

## MILTON KEYNES COLLEGE

### AUDIT & RISK COMMITTEE

Part 2 Minutes of the meeting held on 22<sup>nd</sup> June 2023

Room 2, Chaffron Business Centre

08:40 – 10:50

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	4 of 4 4 of 4 3 of 4 2 of 2 2 of 4	Richard Bartlett-Rawlings Alan Cook Sent apologies Jasmine Fergusson Sent apologies
Total percentage attendance this meeting	60%	3/5
Total percentage attendance year to date	83%	15/18

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

Lee Glover (Validera), Hugh Swainson Buzzacott (in part).

### PART 1

**Confidential (minuted separately)**

### PART 2

#### PROCEDURAL

#### 2.1 Welcome and Apologies

The Chair thanked everyone for attending. Susan Akhtar was welcomed to her first Audit & Risk Committee meeting. Apologies were received from Peter Cox and Mat Gotkowski.

#### 2.2 Declaration of Interests

None.

#### MINUTES OF THE LAST MEETING

#### 3.1 Minutes of the Last Meeting (23<sup>rd</sup> March 2023) (previously circulated as Papers Confidential 3.1A, 3.1B and Confidential 3.1C)

A governor had requested an amendment to the minutes to record the request for Management Accounts to be produced for MKC Commercial Ltd; an update was given in Item 6.5 below.

***The Committee approved the amended minutes of the meeting held on 23<sup>rd</sup> March 2023 (previously circulated as Papers Confidential 3.1A, 3.1B and Confidential 3.1C)***

### **Matters arising**

<b>Date Raised</b>	<b>Actions arising from the last and previous meetings</b>	<b>Action Owner</b>	<b>Current position</b>
23.3.23	1. Publish the Expenses Analysis for 22/23 on the College website	KB	Complete
	2. Review / revise policies and the Financial Regulations to ensure compliance with the new ONS regulations.	MCC	Interim Review complete. Policies to be updated as they fall due for review
	3. Review how the ONS regulations impact strategic risks and update the Strategic Risk Register appropriately.	JM	Complete. Paper 6.1A. The risk register has been reviewed and updated to include the emerging risks relating to the new ONS Regulations. These will be reviewed further following Board approval of the new Risk Management Policy.
	4. HR Health check internal audit - review the management responses and resubmit at the June meeting	MCC	Complete. Agenda item 4.1
	5. The Strategic Risk Group to review the safeguarding risk / best practice guidelines / other controls and mitigations relating to updating DBS checks.	JM	Complete. Paper 6.1A. The proposed approach agreed by the Risk Management Group is: 1. Request new members of staff to sign up to the DBS Update Service once their initial DBS is completed. 2. Re-DBS campus staff whose substantive role is working with the most vulnerable learners and also move these staff to the DBS Update Service.
	6. Undertake further work on the Risk Appetite Matrix, to make this more specific to the College.	JM	Complete. Paper 6.1D.
	7. Discuss with the internal auditor: - next year, the College requires tighter planning including start and finish dates for field work. - Lee Glover to attend the June meeting in person	MCC	Complete – Jason Mansell and Miranda Coles discussed at a meeting on 26 May 23 with Lee Glover.

## 4.0 2022/23 ASSURANCE

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

Paper 4.1 had been recirculated on 21<sup>st</sup> June to include the IT Audit Report and a revised HR Health check report. Governors asked for additional information to be brought to the meeting instead of (or as well as) late papers being circulated.<sup>1</sup>

The Internal Auditor (IA) referred the Committee to revised Paper 4.1.

Rebranding – Haines Watts has re-branded as Validera. There is no change to the legal entity however clients will have access to a broader range of strategic business partners.

Of the ten reports in the annual plan, four have been completed (three are reported below), four are in progress and two have not yet started.

#### 4.1.1 HR Health Check

As reviewed at the last meeting, a positive opinion was given i.e., that the systems and controls provide '**adequate assurance**'.

There were three 'amber' recommendations (meaning the organisation may be subject to significant risk) and four 'green' recommendations (meaning there are desirable improvements to enhance value).

As requested, the management responses have been reviewed; all the recommendations have been accepted by management.

#### 4.1.2 Prison Contracts (Draft)

A positive opinion has been given i.e., that the systems and controls provide '**substantial assurance**' (highest level of assurance).

There was one 'green' recommendation (meaning there is a desirable improvement to enhance value).

The recommendation has been accepted by management.

