; two reports have been completed and are reported below, two are in progress, seven are at the planning stage.

Student Records Internal Audit

RSM carried out an assurance review of all student record types (16-18, adults and apprenticeships) last year. Haines Watts approach is to review the records on a rolling three-year cycle. The Committee agreed that Haines Watts should review the

apprenticeship records this year and the Executive Head of Business Intelligence: MI and Funding will carry out an internal self-assessment of 16-18 and adults.

Two audits have been completed:

3.1.1 Risk Management

A positive opinion has been given i.e., that the systems and controls provide '**adequate assurance**'.

There were two 'amber' recommendations (meaning the organisation may be subject to significant risk). All the recommendations had been accepted by management.

3.1.2 HR Health check

A positive opinion has been given i.e., that the systems and controls provide '**adequate assurance**'.

There were seven recommendations in total:

- three 'amber' (meaning the organisation may be subject to significant risk)
- four 'green' (meaning there are desirable improvements to enhance value)

Four recommendations had been accepted by management, two recommendations (one green and one amber) had been accepted in part and one recommendation (green) had not been accepted.

The Committee requested the management responses be reviewed to ensure that the actions were smart with clear implementation dates so that the Committee, and the Risk Management Group, could track their progress. The explanations were not necessary. The report will be updated for approval at the next meeting.

Action 4: Miranda Coles / Chief People Officer (CPO)

Updating DBS Checks

The Committee discussed the balance between best practice and affordability (the College has taken a position not to renew staff DBS checks on the grounds of cost). The Committee requested the Risk Management Group reconsider the safeguarding risk / best practice guidelines / other controls and mitigations as there could be some roles in the organisation which should have an updated DBS check.

Action 5: Jason Mansell

The Committee:

- **Reviewed the Internal Audit Progress report and approved the management responses.**
- **Reviewed the HR Health check report and requested further action**
- **Noted the sector updates**

3.2 Internal Audit Satisfaction Questionnaires

No client satisfaction questionnaires relating to item 3.1 have been completed yet. These will be incorporated in Paper 3.1 in future.

Irene Mortimer was thanked for attending and she left the meeting.

3.3 Risk Management & Board Assurance *(previously circulated as Papers 3.3A, 3.3B, 3.3C and 3.3D)*

Risk Management Group

Jason Mansell reported that since the A&R Committee meeting in November, the College's Risk Management Group (RMG) had met three times and the minutes were circulated for this meeting (Paper 3.3D).

Matters reviewed by the RMG included the impact of the economic situation on staff and students, feedback from internal audits (in particular Risk Management, People Services, and IT), review of the Risk Management Policy and risk appetite.

People / Culture Risk

There has been a deep dive into Strategic Risk K *(failure to recruit, retain and develop the people resource in order to grow provision and student numbers, remain financially sustainable and meet funding requirements)* which was an action from the Audit and Risk Committee meeting on 30 June 2022. The CPO has identified five contributory causes and implemented management controls to mitigate the risk and contributory causes. There were 91 vacancies (roles at various stages of recruitment) as at the end of January which is a national picture.

Strategic Risk Register (Paper 3.3B)

The Strategic Risk Register has been updated. There are fourteen strategic risks of which three residual risks are red (highest impact / likelihood) and eleven 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***

A new strategic risk 'Impact of economic situation on staff and learners' has been added. One risk has been closed (*Health and well-being - Failure to protect learners, staff and visitors following the outbreak of a pandemic*).

Risks G (*data breach resulting in a fine and reputational damage*) and Risk I (*financial/data losses and reputational damage as a result of a cyber-attack*) appear to overlap. Risk G relates to people and processes and I relates to IT systems. The Risk Management Group will be reviewing these risks and there should be less overlap going forward.

Risk Appetite

As requested by the Committee (at the meeting on 24 November 2022), a Risk Appetite Statement has been developed which will be supported by a Risk Appetite Matrix (a draft is included in Paper 3.3C).

The statement is based on the following principles:

- The College will take a measured and cautious approach to risk.
- Where control mechanisms provide sufficient mitigation, there will be a more open approach.

More work is needed on the Risk Appetite Matrix, (which was supplied by Haines Watts) to make this more specific to the College. Buzzacott will also be asked for suggestions.

