

## **MILTON KEYNES COLLEGE**

### **AUDIT & RISK COMMITTEE**

**Part 2 Minutes of the meeting held on 22<sup>nd</sup> November 2024**

**Microsoft Teams**

**08:30 – 11:00**

| Committee Members                        | Attendance Record<br>2024-2025 | Present at this meeting  |
|--|--------------------------------|--------------------------|
| Richard Bartlett-Rawlins (Chair)         | 1 of 1                         | Richard Bartlett-Rawlins |
| Ian Bickers                              | 1 of 1                         | Ian Bickers              |
| Jasmine Fergusson                        | 1 of 1                         | Jasmine Fergusson        |
| Mat Gotkowski                            | 1 of 1                         | Mat Gotkowski            |
| Amit Nayyar                              | 1 of 1                         | Amit Nayyar              |
| Total percentage attendance this meeting | 100%                           | 5/5                      |
| Total percentage attendance year to date | 100%                           | 5/5                      |

In attendance: Sally Alexander (CEO), Jason Mansell (COO), Karen Brown, Head of Governance, Sam Samuels, Governance Partner  
Kaye Dwight (Group Director: Funding, Data and Exams) (in part), Alasdair McWilliams (Data Protection Officer) (in part), Liana Sinclair (in part)

Steven Connors, Validera (in part), Hugh Swainson, Buzzacott (in part).

### **PART 1**

**Confidential (minuted separately)**

### **PART 2**

*Kaye Dwight joined the meeting*

### **PROCEDURAL**

#### **2.1 Welcome and Apologies**

Richard Bartlett-Rawlins welcomed everyone to the meeting. Jasmine Fergusson would be joining later as she had arrived at Bletchley for the meeting.

#### **2.2 Declaration of Interests**

None previously declared

#### **2.3 Minutes of the Last Meeting**

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

- ***20<sup>th</sup> June 2024 (Confidential 2.3A, Paper 2.3B, Confidential 2.3C)***

## Matters arising

| Date raised | Action  | Who | Status   |
|-------------|---|-----|--|
| 30.6.24     | 1. Assurance on the findings from the MIS internal review and a recommendation on commissioning an external funding assurance review in 2025. | JM  | Complete - agenda item 4.3                           |
|             | 2. Assurance on the cyber inherent risk and whether this should be higher (to be reviewed with the Risk Management Group                      | JM  | Complete<br>Agenda item 4.4                          |
|             | 3. Search Companies House / Charities Commission for Governors and ELT members to ensure all interests have been declared                     | KB  | Complete (reported to S&G Committee 22 October 2024) |

### 3.0 2023/24 ASSURANCE

#### 3.1 Internal Audit 2023/24 (previously circulated as Paper 3.1)

Steven Connors led on this item.

##### 3.1.1 Follow Up

The opinion is that the systems and controls provide **‘substantial assurance’**. Forty-six recommendations had been reported as completed of which twenty-two were tested. It was confirmed that all had been accurately reported as complete.

The Committee discussed whether a sampling approach was appropriate or whether 100% should have been tested. Steven Connors confirmed that sampling (including all the higher priority recommendations), was the usual approach and had errors been found, the sample size would have been increased (which was not the case). Jason Mansell outlined the role of the Risk Management Group which is held to account for the implementation of recommendations and confirmed that the follow-up audit by Validera had involved detailed scrutiny. It was a thorough approach and Paper 4.2 (tracker) is a standing report to the A&R Committee. The conclusion was that the sampling approach, as described, was sufficient.

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

#### 3.2 Internal Audit Annual Report and Assurance Statement 2023/24 (previously circulated as Paper 3.2)

Steven Connors 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 8 reviews during 2023/24 (including follow-up):

- 6 reviews received substantial assurance (highest level) (Corporate Governance, Core Financial Controls, Budgetary Control, Safeguarding, Prison Contracts, and Follow Up)
- 2 reviews received adequate assurance (Application to Enrolment and Work Experience)

- No reviews received limited assurance
- Overall, there were:
  - 0 red recommendations
  - 6 amber recommendations
  - 10 green recommendations

***The Committee reviewed and approved the Internal Auditor's annual report and assurance statement for the year ending 31 July 2024 and recommended this to the Board for approval***

### **3.3 ESFA Funding Assurance Review** *(previously circulated as Paper 3.3)*

Jason Mansell and Kaye Dwight advised that the College had been selected for an ESFA Funding Assurance Review of the 2023/24 Student Records. The last ESFA Funding Assurance Review was in 2016.

The College received the draft report from Mazars on 15 November and was now working through the recommendations and drafting the management response.

