

MILTON KEYNES COLLEGE

AUDIT & RISK COMMITTEE

Minutes of the meeting held on 29th November 2018, F7/F8 Silbury Campus,
08:30 to 11:30

Committee Members	Attendance Record 2018-2019	Present at this meeting
Peter Cox	2 of 2	Peter Cox
Kuldip Kaur	1 of 2	
Silvia Vitiello (Chair)	2 of 2	Silvia Vitiello
Giles Mullins resigned 3.10.18	1 of 2	
Total percentage attendance this meeting	67%	2/3
Total percentage attendance year to date	86%	6/7

In attendance: Karen Brown, Imelda Galvin (in part), Marc Gillham (in part), Will Gordon (in part), Steve Lake, Elucidate (in part), Chris McLean (in part), Julie Mills (in part), Hugh Swainson, Buzzacott (in part)

CONFIDENTIAL SESSION

1.0 This session was held without members of the College's management team present.

Julie Mills, Imelda Galvin, Chris Mclean, Marc Gillham and Will Gordon joined the meeting

PROCEDURAL

2.0 The Committee elected Silvia Vitiello as Committee Chair and Peter Cox as Committee Vice-Chair.

3.0 Apologies had been received from Kuldip Kaur.

4.0 There were no prior declaration of interests.

MINUTES OF LAST MEETING: 21st June 2018 and 15th August 2018

5.1 ***The Committee approved the minutes (previously circulated as Paper 1A, Confidential Paper 1B and Confidential Paper 1C).***

Matters arising

Date raised	Action	Who	Status
21st June 2018	Risk Register – circulate the next iteration of the Risk Register by the end of July.	IG	Complete - Agenda item 7.4
	Circulate the report on sub-contracting by the end of July	IG	Complete - Agenda item 7.4
	Circulate the draft internal audit plan for suggestions from other committees	KB	Complete. A governor suggested GDPR (to be discussed at agenda item 7.1)
30th Nov 2017	Advise the College on the treatment of the College's levy when this is drawdown	WG / External Auditors	Carry forward. Hugh Swainson will respond to Imelda Galvin

2017/18 ASSURANCE

6.1 Internal Audit 2016/17: Risk Management Arrangements (*previously circulated as Paper 2*)

Steve Lake referred to Paper 2 and said that although there had not been a formal audit on risk management in 2017/18, from the work he had done supporting the risk register, he was able to give moderate assurance on risk management controls.

The Committee received the report on risk management and noted the opinion

6.2 Internal Audit Annual Report and Assurance Statement 2017/18 (*previously circulated as Paper 3*)

Steve Lake confirmed that all the planned audit work had been completed and any concerns had been addressed in year. The Committee's attention was drawn to the 'clean' audit opinion:

"Based on the internal work carried out in 2017/18, we consider that Milton Keynes College's governance, risk management and internal control arrangements are generally adequate and effective to manage its achievement of the College's objectives. Certain weaknesses and exceptions were highlighted by our audit work and all these matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports."

"The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required."

There had been six reviews during 2017/18:

- Three reviews had received substantial assurance from TIAA
- One review had received reasonable assurance from TIAA
- One review had received moderate assurance from Elucidate Consulting
- One review had received limited assurance from Elucidate Consulting

In total, nineteen recommendations had been made of which:

- One was urgent / fundamental
- Eight were important / significant
- Ten were routine / merits attention

The Committee reviewed and approved the Internal Auditor's annual report and assurance statement for the year ending 31 July 2018 and recommended this to the Board for approval.

6.3 Draft Financial Statements 2017/18

6.3.2 Draft Report and Financial Statements 2017/18 (previously circulated as Paper 4B)

Will Gordon said it had been a good but tough audit with some challenging questions from the new auditors. The report and financial statements were still in draft format but there was nothing material to bring to the Committee's attention.

The College delivered the agreed deficit budget (£211k) which was a significant improvement on 2016/17 (£1,534 deficit).

There was also a significant change to the Balance Sheet as a result of changes to the pension assumptions. Net Assets are now positive at £3,240k (compared to £3,248 net liabilities in 2016/17).

The going concern statement is positive.

Will clarified that £42k is owed by a dormant subsidiary company and the auditors have recommended that this debt is written off.

The Committee reviewed the draft Report and Financial Statements for the Year Ended 31 July 2018 and recommended these to the Board for approval including:

- ***Statement of Corporate Governance and Internal Control (page 11)***
- ***Regularity, Proprietary & Compliance Statement (page 17)***
- ***Statement of Responsibilities (page 18)***
- ***Regularity Audit Opinion (page 22)***

6.3.1 External Audit Post Audit Report and Management Letter year ended 31 July 2018 (previously circulated as Paper 4A)

Hugh Swainson referred to the report and management letter, highlighted key points and answered questions from the Committee:

- The purpose of the audit work is to form an opinion and conclusion on irregularity. The audit has gone well and Buzzacott anticipate issuing an unqualified audit opinion on the financial statements and regularity. The regularity conclusion recommends that the Committee should review the post 16 Audit Code of Practice examples (which has been done and minuted as item 9.5 below).