#### 4.1.3 Identity and Access Management Review

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

There was one 'red' recommendation (requiring immediate action) and one 'amber' recommendation (meaning the organisation may be subject to significant risk). Both recommendations have been accepted by management and have already been implemented. The audit was planned ahead of the ISO re-accreditation (which has since been successful).

The red recommendation was 'Personal Computers should be set to auto log out if left unattended. Offices should be locked when left unattended'.

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<sup>1</sup> All papers are now uploaded to Sharepoint

The Committee commented that doors should generally not be propped open for several reasons e.g., fire doors.

***The Committee:***

- ***Reviewed the Internal Audit Progress Report and approved the management responses.***
- ***Noted the rebranding and sector updates***

**4.2 Internal Audit Satisfaction Questionnaires** *(previously circulated as paper 4.2)*

Paper 4.1 reports on two satisfaction questionnaires being submitted to Validera. The Validera online system collates the scores but does not report on individual audits.

Management (sponsors) believe they have submitted four satisfaction questionnaires relating to the four audits listed below and have reproduced these as word documents for the benefit of the Committee:

- Risk Management
- Prisons Contracts
- HR Health check
- Identity and Access Management Review

Jason Mansell advised that communication had been an issue for some sponsors. It has been agreed that the auditor would contact the sponsor weekly and there would be a monthly review meeting between the Validera Audit Manager and senior College internal audit lead to review progress on all audits. This process is not yet embedded.

The Committee agreed it was helpful for the Committee to receive the individual survey responses. The IA will investigate why the online system is only reporting two surveys.

***The Committee reviewed and noted the satisfaction scores.***

**4.3 Committee Development: Briefing on the Post-16 Joint Audit Code of Practice (ACOP) 2022/23, College Accounts Direction (CAD) and Regulatory Self-Assessment Questionnaire (RSAQ)** *(presentation uploaded to Sharepoint)*

Hugh Swainson, External Auditor (EA) presented the key changes primarily arising from the ONS reclassification including:

- Changes to the ACOP arising from the Managing Public Money (MPM) guidelines including sub-contractors
- Changes to the Financial Statements to confirm compliance including new disclosures
- New requirements in the RSAQ including confirmation that subsidiary companies take account of the 'Dear Accounting Officer' letter dated 29<sup>th</sup> November 2022
- Upcoming changes: New Financial Handbook effective from 1<sup>st</sup> August 2024, consolidated sector accounting for 2024, potential change to the financial year end (TBC)

The Committee discussed that the new procedures were introduced in November 2022 and the external audit this year may raise some issues.

***The Committee received the briefing***

**4.4 External Audit Strategy & Planning Memorandum** *(previously circulated as Paper 4.4)*

Hugh Swainson, External Auditor (EA) advised that he has met with management and planned out the audit work, including the financial statements audit, regularity assurance review and Teachers Pensions Scheme audit. The timetable was noted.

The EA drew attention to:

- a) Going concern; in previous years, management has produced a separate paper for governors on going concern.
- a) Capital projects will be in scope (e.g., IoT, Strategic Development Fund, Capital Transformation Fund) to ensure costs are included in the correct accounting period and correctly capitalised.
- b) Income recognition, more in-depth testing will be needed this year as limited work will have been undertaken by the Internal Audit on Student Records. In addition, the College has significantly extended its provision of Prison education, with some funding subject to new methodology from 1st April 2023.
- c) The financial statements for the subsidiary companies must meet accounting standards.
- d) Management override of controls – there are new accounting standards including IT related controls.

#### Audit fees

The proposed fees were challenged by the Committee as these represent a 30% increase compared to last year. The EA explained the reasons for the increase i.e., c.10% inflation, c.10% new regulations including MPM and c.10% increased complexity of the business plus additional work e.g., additional testing of Student Records.

The Committee sought and received assurance from management that the College will meet the proposed timetable.

***The Committee recommended the External Audit Strategy and Plan for 2022/23 to the Board for approval***

*Hugh Swainson was thanked for attending and he left the meeting at 09:40*

## **5.0 2022/23 ASSURANCE**

### **5.1 Draft Strategy and Plan for Internal Audit 2023/24 (previously circulated as Paper 5.1)**

Lee Glover, Internal Auditor advised that Validera had presented a three-year audit strategy and plan last year and 2023/24 will be year 2 of the plan. The proposals for 2023/24 reflect the current risk register.

Jason Mansell has reviewed the plan and has recommended reducing the planned audit days to from 56 to 45 days (the tender proposed 40 days), including removing the Commercial Activities and Bursary audits (both areas having been reviewed recently with positive outcomes), and reducing the Budgetary Controls audit from 7 to 6 days.

