

MILTON KEYNES COLLEGE

AUDIT & RISK COMMITTEE

Minutes of the meeting held on 20th June 2019, Board Room, Silbury Campus,
08:30 to 10:30

Committee Members	Attendance Record 2018-2019	Present at this meeting
Peter Cox	4 of 4	Peter Cox
Luke Ferebee (joined 21.3.19)	2 of 2	Luke Ferebee
Mat Gotkowski (joined 8.5.19)	1 of 1	Mat Gotkowski
Kuldip Kaur	3 of 4	Kuldip Kaur
Silvia Vitiello (Chair)	3 of 4	
Giles Mullins resigned (3/10/18)	1 of 2	
Total percentage attendance this meeting	80%	4/5
Total percentage attendance year to date	82%	14/17

In attendance: Karen Brown, Simon Cox (Elucidate), Imelda Galvin, Marc Gillham, Will Gordon, Steve Lake (Elucidate), Hugh Swainson (Buzzacott)

PROCEDURAL

- 1.0 The Committee Chair welcomed Mat Gotkowski to his first meeting and brief introductions were given. Apologies had been received from Silvia Vitiello and Julie Mills.

The meeting was chaired by Peter Cox (Vice-Chair)

- 2.0 There were no declaration of interests.

MINUTES OF LAST MEETING: 29th November 2019

- 3.1 ***The Committee approved the minutes (previously circulated as Papers 1A and Confidential 1B)***

Matters arising

Date raised	Action	Who	Status
20.03.09	Retest safeguarding controls and re-issue formal assurance	Elucidate	Complete – agenda item 4.1
	Amend the Risk Management Policy before submitting to the Board for approval.	IG	Complete – approved by the Board 8 th May 2019

2018/19 ASSURANCE

4.1 Internal Audit Progress Report 2018/19 (*previously circulated as Papers 2 and 2.1*)

Steve Lake presented the internal audit progress report, which contains a summary of the work completed to date. Since the last meeting, two audits and one control enhancement report have been completed and published as below.

As previously reported, the three days allocated for the Governance – Risk Management audit have been reallocated to a review of the Delivery of Prison Education under the new contract arrangements. Steve confirmed that through his engagement with the College's Risk Management Group, and the audit work undertaken throughout the year, he will be able to report on risk management in the annual internal audit report.

Steve drew attention to the following:

4.1.1 Internal Audit Reports:

a) Safeguarding

At the last meeting, following a limited assurance recommendation, it had been agreed that safeguarding would be retested to confirm that the recommendations had been actioned.

Safeguarding was retested in March and the report reissued. The opinion is that the systems and controls provide '**satisfactory assurance**' (*highest level of assurance*) with no recommendations. The report has been accepted by College management.

A 100% review of DBS checks was undertaken and all were in order.

b) Governance – Strategic Control

The opinion is that the systems and controls provide '**satisfactory assurance**' (*highest level of assurance*) with no recommendations. The report has been accepted by College management.

There was also much evidence of good practice.

c) Estates Strategic Plan – Control Enhancement Report

No opinion has been given as this was an advisory review. The Estates Strategy is in development and is being updated following the decisions made by the Board at the meetings in March and May. There will be a formal audit next cycle.

A Committee Member asked:

What was the management response to the Estates report?

The report pre-dates the Board meeting in March. A later version of the Estates Strategy has been seen which addresses previous gaps e.g. learner numbers are now included.

Will Gordon confirmed that the final version of the Estates Strategy will be available by the end of August for approval.

Action 1: Will Gordon

d) Sub-Contractor
Minuted as confidential

The Committee:

- ***Noted the Internal Audit Progress Report and the management responses***
- ***Approved an additional 10-12 audit days and requested to be kept updated***

4.1.2 Internal Performance Survey Questionnaire (previously circulated as Paper 3)

The Committee noted the Performance Survey Questionnaires relating to the audits included in 4.1.1

4.2 Progress Review on Internal and External Audit Reports (previously circulated as Paper 4)

Steve Lake and Will Gordon updated the Committee on the progress in implementing previous audit recommendations. There are two outstanding recommendations as at June 2019 (excluding the recommendations included in Paper 5).

In response to questions from the Committee, Will confirmed that:

- Action to correct the Nursery discrepancies will be completed by the end of July (year-end).
- The internal audit strategy and plan (Paper 8) proposes that commercial activities are reviewed on a cyclical basis.