- The outstanding items are normal for this stage of the process, including the ESFA and MoJ income reconciliation statements and evidence of three OLASS contracts.

Governors asked if there was a problem with the contracts and were assured that the contracts have since been provided and that the College does not envisage any problems with the ESFA and MoJ statements.

- Planning costs of £524k (cumulative to date) for potential capital projects, have been excluded from the operating deficit. The College received £100k income for in-year expenditure.
- The pension deficit as a percentage of income is 35.4% (sector average is 34%). Imelda Galvin said the College was undertaking specific analysis on the OLASS impact on pensions.
- The report includes a comparison of the College's financial ratios against FE benchmarks. The EBITDA, payroll costs and current ratios are adverse to the general FE benchmark however, the College's borrowing as a percentage of income is much lower.

The College has a plan to address financial performance.

- In order to support the going concern confirmation, governors should receive on a regular basis:
 - Timely management accounts
 - Current cash flow position and future cash projections
 - College budgets and regularly updated forecasts

Buzzacott have reviewed the management accounts, cash flow projections and tested the assumptions.

- There were four audit adjustments.
- No significant deficiencies in the accounting and internal control systems were identified. In coming years however, there may be a more controls focused approach.
- The LGPS salary increase assumption is at the lower end of the scale compared to the sector and life expectancy is one year shorter than the sector average. The change in assumptions has had a £10m positive impact on the balance sheet
- There was one audit recommendation relating to the fixed asset register to which the College has responded with proposed action.

Feedback was given on the report:

- the Bank Loan has no covenants (however the College is using the former covenants as good practice) (p15)
- the bid for the IOT has been submitted (P15)

The Committee reviewed the External Auditor's Post Audit Report and Management Letter for the year ended 31 July 2018 and recommended this to the Board for approval, subject to the feedback given at this meeting

6.3.3 Draft Representation Letter 2017/18 (*previously circulated as Paper 4C*)

The Committee reviewed the draft Representation Letter for the year ended 31 July 2018 and recommended this to the Board for approval

2018/19 ASSURANCE

7.1 Internal Audit Progress Report 2018/19 (*previously circulated as Paper 5*)

Steve Lake presented the internal audit progress report, which contains a summary of the work completed to date; the report includes recommendations and management responses. Two audits have been completed and published (see below). The estates strategy draft report has been issued and the safeguarding audit is in progress (there are no issues arising at this point). Two of the contingency days in the plan have been used for additional work on the bursaries audit.

A governor has suggested that there is an internal audit on GDPR however the Committee did not feel that this would add value at this stage as GDPR is being tested through audits on IT and HR.

Steve drew attention to the following:

7.1.1 IT Strategy

The opinion is that the systems and controls (including GDPR) provide **'moderate assurance'**.

There were two 'significant' recommendations and one 'merits attention' recommendation. The report has been accepted by College management.

7.1.2 Bursaries

The opinion is that the systems and controls provide **'no assurance'**.

There were six 'fundamental' recommendations, three 'significant' recommendations and two 'merits attention' recommendations. The report has been accepted by College management.

The Committee discussed the report (minuted as confidential).

The Committee noted the report and approved the management responses.

7.2 Internal Audit Performance Survey Questionnaire (*previously circulated as Paper 6*)

The Committee noted the Performance Survey Questionnaires relating to the audits included in 7.1

7.3 Progress Review on Internal and External Audit Reports (*previously circulated as Paper 7*)

Will Gordon updated the Committee on the progress in implementing previous audit recommendations. There are 14 outstanding recommendations as at November 2018 including new recommendations reported in item 7.1.

Steve Lake added that he was basing himself in the Finance Team when he had spare days. Recommendations were being followed up and validated sooner so the committee can take assurance that actions marked by management as implemented, are correctly reported.

Governors asked that the 'responsible officer' be a specific role rather than a team (for accountability).

Action 1: Will Gordon

The Committee reviewed the report and noted progress

7.4 Risk Management & Board Assurance

Imelda Galvin tabled the Strategic Risk Register (Paper 8b).

The Strategic Risk register is being revised and condensed with the support of Steve Lake who also attends the College's Risk Management Group. There is good buy in from staff.

There are nine strategic risks.

The strategic risks will be aligned to the internal audit plan i.e. the current safeguarding audit is testing the mitigating controls.

