

## MILTON KEYNES COLLEGE

### AUDIT & RISK COMMITTEE

Part 2 Minutes of the meeting held on 23<sup>rd</sup> November 2023  
Room 2, Chaffron Centre  
08:30 – 10:50

Committee Members	Attendance Record 2023-2024	Present at this meeting
Richard Bartlett-Rawlings	1 of 1	Richard Bartlett-Rawlings
Alan Cook (Chair)	3 of 3	Alan Cook
Jasmine Fergusson	0 of 2	Sent apologies
Mat Gotkowski	3 of 3	Mat Gotkowski (Teams)
Amit Nayyar	1 of 2	Amit Nayyar
Total percentage attendance this meeting	80%	4/5
Total percentage attendance year to date	73%	8/11

In attendance: Sally Alexander (CEO), Jason Mansell (COO), Alasdair McWilliams (Data Protection Officer) (in part), Liana Sinclair (in part), Karen Brown, Head of Governance, Sam Samuels, Governance Partner (in part), Lee Glover, Validera (Teams) (in part), Hugh Swainson, Buzzacott (in part).

## PART 1

**Confidential (minuted separately)**

## PART 2

### PROCEDURAL

#### 2.1 Welcome and Apologies

The Chair welcomed everyone to the meeting. Lee Glover attended by Teams on behalf of Steven Connors (who was held in traffic). Apologies were received from Jasmine Fergusson.

#### 2.2 Declaration of Interests

Richard Bartlett-Rawlings declared an interest in item 8.1, but this was not considered to be a conflict.

#### 2.3 Minutes of the Last Meeting

***The Committee approved the minutes of previous meetings:***

- ***22<sup>nd</sup> June 2023 (Confidential 2.3A, Paper 2.3B, Confidential 2.3C)***

- **29<sup>th</sup> September 2023 (Confidential Paper 2.3D)**
- **13<sup>th</sup> November 2023 (Confidential Paper 2.3E)**

## Matters arising

Date raised	Action	Who	Status
30.6.22	1. Make a recommendation to the Committee on Student Records assurance in 2023/24	JM	Complete Agenda item 8.1
	2. Add RAG ratings when reporting on Health & Safety so that trends can be tracked.	JM / LS	Complete Agenda item 4.6
	3. Circulate a copy of the June MKCC Ltd report which refers to management accounts.	KB	Complete
	4. Meet with Validera to agree ways of working	JM	Complete

### 3.0 2022/23 ASSURANCE

#### 3.1 Internal Audit 2022/23 (previously circulated as Paper 3.1)

Lee Glover summarised the reports:

##### 3.1.1 Counter Fraud Health Check

The opinion is that the systems and controls provide **'adequate assurance'**. There were two green recommendations, of which one was not accepted by management.

The Committee requested management to review the recommendation relating to enhancing the Fraud Policy (Validera has offered an example). The Audit Code of Practice (ACOP) has increased the focus on Counter-Fraud Policies and Procedures.

**Action 1: Jason Mansell**

***The Committee noted the report and requested further action.***

##### 3.1.2 Health, Safety and Wellbeing

The opinion is that the systems and controls provide **'adequate assurance'**. There were four amber and two green recommendations which were accepted by management.

***The Committee noted the report and approved the management responses***

##### 3.1.3 Student Records (Apprenticeship Onboarding)

The opinion is that the systems and controls provide **'adequate assurance'**. There were three amber and one green recommendations which were accepted by management.

***The Committee noted the report and approved the management responses***

##### 3.1.4 Campus Management (capital projects)

The opinion is that the systems and controls provide **'substantial assurance'** (which is the highest level of assurance). There were no recommendations.

***The Committee noted the report and approved the management responses***

### 3.1.5 Information Governance

The opinion is that the systems and controls provide '**substantial assurance**' (which is the highest level of assurance). There were two amber and one green recommendations which were accepted by management. The auditor added that this is a good outcome as it is an area where colleges often do not receive substantial assurance.

***The Committee noted the report and approved the management responses***

### 3.1.7 Follow-Up

The opinion is that the systems and controls provide '**adequate assurance**'. There was one previous recommendation outstanding in the sample.

***The Committee noted the report and approved the management responses***

### 3.1.8 Sub-Contracting Standard

No opinion was given. The audit is compliance based and the methodology is stipulated by the ESFA's requirements. There were ten amber recommendations of which three were not accepted by management.