The ESFA conclusion was:

| <b>Funding Stream</b>                         | <b>Conclusion</b>                    |
|---|--------------------------------------|
| Overall                                       | Satisfactory (error rate below 5%)   |
| 16-19   | Satisfactory (error rate below 5%)   |
| Apprenticeships                               | Satisfactory (error rate below 5%)   |
| Adult Education Budget                        | Unsatisfactory (error rate above 5%) |
| Advanced Learner Loans and Loans Bursary Fund | n/a                                  |

There were 13 (non-mandatory) recommendations, and the College can expect a claim of £5,360 from the ESFA because of errors not corrected in the final claim.

The final report will come to the next meeting for approval of the management responses.

***The Committee noted the update.***

### **Agenda – change of order**

#### **4.3 ESFA Funding Assurance Audit 2024** *(previously circulated as Paper 4.3)*

As requested at the last meeting (following the RSM Funding Assurance review), Kaye Dwight gave assurance to the Committee on the restructure of the MIS team and process improvements to refocus roles, ensure compliance, mitigate risks, and improve the effectiveness of the team.

The team has carried out an internal review and created a refreshed process on claiming and recording ALS (Additional Learning Support) funding. There will be a further review at the end of term.

The process relating to apprenticeships had not been reviewed given Mazars' positive conclusion.

The Committee challenged how the team was informed of changes in funding rules to ensure processes were kept current. Kaye and Jason gave assurance that the team receive ESFA communications, attend relevant conferences and training events and network with other colleges. The RSM external funding assurance review had been

extremely helpful to share best practice and insights. Kaye also confirmed that members of her team specialised in the different funding streams but developing knowledge across the team was regularly reviewed as part of succession planning.

Management is recommending an external 'funding assurance and students records review' in 2024/25; the review by RSM in March 2024 had led to process improvements as well as providing assurance.

***The Committee noted the process improvement review actions and agreed to an external funding assurance review in 2024/25 subject to benchmarking costs.***

*Kaye was thanked for attending and she left the meeting*

### **3.4 Draft Financial Statements 2023/24 MK College Group (MKCG)**

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

The Going Concern Assurance (to December 2025), and supporting cashflow forecast, had been reviewed by the Finance Group at its meeting on 15 November. It assumes the government will provide 50% support towards the increase in National Insurance contributions, but does not any assume any additional in-year growth funding. The cashflow forecast ranges between £8m and £11.8m.

Hugh Swainson confirmed that Buzzacott had reviewed the Going Concern Assurance, including the sensitivity analyses, and had no issues.

***The Committee approved the MKCG draft Going Concern Assurance Statement***

#### **b) Buzzacott Post Audit Draft Report year ended 31 July 2024 (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 – two exceptions noted (no material issues)

#### Financial Performance and Going Concern

- The 'operational' surplus for the year, was £1.56m (FY 2023 £339k) (which was £767k favourable to the budget reforecast).
- Net assets were £29,920 (FY 2023 £28,360k)
- 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. Auditors recommend that governors should, on a regular basis, review:
  - 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.

### Audit recommendations

- There are three recommendations which have been accepted by management:
  - Prison reconciliation – simplify the reconciliation process
  - Fixed Assets Register – ensure disposals are processed
  - Accounts consolidation – workbook to be tailored

### Key Audit Risks and Outcomes

- The following areas, identified in the pre-audit planning as higher risk, were reviewed during the audit:
  - Going Concern assessment
  - Income recognition – prison income
  - Income recognition
  - Regularity
  - Capital works
  - Management of override of controls
  - Related Party Transactions
  - Accounting Estimates
- Prison income - estimates have been made regarding 'deferred prison income as a % of prison income' (15%) and 'clawback for items disallowed' (3%). The final reconciliation will not be received before signing the accounts so any adjustments will need to be made to the 2024/25 accounts.

### Key Financial Ratios

- The College's 2024 key financial ratios were compared to 35 Buzzacott colleges (2024) and sector benchmarks (113 colleges) (2023).

***The Committee reviewed the draft External Auditor's Post Audit Report for the year ended 31 July 2024 and:***

- ***approved the management responses***
- ***recommended the report to the Board for approval***

### **c) Draft Annual Report and Financial Statements MKCG (previously circulated as Paper 3.4C)**

Susan Akhtar highlighted:

- Financial performance was discussed in 3.4B.
- A reconciliation between the P12 management accounts and Financial Statements will be reported to the Board in December.
- Governors questioned the reasons behind the surplus being significantly better than the budget reforecast and Susan replied this was due to several factors including additional income (TPS and prisons) and lower costs (pay and non-pay).
- A recommendation will be made to the Board in December for an additional unconsolidated pay award (linked to the 2023/24 pay award).

The Committee requested a word version of Paper 3.4B and agreed to give feedback by 27<sup>th</sup> November.