The Risk Policy (Paper 8B) will be updated to reflect the current approach, (e.g. scoring has been dropped), for approval at the next meeting.

Action 2: Imelda Galvin

Governors commented that the plan is more manageable and is a more meaningful and 'living' document with actions assigned to specific roles / people. The plan will be recommended to the Board for approval.

The Executive Summary (Paper 8A) was not presented.

The Committee has previously requested assurance on sub-contracting and projects and these are included in the Strategic Risk Register (Risks 1, 6 and 9). There is also an operational CMK relocation risk register which is reported to the PDMG.

The Committee received the update on risk management and recommended the Strategic Risk Register to the Board for approval

7.5 GDPR

Marc Gillham reported that there have been three data breaches since the last meeting.

There is a good level of GDPR knowledge across the College.

Subject Access Requests are now taking a significant amount of time for the team. Although there may only be one a month on average, they can involve a lot of investigation (e.g. a recent request required a review of 16,000 emails). Legal advice is being sought. One reply was late but there has been no follow up. There are no outstanding requests currently.

The Committee noted the assurance on GDPR

Hugh Swainson left the meeting at 10:45

7.6 Management & Quality Assurance of Data

Marc Gillham advised governors on how they can be assured about the management and quality of data i.e. through:

- External audits commissioned by the Funding Agency
- Funding Assurance Audits commissioned by the College
- Internal monitoring by the Funding & Data Team using appropriate tools (which are used by the external auditors)

There was no external audit or funding assurance audit of 2017/18 data.

The biggest risk is evidencing hours attended by students and for 2018/19 there are clearer timetables and registers.

The ESFA commissioned an ESF audit of apprenticeships and adult provision but the College has yet to receive the report. As apprenticeships will involve end point assessments in future, the College is taking advice from RSM (or similar) on how this can be evidenced.

The Committee noted the assurance on the management and quality of data

7.7 ESFA Letter (previously circulated as Paper 9)

The Committee noted the letter

GOVERNANCE

8.1 Committee Annual Report to the Board 2016/17 (draft) (previously circulated as Paper 10)

The draft report outlines the work of the committee for the period August 2017 to November 2018 including matters covered at this meeting.

A copy of the final report with the Committee's TOR and workplan will be sent to the ESFA with the financial statements.

Karen Brown drew attention to the final paragraph which is the Committee's opinion and assurance to the Board on the adequacy and effectiveness of the assurance framework, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.

There are three members (no current vacancies). However, the view of the Committee is that more members would be helpful especially as the current Committee Chair will be retiring from the Board this cycle.

The Committee reviewed and approved its draft Annual Report for 2017/18 for submission to the Board at the same time as the annual audited financial statements

CONSENT AGENDA

The Consent Agenda was approved without discussion:

9.1 Regularity Self-assessment questionnaire (SAQ) (previously circulated as Paper 11)

The Committee reviewed and approved the SAQ and authorised the Principal and Chair to sign this (for submission to the Board with the financial statements)

9.2 Value for Money Statement 2017/18, KPIs for 2018/19 and Value for Money Policy (previously circulated as Paper 12)

The Committee approved the Value for Money Statement for 2017/18 and the KPIs for 2018/19

9.3 College Financial Regulations (previously circulated as Paper 13)

The Committee agreed to recommend the following sections of the Financial Regulations to the Board for approval:

- *Section 2: Responsibility, Delegation and Monitoring*
- *Section 12: Inventory and Asset Management*

The Committee agreed to recommend the two sections to the Board for approval

9.4 Board Members' and Senior Post-holders' Expenses, Gifts and Hospitality 2017/18 (previously circulated as Paper 14)

The Committee approved the report for publication on the College website

9.5 Self-Assessment against Annex C: Summary of regularity concerns (previously circulated as Paper 15)

The Committee approved the self-assessment against Annex C

9.6 Committee Performance – self-assessment 2017/18 (previously circulated as Paper 16)

This had been previously circulated / agreed by email.

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

9.7 Terms of Reference 2018/19 (previously circulated as Paper 17)

The Committee recommended the Committee's Terms of Reference to the Board for approval

9.6 Code of Good Governance for English Colleges

The Committee noted that the Search & Governance Committee, at its virtual meeting on 12th November 2018, agreed that the Board was compliant in all areas of the Code

10 ANY OTHER BUSINESS

None

11. NEXT MEETING: 21st March 2019

Silvia Vitiello thanked Steve Lake, Chris McLean and Marc Gillham for attending and they left the meeting

12: Confidential item

Silvia Vitiello thanked Will Gordon for attending and he left the meeting

13: Confidential item

The meeting closed at 11:30