The Committee requested management to review the recommendations which had not been accepted.

#### **Action 2: Jason Mansell**

All colleges are waiting for confirmation from the ESFA that the standards have been met. In the meantime, colleges have been requested to submit sub-contracting declarations for 2023/24.

***The Committee noted the report and requested further action.***

### 3.2 Internal Audit Satisfaction Questionnaires *(previously circulated as Paper 3.2)*

There was mixed feedback and some concerns around closure meetings. Lee Glover was surprised by this feedback which contradicted his own records.

Going forward, new ways of working and improved lines of ongoing communication have been agreed.

***The Committee noted the satisfaction questionnaires relating to item 3.1***

### 3.3 Internal Audit Annual Report and Assurance Statement 2022/23 *(previously circulated as Paper 3.3)*

Lee Glover drew attention to the positive overall audit opinion i.e. .

*'Based on the work performed we offer our conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the College's risk management, governance and control processes. Overall, in our opinion, based upon the reviews performed during the year, Milton Keynes College has:*

- *adequate and effective risk management.*
- *adequate and effective governance; and*
- *adequate and effective control processes.*

There were 10 reviews during 2022/23 (including follow-up):

- 3 reviews received substantial assurance (highest level) (Prison Contracts, Campus Management - Capital Projects)
- 7 reviews received adequate assurance (Risk Management, Counter Fraud Health Check, HR Health Check, Health, Safety & Wellbeing, Student Records, IT Cyber, Follow-Up)
- No reviews received limited assurance
  
- Overall, there were:
  - 1 red recommendation (IT Cyber – since implemented)
  - 17 amber recommendations
  - 8 green recommendations

***The Committee reviewed and approved the Internal Auditor's annual report and assurance statement for the year ending 31 July 2023 and recommended this to the Board for approval.***

#### **4.3 Agenda – change of order**

##### **Part 1 - Progress in implementing recommendations from previous audit reports (previously circulated as Paper 4.3)**

###### Internal Audit

Jason Mansell updated the Committee on the good progress made in implementing previous audit recommendations and the rationale for some audit recommendations not being accepted by management.

Since the last meeting, there have been 31 new and 25 completed internal audit recommendations (including sub-contracting). There are currently nine recommendations outstanding of which four have passed their implementation date (one is carried forward from 2021/22).

The Committee noted the explanations why actions had not been implemented by the expected date and agreed the extensions.

The Committee congratulated management on the progress being made in reducing the number of items but stressed that the target of zero overdue actions is achieved as soon as possible

###### Audit recommendations not accepted by management

As minuted at item 3.1 above, the Committee has requested management to review the responses where recommendations had not been accepted. The Committee's expectation is that misunderstandings / difference in opinions are not brought forward to these meetings but are clarified / resolved between management and auditors during the audit process. The improved lines of communication should ensure there is agreement between management and auditors going forward.

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

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

### 3.4 Draft Financial Statements 2022/23 MK College Group (MKCG)

#### Draft Going Concern Assurance (MKCG) (previously circulated as Paper 3.4A)

The Going Concern Assurance has been reviewed by Auditors and by the Finance Group at its meeting on 13<sup>th</sup> November. A revised cashflow will be reviewed by the Finance Group on 6<sup>th</sup> December following the budget reforecast (which will reflect the additional ESFA funding received since 31<sup>st</sup> July, the Staff Pay Award, and the impact of unplanned growth in student numbers).

Hugh Swainson confirmed that the cashflow had been reviewed but a further breakdown of the cashflow forecast has been requested to ensure that impact of capital projects has been properly reflected. Net current assets have improved this year, which is partly due to income received, but not yet spent, for capital projects.

***The Committee approved the MKCG draft Going Concern Assurance Statement (noting that the cashflow will be updated for the Finance Group meeting on 6<sup>th</sup> December)***

#### Draft Buzzacott Post Audit Report year ended 31 July 2022 (previously circulated as Paper 3.4B)

Hugh Swainson highlighted key points from the report and answered questions from Committee members.