The plan includes 6 days for assurance on Student Records.

As previously discussed, RSM was commissioned to undertake an assurance review of all Student Record types (16-18, adults and apprenticeships) in FY2022 but Validera's approach is to review Student Records on a rolling three-year cycle. The Committee agreed at the last meeting that Validera 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. However, this approach will require the External Audit to undertake more testing. The Committee agreed that management would bring a proposal and recommendation to the next meeting on whether to commission an external funding assurance review in FY2024. If the recommendation is continued reliance on internal audit and internal self-assessment, the Committee will need to know all the implications of self-assessment and be assured on scope, scale, level of details etc.

**Action 1: Jason Mansell**

***The Committee recommended the Internal Audit Strategy and Plan for 2023/24 (45 days as proposed by management) to the Board for approval, subject to agreement on the approach to Student Records***

## **6.0 COLLEGE**

### **6.1 Risk Management and Board Assurance** *(previously circulated as Papers 6.1A, 6.1B, 6.1C and 6.1D)*

#### Strategic Risk Register (Paper 6.1B)

The Strategic Risk Register has been updated. There are fourteen strategic risks of which three residual risks are red (highest impact / likelihood), ten are amber (medium impact / priority) and one has been closed. 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**

#### Risk Management Group (Paper 6.1C)

Jason Mansell reported that since the A&R Committee meeting in March, the College's Risk Management Group (RMG) had met twice, and the minutes were circulated for this meeting.

Matters reviewed by the RMG included the impact of ONS Reclassification and Managing Public Money, DBS checks in response to the Internal Audit recommendation, feedback from ongoing internal audits (including Safeguarding, IT Cyber Security, Prisons Contracts, Health and Safety, and Counter Fraud) and a review of the revised risk appetite section of the Risk Management Policy.

#### Risk Appetite / Risk Management Policy (Paper 6.1D)

As discussed at the last meeting, Risk Appetite has been further developed based on [The Orange Book](#) (the Government publication on managing risks) and is now included in the Risk Management Policy.

Subject to approval of the Policy, the Strategic Risk Register will be reviewed (as per a previous audit recommendation).

There are five levels of Risk Appetite i.e., 'Adverse', 'Cautious', 'Moderate', 'Open' and 'Hungry'. The College has considered all organisational risks and issues and assigned an appropriate Risk Appetite level. The Committee agreed that some risks should be categorised as 'Open' (prepared to consider all delivery options even when there are elevated levels of associated risk) as the College must be responsive to opportunities.

#### ***The Committee:***

- ***Noted the update on Risk Management***
- ***Recommended the Strategic Risk Register to the Board for approval***
- ***Agreed the approach on Risk Appetite***
- ***Agreed the Risk Management Policy and recommended this to the Board for approval***

### **6.2 Progress in implementing recommendations from previous audit reports** *(previously circulated as Paper 6.2)*

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

### Internal Audit

Since the last meeting, two new recommendations have been added to the report relating to the audit reports (Risk) discussed at the last meeting. Recommendations from reports presented at this meeting (item 4.1) will be reported next time.

There are currently 3 recommendations outstanding (two of which relate to 2021/22 audits). All have passed their intended implementation date.

The Committee discussed and agreed the extensions.

### External Audit

There were seven recommendations arising from the 2021/22 external audit of which one is outstanding (bank account for MKC Commercial Ltd).

The Committee agreed to extend the implementation date but requested this be actioned before the end of the financial year if possible.

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

*Alasdair McWilliams joined the meeting*

## **6.3 Data Security / GDPR Data Protection and Freedom of Information Annual Report 2022/23 (previously circulated as Papers 6.3A and 6.3B)**

Alasdair McWilliams referred the Committee to Papers 6.3

Data Security

### Number of Requests / Data Breach

- Since the last meeting there have been three DSAR requests, two FOI requests and four other requests for information. Some are still open but are within their response period.
- There was one minor data incident which did not require reporting to the ICO.
- The annual request for information has been received from the Unions.

### Staff Training

- Year to date 88.3% of staff have completed Data Protection/GDPR training and 95.7% have completed Information Security training.

### 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.

### ISO27001

- The College was successful in re-certifying against the ISO27001 standard

### Annual Report

- The overall number of requests has increased compared to last year:

- FOI requests 12 (8)
  - DSARs 23 (12)
  - Additional requests 5 (12)
- All information requests were dealt with within the required time scales,
  - The College was subject to a Cyber Incident in January 2022, but there have been no significant incidents or breaches in the last 12 months.
  - A Data Protection officer was appointed in August 2022.
  - There have been 6 isolated minor data breaches none of which required reporting to the ICO.