### **Action 2: Committee Members**

In terms of presentation and content, the College has followed the AoC's Casterbridge model (as do most colleges in the sector) and the Committee suggested adding an executive

summary or CEO letter to highlight the strong financial performance and Good financial health alongside:

- the quality of provision (e.g. Ofsted Grade 2)
- investment (in staff, student experience, wellbeing, safeguarding estates etc)
- positive staff satisfaction
- community impact / meeting skills needs
- supporting the city's growth etc.

**Action 3: Susan Akhtar**

***The Committee reviewed the draft Report and Financial Statements for the Year Ended 31 July 2024 and recommended these to the Board for approval (subject to feedback by 27<sup>th</sup> November)***

**d) Draft Representation Letter (previously circulated as Paper 3.4D)**

- Buzzacott requires the letter of representation to be signed on behalf of the Board. This asks the Governors (and Directors of the subsidiary companies) 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 2024 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**

Milton Keynes College Commercial Ltd (MKCC)

- The Finance Group reviewed the Letter of Support (from MKCG to MKCC) (Paper 3.5A), and Going Concern Assurance (Paper 3.5B) at its meeting on 15 November.
- The Going Concern Assurance, Letter of Representation (Paper 3.4D) and the Report and Financial Statements (Paper 3.5C) will be approved by the MKCC Board at its meeting on 3<sup>rd</sup> December 2024.

The Code Makers Academy Ltd (CMA)

- The Letter of Representation (Paper 3.4D) and the Report and Financial Statements (Paper 3.5D) will be approved at the MKCC Board at its meeting on 3<sup>rd</sup> December 2024. The DfE has agreed the Change request to novate the contracts but has not yet provided the documentation. A new Anchor Partner may also be appointed.

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

## **4 2024/25 ASSURANCE**

### **4.1 Internal Audit Progress Report Term 1 (previously circulated as Paper 4.1)**

#### **4.1.1. Core Financial Controls: Income and Debtors**

The opinion is that the systems and controls provide '**substantial assurance**' (highest level) split between Design of Controls (adequate) and Application of Controls (good). The one amber and three green recommendations were accepted by management.

The amber recommendation relates to documentation for the collection, recording, holding and processing of income for the Nursery and sports facilities.

Governors asked the College to consider an impact analysis before removing cash payments (some learners may not have access to electronic payments).

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

**Satisfaction Questionnaire** *(previously circulated as Paper 4.1A)*

***The Committee noted the response***

#### **4.2 Progress in implementing recommendations from previous audit reports** *(previously circulated as Paper 4.2)*

##### Internal Audit

Jason Mansell updated the Committee on the good progress made in implementing previous audit recommendations:

- Since the last meeting, there have been 22 completed audit recommendations (including 16 from the RSM Funding Assurance Review). There is only one recommendation outstanding which is carried forward from 2021/22 and relates to the absence of a contract with MK City Council re Sports Central.

The College has received written confirmation from the Council that there are no issues with the current (2019) implied contract (which is not signed). The College is arranging a meeting with the Council before the end of November to discuss the next steps and in the meantime has escalated the issue to the Council's Director of Planning and Placemaking. The College is not willing to sign the 2019 version of the contract (which expires 31 March 2025 as it is poorly drafted and creates unacceptable financial obligations for the College. The Council has suggested the College sign a new 25 year lease with a ten year break clause.

The Committee discussed the position and risks.

The Committee requested an update at the next meeting and an outline of the College's future intentions regarding Sports Central (which is not College branded).

**Action 4: Jason Mansell**

***The Committee reviewed the report and noted the one outstanding action.***

#### **4.3 ESFA Funding Assurance Audit 2024** *(previously circulated as Paper 4.3)*

Minuted above

#### **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 four times, and the minutes had been circulated (Paper 4.4C).

Matters reviewed by the RMG included:

- All meetings have included a review of the Strategic Risk Register, an update on internal audit progress, and a review of progress against the Internal/External Audit Actions Tracker. Other matters reviewed included:
  - Student Access Control
  - RSM Funding Assurance Review recommendations
  - A detailed review of the strategic risk register and emerging risks
  - STEMx contract
  - AI and emerging technologies
  - Growth in 16-18 students
  - Partnership with the Open University
  - Emerging outcomes from the ESFA Funding Assurance Review
- The Strategic Risk Register (Paper 4.4B) has seventeen strategic risks (previously sixteen) of which two residual risks are red (high impact and / or likelihood), twelve are amber (medium impact and / or likelihood) and three are green (low impact and / or likelihood). The new Strategic Risk relates to 'the use of AI and emerging technologies, leading to security incidents and/or reputational damage'.
- 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.
- As previously requested by this Committee, the inherent risk score for Risk P has been reviewed by the RMG and the Group's view was that the likelihood score should not be increased from 4. Whilst the RMG recognised this remains a high risk, they did not feel it justified increasing the likelihood to a score of 5.