#### Audit Opinion

The expected audit opinions are:

- Financial Statements audits of the College and its subsidiaries - unqualified audit opinions
- Regularity assurance - unqualified audit opinion
- Teachers' Pension Scheme audit - no exceptions noted

#### Financial Performance and Going Concern

- The 'operational' surplus for the year was £339k (FY 2022 £1.020m) which was below budget of £373k.
- Net current assets were £2.219m (FY 2022 net current liabilities £1.799m). The College is debt free.
- The Board is confirming that it believes the College is a going concern for a period of at least 12 months from the date of signing the accounts. To support this statement, auditors recommend that governors should review on a regular basis:
  - student number data
  - timely management accounts
  - current cash flow position and future cash projections
  - College budgets and regularly updated forecasts including the three-year forecasts submitted to the ESFA.
- The Group's total reserves have increased by £19.482m (FY2022 increase of £34.191m) providing net assets of £32.165m (FY2022 £12.683m) at the balance sheet date.

#### Audit recommendations

- There are three recommendations:
  - Subsidiary Processes (raised last year) - Priority B (medium)
  - ILR review - Priority B (medium)

- Depreciation Rates – Priority C (low priority)

All recommendations have been accepted by management and the Committee approved the management responses.

### Risks

The following areas, identified in the pre-audit planning as higher risk, were reviewed during the audit:

- Going Concern assessment
- Institute of Technology and other capital works
- Income recognition – funding body income
- Income recognition – prison income
- Subsidiary companies.
- Regularity
- Management override of controls
- Related Party Transactions
- Accounting Estimates

*Sam Samuels left the meeting*

### Key Financial Ratios

- The College's 2023 key financial ratios were compared to Buzzacott colleges (2023) and sector benchmarks (2022). Generally, the College is lagging behind other colleges.
- The Committee asked for EBITDA as a percentage of income to be recalculated to exclude prisons as the Board needs to know the relative profitability of campus and prisons. This will be a consideration for the management accounts.

**Action 3: Susan Akhtar**

In response to a question, Hugh assured the Committee that the audit adjustments and unadjusted items did not reflect a weakness in internal controls (other than the recommendation made concerning the depreciation of fixed assets).

### Next Steps

Depreciation will be reviewed, and a typographical error corrected before the Audit Report is republished and circulated to the Board.

**Action 4: Buzzacott (Susan Akhtar)**

***The Committee reviewed the External Auditor's Post Audit Report for the year ended 31 July 2023 and recommended this to the Board for approval***

Draft Report and Financial Statements MKCG (previously circulated as Paper 3.4C)

Susan Akhtar highlighted:

- Financial performance was discussed in 3.4B.
- Depreciation will be reviewed.
- A reconciliation between the P12 management accounts and Financial Statements will be reported to the Board in December.

Whilst the content must comply with the College Accounts Directory (CAD) and the FE & HE SORP, the Committee requested the College to consider changing the presentation of the Strategic Report next year so that it flows more logically for the reader (the current presentation follows the Casterbridge model published by the AoC).

***The Committee reviewed the draft Report and Financial Statements for the Year Ended 31 July 2023 and recommended these to the Board for approval (subject to final proof reading and minor amendments)***

Draft Representation Letter (previously circulated as Paper 3.3C)

Buzzacott requires the letter of representation to be signed on behalf of the Board. This asks the Governors to confirm specific matters and confirmation immediately prior to the financial statements being signed, that no significant events have taken place since the time of the audit that would impact on the financial statements.

***The Committee reviewed the draft College Representation Letter for the year ended 31 July 2023 and recommended this to the Board for approval***

The Committee expressed thanks to the External Auditor and the Group Director of Finance and her team for their work on the Financial Statements and the quality of documentation.

### **3.5 Subsidiary Companies**

Prison Education Training Services Ltd and Milton Keynes Manpower Forum Ltd have been struck off.

Milton Keynes College Commercial Ltd (MKCC)

The Directors of MKCC approved the Going Concern Assurance, Letter of Representation and the Report and Financial Statements at the MKCC Board meeting on 21<sup>st</sup> November 2023 (Papers 3.5A, 3.5C and 3.5D) subject to the Finance Group's final approval of the Letter of Support on 6<sup>th</sup> December (Paper 3.5B).

The Code Makers Academy Ltd (CMA)

The Directors of CMA approved the Letter of Representation and the Report and Financial Statements at the CMA Board meeting on 21<sup>st</sup> November 2023 (Papers 3.5E and 3.5F). As CMA is now dormant, the accounts have not been prepared on a going concern basis.