There was a discussion about Hair & Beauty stock control and the Committee approved the management response to not introduce additional controls for Beauty as the cost of implementing the controls would outweigh the risks. The stock is counted every Monday and the difference is accepted as being consumed the previous week. The monthly financial reviews would challenge any significant differences. The Commercial Manager now has responsibility for this area and has introduced robust controls.

The External Auditor confirmed that the value of stock involved (£15,000 per annum for both Hair and Beauty), is below the level of materiality.

The Committee reviewed the report and noted progress

4.3 Funding Assurance Review (previously circulated as Paper 5)

Minuted as confidential

The Committee noted the report and requested the management response.

4.4 External Audit Strategy and Planning Memorandum 2018/19 (previously circulated as Paper 6)

Hugh Swainson drew attention to sections of the report including:

- The services to be provided are Financial Statements Audit, Regularity Assurance and Teachers' Pension Scheme audit.
- The audit fieldwork will commence on 7th October and the clearance meeting will take place in early November. The draft report and accounts will be available for circulating to the Audit & Risk Committee on 21st November 2019.
- There are changes to the 2018/19 Accounts Direction Framework.
- The issues of audit significance were agreed with Imelda Galvin and Will Gordon at the pre-audit planning meeting.
- Changes have been made to the Regularity Self-Assessment Questionnaire (RSAQ) to reflect anti-fraud considerations. The RSAQ must be signed by the CEO and Chair of Governors.
- The Corporation is required to make a statement in the annual report about appropriate arrangements for governance, risk management and internal financial control. The Post 16 Audit Code of Practice (published February 2019)¹ includes examples of regularity concerns for colleges and auditors to consider when assessing the College's arrangements for governance, risk management and internal control.

The Committee noted that Buzzacott will reviewing the College's detailed cash flow forecasts and budgets and consider if the assumptions used are reasonable.

Committee Members asked questions:

Will the IoT be recognised as a subsidiary or associate company?

The IoT will be a wholly owned subsidiary of MK College. The company will not be audited for 2018/19 as the company does not yet exist.

Are there risks which are unique to Milton Keynes College?

Only a few colleges have an IoT and / or a prison contract. Many colleges have had a staff restructure this year.

Are there any specific fraud risks you will consider as part of the external audit?

The College is close to break-even. The external audit will consider the potential for manipulation fraud to achieve breakeven when reviewing the College's detailed cash flow forecasts and budgets.

The Committee reviewed the External Audit Strategy and Plan for 2018/19 and recommended this to the Board for approval.

¹ [Post 16 Audit Code of Practice February 2019](#)

4.5 Risk Management & Board Assurance (*previously circulated as Papers 7.1 and 7.2*)

Imelda Galvin reminded the Committee that the format of the Strategic Risk Register (the Register) had been revised this year and is more succinct. There are currently 8 areas of strategic risk.

The Register is continuously reviewed, and the cross-college Risk Management Group meets every six weeks. Steve Lake, internal auditor, attends these meetings and then follows up with the respective risk owners.

A more detailed operational risk register underpins the Register, and it was suggested that the Committee may wish to see the operational risk register on an annual basis, for information. It was agreed that the operational risk register be circulated to the Committee members.

Action 3: Imelda Galvin

The Committee asked that the Register be completed with names of risk owners and dates.

Action 4: Imelda Galvin

Risk 4 relating to the prison education contract has been added since the last meeting. Where appropriate, emerging risks and mitigating controls will be added to the Register e.g. T levels which will be operational from 2020.

Committee Members asked questions:

The external strategy highlights the risks surrounding cyber security. This is not explicit in the Strategic Risk Register – do other colleges see this as a risk?

The College is going through ISO 27001 for the prison contract and this will extend to campus operations. Due to the requirements in the prison contract, our practice was ahead of other colleges. The internal auditor advised that a paper had been presented at the College's Risk Management Group on this topic earlier this year.

Hugh Swainson confirmed that Buzzacott had seen cyber security on the risk register at other colleges.

It was agreed that cyber security would be added to the Register.

Action 5: Imelda Galvin

The Committee reviewed the Strategic Risk Register and recommended this to the Board for approval.