The Committee had an in depth discussion about the two red risks and concluded:

- Safeguarding (Risk C)  
The controls can mitigate the likelihood, but some aspects of safeguarding relate to external factors over which the College has no control, and the impact could be catastrophic. The conclusion was the red rating was appropriate (Steven Connors confirmed that most education establishments have Safeguarding risk as red). However, the wording of the controls will be reviewed before the next meeting to offer more assurance that safeguarding controls are effective.

**Action 5: Jason Mansell**

- Data breach and / or cyber incident (Risk P)  
The RMG will review whether the controls can reduce the residual risk to Amber, and if not, Risk P will be a focus at the next meeting.

**Action 6: Jason Mansell**

The College is developing an AI and emerging technologies strategy which will cover cyber incidents as well as use of AI by staff and students. A 'risk aware' rather than 'risk averse' approach is being adopted.

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

*Alasdair McWilliams was welcomed to the meeting*



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

Alasdair McWilliams highlighted:

- Eleven of the 'other requests for information' relate to police requests for CCTV recordings in relation to thefts outside College
- The College was not affected by a recent major cyber-attack (which did affect many colleges) as it had patched that vulnerability.
- 40% of staff have not completed the mandatory training but this is a rolling figure.

The Committee requested more meaningful data on training compliance i.e. the percentage of staff who have not completed the training within the stipulated period. As this relates to a red risk, the expectation is that training compliance will be high.

#### **Action 7: Alasdair McWilliams**

- A change in legislation is anticipated (Data Use and Access).

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

*Alasdair McWilliams was thanked for attending and he left the meeting*  
*Liana Sinclair was welcomed to the meeting*

#### **4.6 Health & Safety: Autumn Term 2024/25 (previously circulated as Paper 4.6)**

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.
- There have been no RIDDOR reportable accidents.
- The College Health & Safety (H&S) Executive Group (HSSEG) has oversight of H&S.

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

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

#### **4.7 College Financial Regulations / ESFA College Financial Handbook**

This will be an item for the next meeting.

### **5 GOVERNANCE**

#### **5.1 Committee Annual Report to the Board 2023/24 (draft) (previously circulated as Paper 5.1)**

The draft report outlines the work of this Committee for the period 1<sup>st</sup> August 2023 to 22<sup>nd</sup> November 2024 including matters covered at this meeting. The report will be submitted to the Board on 11<sup>th</sup> December and sent to the ESFA with the financial statements.

The Committee agreed to feedback to the Head of Governance by 27<sup>th</sup> November any further suggestions for Section 14 (issues and priorities for 2024/25).

#### **Action 8: Committee Members / Karen Brown**

## **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 noted the assurance relating to Annex C*

- 6.3 Anti-Fraud** *(previously circulated as Papers 6.3 and 6.3A)*

- Fraud Risk Assessment and Assurance (standing item)
- Assurance relating to anti-fraud (ACOP Annex D)

*The Committee noted the assurance on anti-fraud*

- 6.4 Value for Money Statement** *(previously circulated as Paper 6.4)*

*The Committee approved:*

- **Value for Money Statement for 2023/24**
- **KPIs for 2024/25**

- 6.5 Sub-Contracting** *(previously circulated as Paper 6.5)*

*The Committee noted the assurance on sub-contracting*

- 6.6 Code of Good Governance for English Colleges**

*The Committee noted that the Search & Governance Committee, at its meeting on 22 October 2024, reviewed the Code of Good Governance for English Colleges and agreed that the Board was compliant in all areas.*

- 6.7 Board Members' and ELT Expenses, Gifts and Hospitality 2023/24** *(previously circulated as Paper 6.7)*

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

- 6.8 Committee Performance – self-assessment 2023/24** *(previously circulated as Paper 6.8)*

*The Committee approved the self-assessment of the Committee's performance in 2023/24*

- 6.9 Committee Terms of Reference and Committee Business Plan 2024/25** *(previously circulated as Paper 6.9)*

*The Committee approved its Business Plan and recommended the Terms of reference to the Board for approval.*

## **ANY OTHER BUSINESS**

7.1 Nothing was raised.

**NEXT MEETING: 27<sup>th</sup> March 2025**

## **PART 3**

**Confidential (minuted separately)**

A handwritten signature in black ink, appearing to be 'RS' followed by a long horizontal stroke.

Approved 22 November 2024  
Chair of Audit & Risk Committee – Richard Bartlett-Rawlings