***The Committee noted the position with the Subsidiaries' Financial Statements***

## **4.0 2023/24 ASSURANCE**

### **4.1 Internal Audit Progress Report Term 1**

Nothing to report

### **4.2 Sub-Contracting (previously circulated as Paper 4.2)**

The Committee discussed the sub-contracting standard audit at item 3.1.8 above. All colleges are waiting for confirmation from the ESFA that the standards have been met. In the meantime, the College responded to the request to submit its sub-contracting declaration for 2023/24 to the ESFA by 1<sup>st</sup> November.

The College's Sub-contracting Strategy, Fees and Charges Policy is published on the College website.

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).

The Board approved the Maximum Contract Values (MCV) at its meeting in July 2023. There is an effective Contracts Management Team and processes in place.

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

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

External Audit

There is one recommendation carried forward from the 2021/22 external audit which has passed its implementation date (opening the bank account for MKCC Ltd is taking longer than anticipated due to new banking requirements).

Other

The audit implementation tracker is now monitored by the Risk Management Group which is driving the pace of implementation of actions.

The Committee challenged the overdue action relating to mandatory training (HR Health Check recommendation 2 and similar comment in Paper 4.5 re data protection training), and the consequence of non-complying. Jason Mansell explained that the action had become delayed when the College had considered changing providers but is now proceeding with the current provider. The revised target date to complete this action is December 2023.

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

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

Jason Mansell 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 4.4C).

Matters reviewed by the RMG included:

- A complete review of the Strategic Risk Register to align this to the Strategic and Operational Plans and the Risk Management Policy
- Development of a new Equality and Accessibility Impact Assessment (EAIA)
- Progress in implementing previous audit recommendations.

The new risks areas of risk are:

- Failure to deliver a good customer experience
- Ineffective curriculum reform and growth strategies
- Ineffective partnerships
- Failure to deliver FE Climate Roadmap and other Group sustainability actions.
- Failure to control and deliver capital/revenue projects

Co-opted Committee member Jasmine Fergusson has given feedback on the revised Strategic Risk Register. Jasmine will be invited to attend a Risk Management Group meeting.

**Action 5: Jason Mansell / Jasmine Fergusson**

The Strategic Risk Register (Paper 4.4B) now has sixteen strategic risks (previously thirteen) of which two residual risks are red (high impact and / or likelihood), twelve are amber (medium impact and / or likelihood) and two are green (low impact and / or likelihood). The red residual risks are:

1. Risk C - Harm to students, staff, and members of the wider college community – Safeguarding.
2. Risk P - Data breach and / or cyber incident resulting in a fine, data losses and reputational damage.

The Committee was assured that risk management is embedded in the work of the College.

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

*Sally Alexander, Jason Mansell and Susan Akhtar left the meeting.*

**Agenda – change of order**

**PART 3**

**Confidential (minuted separately)**

*Sally Alexander, Jason Mansell, Susan Akhtar, Alasdair McWilliams and Liana Sinclair joined the meeting*

**PART 2 (continued)**

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

Alasdair McWilliams highlighted:

Cyber Incident and Data Breach

- There was one cyber incident which was a “spear phishing” attack. It originated from a partner organisation and succeeded in maliciously accessing an MK College email account. This was made secure before any significant information could be accessed. Guidance was sought from the ICO who confirmed it was not reportable.

Data Breach

- A significant data breach concerning student information was reported to the ICO. The ICO investigated and took no further action.

Staff Training

- 57% of staff have completed Data Protection/GDPR training and 78% of staff have completed Information Security training. These figures are expected to rise as new staff progress through their induction and new starter process.

## Cyber threat

- As part of the compliance with the ISO 27001 standards, the College applies several measures to mitigate the risk of data breaches or information security incidents.
- While these measures reduce risk, the “spear phishing” attack demonstrates we cannot ensure 100% protection from malicious attacks. The IT Security team continues to monitor risks and make improvements to the network security.

## Internal Audit Recommendations

- Two of the three recommendations (reported in item 3.1.5 above) have been implemented and the third is ongoing.