2019/20 ASSURANCE

5.1 Draft Strategy & Plan for Internal Audit 2019/20 (*previously circulated as Paper 8*)

Steve Lake referred to the proposed plan which is based on a three-year cycle. He assured the Committee that it was aligned to the Strategic Risk Register and the strategic priorities. The proposed plan had been reviewed with Imelda Galvin, Will Gordon and the College's Risk Management Group.

The Committee discussed the proposed plan:

- The plan excludes risk management however, the Committee is required to give an opinion on risk management to the Board and relies on internal audit for assurance. Steve Lake confirmed that Elucidate can provide assurance on risk management through its other work and a statement explaining this will be added to the plan before this is presented to the Board for approval.

Action 6: Steve Lake

- GDPR will be added to the plan for 2019/20 alongside cyber threats (see action 5 above). It may be possible to include this in the scope of the proposed IT Network Controls Audit.

Action 7: Steve Lake / Marc Gillham

- When following up the operational risks, Steve Lake will informally review the Business Continuity Plan and give feedback to Imelda who will update the Risk Management Group if appropriate.

The Committee asked for assurance that there is an effective Business Continuity Plan in place and that simulations have been carried out. Imelda confirmed that fire drill and lock down procedures have been tested, there are servers mirrored at Chaffron Way and Bletchley and much of the College's data and systems are cloud based. There is an audit planned for 2020/21. The Committee asked that the College consider running simulations affecting operational issues (such as inability to access one site and the practical implications).

Action 8: Imelda Galvin

- Budget planning and assumptions will be included in the Governance - Strategic and Financial Planning Audit.

The College has a list of the assumptions and judgements used for budget planning and these will be tested during the audit.

The Committee reviewed the Internal Audit Strategy and Plan for 2019/20 and recommended this to the Board for approval.

COLLEGE

6.1 ESFA Letter of 21st March 2019) (previously circulated as Paper 9)

The letter, which confirms the College's financial health grade for 2017/18 as satisfactory, was circulated, on receipt, to the Chair of Governors and members of the Audit & Risk Committee. The letter confirms that no significant financial control concerns were identified. The College is in early intervention and a FEC diagnostic visit will take place on 24th and 25th July 2019.

The Committee discussed the Dashboard which was circulated with the letter:

- The College has over-forecasted student numbers in the past. Imelda Galvin reminded the Committee that the Board had challenged the Executive on over-forecasting and the ELT has been able to assure the Board that student numbers for 2019/20 are not over optimistic. In response to governor challenge, curriculum planning for 2019/20 was brought forward to December 2018 and the 2019/20 budget was approved in principle by the Board in March 2019. As discussed in 5.1,

the Governance – Strategic Planning and Control will test the budget planning and assumptions. The external audit will also review the detailed cash flow forecasts and budgets and consider if the assumptions used are reasonable.

Will Gordon assured the Committee that all leaders and managers are scrutinising every element of expenditure and actions to improve the Financial Health score. This year the planning of student numbers has been very robust and timely action will be taken to reduce costs if the student numbers are not achieved. All curriculum teams have contribution targets and next week all budget holders will formally sign-off their budgets, so they are accountable.

- The College's Financial Health Score for 2019/20 will be 130 (satisfactory). The score for inadequate Financial Health is 110 so there is a small margin of error. This emphasises why financial health and sustainability is the key focus for the Board. The plan for 2019/10 is 160 points (180 points are required for 'Good' Financial Health).
- The data in this Dashboard, in graphical format, will be produced for the Board and the Finance Group.

Action 9: Marc Gillham / Imelda Galvin

The Committee asked the Finance Group to consider the issues raised in the Dashboard and challenge the budget assumptions for 2019/20.

Action 10: Imelda Galvin / Finance Group

The Committee noted the ESFA letter and asked the Finance Group to review the issues raised in more detail.

6.2 Committee Business Plan for 2019/20 (previously circulated as Paper 9)

It was agreed that GDPR will continue to be a regular agenda item.

Hugh Swainson confirmed that the plan was similar to other colleges (the work of the audit committee is included in the Post 16 Audit Code of Practice).

The Committee approved the business plan as a working document.

NEXT MEETING: 28 November 2019 08:30 – 10:30

In her absence, Peter Cox expressed thanks to Silvia Vitiello for her past support as Chair of this Committee. Silvia Vitiello will be retiring from the Board at the end of this cycle.