The Committee asked:

***Does the high level of staff turnover mean that staff training will never to 100% complete.***

Yes, staff complete the training on appointment and then on a rolling three-year programme.

***Why does a personal email being compromised constitute a data breach? Did the member of staff have College data on their system?***

No, only their work contract.

***The Committee:***

- ***noted the assurance on Data Security and GDPR***
- ***reviewed the Data Protection and Freedom of Information Annual Report and recommended this to the Board for approval***

*Alasdair McWilliams was thanked for attending and he left the meeting*

#### **6.4 Health & Safety (previously circulated as Papers 6.4, 6.4A, 6.4B and 6.4C)**

This is a new standing item for this committee. Jason Mansell led on this item and highlighted:

- There is a high level of safe working practices across the College
- The number of accidents and incidents has increased compared to last year which is to be expected now that staff and students are back in site and there is more CCTV in place:
  - Accidents 159 (110)
  - Incidents 147 (97)
  - Accidents reportable under RIDDOR 0 (1)
- All accidents and incidents are followed up by the Facilities Team and Risk Assessments are carried out where appropriate.

The Committee requested that a Table is added to the report next time to summarise the rag ratings (items 1-7) for ease of reporting and to enable trends to be tracked.

**Action 2: Jason Mansell (Liana Sinclair)**

***The Committee recommended to the Board for approval:***

- ***Health & Safety Annual Report 2022/23***
- ***Health & Safety Policy & Procedures***
- ***Health & Safety Policy Statement 2023/24***



## **6.5 Subsidiary Companies (Action Plans) (previously circulated as Paper 6.5)**

The Committee reviewed the action plans relating to the subsidiary companies.

PETS Ltd and MKMF Ltd will be dissolved when confirmation is received from HMRC (the Directors have signed the closing accounts to 31<sup>st</sup> March 2023). The Loan (MKMF) has been written off during this financial year and will need to be reported under the new regulations.

All employees have been moved from CMA Ltd to the College and CMA Ltd has ceased trading (but will not be dissolved).

A bank account will be opened for MKC Commercial Ltd which will have its own payroll. Management Accounts are not being produced yet but the Directors have received a report on trading activity (a copy will be circulated to A&R Committee members).

**Action 3: Karen Brown**

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

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

Miranda Coles advised that the following sections of the Financial Regulations have been updated to take account of [Managing Public Money](#) guidance following the ONS reclassification:

Section 1: Introduction  
Section 2: Responsibility, Delegation and Monitoring  
Section 5: People Services and Payroll  
Section 9: Credit Management  
Section 10: Treasury Management, Banking and Cash  
Section 12: Inventory and Asset Management  
Appendix 1: Post Holder Titles and Groups

Susan Akhtar will be undertaking a comprehensive review of the Financial Regulations.

***The Committee recommended seven sections of the Financial Regulations to the Board for approval***

## **6.7 Sub-Contracting (previously circulated as Paper 6.7)**

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.

Miranda Coles reported that the College is fully compliant. Validera are carrying out a review of sub-contracting as part of the agreed internal audit plan for 2022/23.

***The Committee noted the assurance on sub-contracting***

## **6.8 Contracts above £10k involving a Related Party Transaction (previously circulated as Paper 6.8)**

Jason Mansell confirmed that currently there are no contracts which will be related party transactions in 2023/24. The contract with Arts 1 will be in its penultimate year but its Principal is no longer a Board member.

The College is in discussion with a potential new governor which if appointed, may lead to a related party transaction; in this event, advice on disclosure will be sought from auditors.

***The Committee noted the position with contracts involving related party transactions***

## **7.0 ANY OTHER BUSINESS**

The Committee Chair requested that thanks be recorded in the minutes to Peter Cox who is retiring as an Independent Governor in July 2023 and has been a member of this Committee for nine years.

## **8.0 CONSENT AGENDA**

***The following items were approved by consent / without discussion:***

### **8.1 Committee Terms of Reference / Committee Business Plan (previously circulated as Paper 8.1A and 8.1B)**

***The Committee:***

- ***Recommended its Terms of Reference to the Board for approval***
- ***Approved the Committee's Business Plan for 2023/24***

**NEXT MEETING: 23<sup>rd</sup> November 2023**

## **PART 3**

**Confidential (minuted separately)**



Approved 23 November 2023  
Chair of Audit & Risk Committee chair – Alan Cook