## ***The Committee noted the assurance on Data Security and GDPR***

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

## **4.6 Health & Safety: Autumn Term 2023/24 (previously circulated as Paper 4.5)**

Liana Sinclair highlighted:

- There is a high level of safe working practices across the Group. All 7 areas monitored (accidents, incidents, fire/lockdown drills, student visits, policies and procedures, professional development, and compliance) are RAG rated as green.
- The reported number of accidents and incidents as of 9 November 2023 has increased compared to last year (November 2022 figures in brackets):
  - accidents 49 (37)
  - accidents reportable under RIDDOR 0 (0)
  - Incidents 26 (20)
- Student visits 55 (43). There have been no serious accidents or incidents.
- The College Health & Safety (H&S) Executive Group (HSSEG) has oversight of H&S.
- Fire and lock-down drills are up to date and there was a real incident in November when Thames Valley Police (TVP) requested a lock-down of the Chaffron Way Campus. This was evaluated and has led to some learnings which are being implemented in discussion with TVP.

Governors sought additional assurance:

### ***What is the impact of having more students on site?***

It is busy but organised. A space utilisation study is planned for January which will inform the longer-term estates strategy. More students could be contributing to the higher number of accidents and incidents.

### ***What is the nature of ‘self-inflicted’ accidents (Annex 1) and the breakdown of ‘other’ incidents (Annex 2)***

Examples are jumping off a bike-shed, pushing each other off a wall. Not self-harming as this is reported separately.

A breakdown of other incidents will be circulated.

**Action 6: Liana Sinclair**

### ***Who is responsible for H&S in prisons?***

The College is liable for the H&S of all College employees whilst working on HMPPS premises, which includes maintaining effective risk assessments, safe systems of work, and COSHH assessments. All H&S matters need to be reported to HMPPS as well as to the College, through the appropriate channels. Where there is

a H&S issue that relates to HMPPS property or HMPPS processes, this is escalated to the Prison Governor and other senior HMPPS personnel to ensure that College employees remain protected. Liana went on to say that Sue Snoxell is the College's H&S Manager (Prison Services) and that she works with Liana and the Campus H&S Advisor to share good practice. Prison Services is represented on the HSSEG.

There are H&S Union representatives on campus and in prisons.

The Committee requested future reports include prior data and location to identify trends.

**Action 7: Liana Sinclair**

***The Committee noted the assurance on Health & Safety***

*Liana Sinclair was thanked for attending and she left the meeting*

#### **4.7 Financial Regulations**

Susan Akhtar advised the Committee that she will be conducting a full review of the Financial Regulations which will come to the next meeting. The ESFA will also be publishing a new Financial Handbook in March.

#### **4.8 Fraud Assurance (previously circulated as Paper 4.8)**

Jason Mansell highlighted:

- The Counter Fraud Health Check (agenda item 3.1.1 above) recommended that Fraud Assurance is a standing item for this Committee.
- There are no reported instances of fraud to report.
- There are a range of counter-fraud measures in place.
- A new Fraud Risk Assessment will be reviewed by the Risk Management Group at its meeting on 6th December 2023.

The Committee requested assurance that fraud measures are broader than misappropriation of College Assets and extend to e.g., Financial Reporting. Jason confirmed that this will be a consideration for the Fraud Risk Assessment.

**Action 8: Jason Mansell**

***The Committee noted the assurance on Fraud***

### **5.0 Governance**

#### **5.1 Committee Annual Report to the Board 2022/23 (draft) (previously circulated as Paper 5.1)**

The draft report outlines the work of this Committee for the period 1<sup>st</sup> August 2022 to 23<sup>rd</sup> November 2023 including matters covered at this meeting. The report will be updated in line with feedback at this meeting and submitted to the Board on 13<sup>th</sup> December and sent to the ESFA with the financial statements.

The Committee identified the impact of unplanned growth, ongoing implications of ONS reclassification and capital projects as potential issues for 2023/24.

***The Committee reviewed and approved its draft Annual Report for 2022/23***

### **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 2022/23, KPIs for 2023/24 / Value for Money Policy (previously circulated as Paper 6.4)**

***The Committee approved:***

- ***Value for Money Statement for 2021/22***
- ***KPIs for 2022/23***
- ***Value For Money Policy***

**6.5 Code of Good Governance for English Colleges**

***The Committee noted that the Search & Governance Committee, at its meeting on 31<sup>st</sup> October 2023, 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 2022/23 (previously circulated as Paper 6.6)**

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

**6.7 Committee Performance – self-assessment 2022/23 (previously circulated as Paper 6.7)**

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

**ANY OTHER BUSINESS**

**7.1** Nothing was raised.

**NEXT MEETING: 11<sup>th</sup> April 2024**

**PART 3**

**Confidential (minuted separately)**



Approved 11 April 2024  
Chair of Audit & Risk Committee – Alan Cook