Action 6: Jason Mansell

Risk Management Policy (Paper 3.3C)

This item was deferred pending more work on the Risk Appetite Matrix.

The Committee:

- ***Noted the update on Risk Management***
- ***Recommended the Strategic Risk Register to the Board for approval***
- ***Noted the proposed statement on Risk Appetite and requested further development of the Risk Appetite Matrix before approving the statement / Risk Management Policy.***

3.4 Progress in implementing recommendations from previous audit reports (previously circulated as Paper 3.4)

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

Internal Audit

Since the last meeting, there have been no new recommendations added to the report (the recommendations in item 3.1 will only be added when the management responses have been agreed). There are currently 2 recommendations outstanding, and both have passed their implementation date.

The Committee agreed the extensions.

Funding Assurance Review 2022 (RSM)

Since the last meeting, the remaining two recommendations have been implemented.

External Audit

There were seven recommendations arising from the 2021/22 external audit. All have been implemented with one exception (bank account for MKC Commercial Ltd) which has passed its implementation date.

The Committee agreed the extension.

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

Alasdair McWilliams joined the meeting

3.5 Data Security / GDPR (previously circulated as Paper 3.5)

Alasdair McWilliams gave assurance on data security.

Number of Requests / Data Breach

- Since the last meeting there have been six DSAR requests, eight FOI requests and four other requests for information. Some are still open but are within their response period.
- 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
- Sophisticated attacks from state sponsored attackers are increasing alongside the more common email/text phishing attacks. Vulnerability remains a substantial risk, within the education sector.

Staff Training

- Year to date 89.4% of staff have completed Data Protection/GDPR training and 73% have completed Information Security training.

Governors asked if the College was concerned about the risk from AI (Artificial Intelligence) and ChatGPT¹ and were assured that the College's Digital Transformation Group and Security and Risk Group discuss this issue regularly. The Quality Team also considers how AI might lead to plagiarism. There are tools becoming available to assist with security, but it is an increasing risk.

The Committee noted the assurance on Data Security and GDPR

Alasdair McWilliams was thanked for attending and he left the meeting

3.6 Subsidiary Companies (Action Plans) (previously circulated as Paper 3.6)

The Committee reviewed the action plans relating to the subsidiary companies. PETS Ltd and MKMF Ltd will be dissolved as of 31st March 2023. The eight employees will be moved from CMA Ltd to the College and CMA Ltd will cease trading (but will not be dissolved).

A bank account will be opened for MKC Commercial Ltd which will have its own payroll. The Committee requested management accounts be regularly reported to the Directors.

The Committee noted the status of actions relating to the subsidiary companies

3.7 Sub-Contracting (previously circulated as Paper 3.7)

In response to a previous audit recommendation, and changes to the ESFA conditions of funding from 2022/23, sub-contracting is a standing item for this Committee meeting.

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

The Committee noted the assurance on sub-contracting

3.8 College Financial Regulations (previously circulated as Paper 3.8)

The Committee reviewed the following sections of the Financial Regulations:

- Section 15: Conflicts of Interest, Bribery, Gifts and Hospitality
- Section 16: Partnerships and Sub-Contracting

The Committee recommended the Financial Regulations to the Board for approval

4.0 CONSENT AGENDA

The following items were approved by consent / without discussion:

4.1 Business Continuity Plan (previously circulated as Paper 4.1)

The Committee recommended the Business Continuity Plan to the Board for approval

4.2 Anti-Fraud and Corruption Policy (previously circulated as Paper 4.2)

The Committee recommended the Anti-Fraud and Corruption Policy to the Board for approval

¹ Technology which supports human-like conversations with a chatbot e.g. can answer questions, and assist with tasks such as composing emails and essays etc.

- 4.3 Travel and Subsistence (Expenses) Policy** *(previously circulated as Paper 4.3)*
The Committee recommended the Travel and Subsistence (Expenses) Policy to the Board for approval
- 4.4 Sector Update** *(previously circulated as Paper 4.4)*
The Committee noted the Sector Update

NEXT MEETING: 22nd June 2023

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 22 June 2023
Chair of Audit and Risk – Alan Cook