

MILTON KEYNES COLLEGE

AUDIT & RISK COMMITTEE

Minutes of the meeting held on 18th June 2020,
MS Teams
08:30 to 10:15

Committee Members	Attendance Record 2019-2020	Present at this meeting
Richard Bartlett-Rawlings (joined 3/10/19)	3 of 3	Yes
Alan Cook (Chair)	3 of 3	Yes
Peter Cox	2 of 3	Yes
Luke Ferebee	3 of 3	Yes
Mat Gotkowski	3 of 3	Yes
Kuldip Kaur	3 of 3	Yes
Total percentage attendance this meeting	100%	6/6
Total percentage attendance year to date	95%	17/18

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

CONFIDENTIAL SESSION

1.0 The confidential session was moved to the end of the meeting.

PROCEDURAL

2.1 Welcome and Apologies

The Committee Chair welcomed everyone to the online meeting. There were no apologies as everyone was present.

2.2 Declarations of Interest

There were no declarations which had not been previously notified.

MINUTES OF LAST MEETING: 19th March 2020

3.1 *The Committee approved the minutes (previously circulated as Paper 3.1A, 3.1B and 3.1C)*

Matters arising:

Date raised	Action	Status
19 th March 2020	Seek A&R Committee approval for extending the implementation date for audit recommendations. Add an extra column to the table in the Exec summary.	Complete – agenda item 4.2
	Discuss risk management at the June meeting to include the Operational Risk Management Group and minutes. Explain also how impact and probability scores inform the RAG ratings.	Complete – agenda item 4.4
20 th June 2019	1. The final version of the Estates Strategy will be available by the end of August for approval (previous audit recommendation).	Carry forward – this is dependent on the IoT decision. A timeline for strategic reviews (including the Estates Strategy) will be presented at the July Board meeting.

2019/20 ASSURANCE

4.1 Internal Audit

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

Steve Lake advised that since the last meeting:

- Two assignments had been completed remotely (GDPR / Strategic & Financial Planning)
- Two assignment reports had been issued in draft (Budgetary Control & Reporting / Sub-contracting)
- Three assignments are in progress i.e. fieldwork has started (Curriculum Planning / Prisons / Apprenticeships). The exit meeting for the Curriculum Planning assignment has not yet taken place.

Assignments are taking place remotely and all 2019/20 assignments should be completed in-year. Committee Members confirmed that these reports may be presented at the November meeting unless there were any issues requiring the Committee's urgent attention.

a) GDPR

The opinion is that the systems and controls provide '**moderate assurance**'.

There were four 'significant' recommendations (two of which have since been implemented). The report has been accepted by College management.

In response to a question on locking computers and laptops, the Director of Funding, MIS & IT added that this had been a requirement of the ISO27001 certification and had been checked. Also, when logging on, staff are reminded of this.

b) Strategic & Financial Planning

The opinion is that the systems and controls provide '**satisfactory assurance**' (*highest level of assurance*).

There was one 'merits attention' recommendation. The report has been accepted by College management.

The Committee noted the internal audit progress report and approved the management responses

2) Internal Audit Satisfaction Questionnaires (*previously circulated as Paper 4.1B*)

There is a high level of satisfaction.

The Committee noted the satisfaction questionnaires relating to agenda items 4.1a and 4.1b

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

Will Gordon updated the Committee on the progress in implementing previous audit recommendations. There are 5 outstanding recommendations as at June 2020 including 3 recommendations relating to the GDPR and Strategic & Financial Planning audits referred to above.

Two recommendations have revised implementation dates:

- Health & Safety staff training (implementation date revised from 31st December 2019 [original date] to 31st December 2020). This relates to onsite training e.g. in workshops, which cannot take place during lockdown. A new Head of Estates has been appointed so implementation may be achieved sooner.
- Manual administration of network accounts for third parties (implementation date revised from 30th April 2020 to 31st July 2020). This is dependent on the implementation of HRIS which is scheduled for the end of July.

The Committee reviewed the report and noted progress

4.3 External Audit Strategy for year ending 31st July 2020 (*previously circulated as Paper 4.3*)

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 5th October and the clearance meeting will take place on 13th November. The draft report and accounts will be available for circulating to the Audit & Risk Committee on 23rd November 2019.
- The intention is to undertake the audit work onsite (if this is possible) with some work being completed remotely.

- The issues of audit significance were agreed with Imelda Galvin and Will Gordon at the pre-audit planning meeting. The College is forecasting a surplus for 2019/20 in line with the budget however COVID- has a potential impact on future years.
- There are changes to the 2019/20 Accounts Direction Framework (which are listed in Paper 4.3). More guidance is expected on 'streamlined energy and carbon reporting disclosures'.
- The ESFA is yet to publish the Post-16 Audit Code of Practice (ACoP) for the current financial year but additional work on gaining positive assurance on 'the use of funds received from the government' is expected; this has been included in the plan (and proposed fees) and the College will be informed if the ACoP requires any further changes to the audit approach.
- When guidance has been issued, a list of documents which are required for the regularity assurance engagement will be requested including the Regularity Self-Assessment Questionnaire (RSAQ) which must be signed by the CEO and Chair of Governors.
- The annual report must include an assessment of whether the College is a going concern, including any supporting assumptions, qualifications and mitigating actions, as appropriate.

Committee Members asked questions to which Hugh responded:

In relation to going concern, will you require a separate paper from the management team?

Buzzacott will need a paper with the forecasts, cashflow, sensitivities and uncertainties.

It was agreed that the Finance Group should review the paper before it is shared with Buzzacott and this Committee should see the paper in November.

Action 1: Will Gordon / Imelda Galvin

Can an early draft of the financial statements be circulated as early as possible so that the Committee has sufficient time to review the document prior to the Audit & Risk Committee meeting on 30th November?

The draft financial statements are due to be issued to the Audit & Risk Committee on 23rd November which is already a tight turnaround as the clearance meeting is not scheduled until 13th November. Disclosures will not be finalised until the clearance meeting. The College and Buzzacott will reflect on the timetable and it may be possible to issue the front section of the report a few days earlier.

Action 2: Will Gordon, Imelda Galvin, Hugh Swainson

How will stock checks be undertaken if the College is closed?

The value of stock will not be a material figure in relation to the College's financial statements so a stock take will not be required.

Will a remote audit create additional risks to the quality of the audit?

No. Most of the evidence is in electronic format which can be easily shared and conversations can take place via online meetings. Fortunately the College does not have many areas which could pose a challenge (e.g. stock) and evidence of funding can be easily verified from funding documents. Standards will be maintained. Currently 31st December is still the deadline for submitting the accounts to the ESFA.

The Accounts Direction gives additional guidance on going concern – will there be an enhanced going concern paragraph and what might it look like?

Whilst there is additional guidance (e.g. how to take COVID into account), fundamentally, the requirements re going concern have not changed. COVID creates additional uncertainty so the assumptions, scenarios and sensitivities may need to be enhanced.

Will you be requiring enhanced disclosures to explain severe plausible downsides and to demonstrate it is still a strong business?

The reporting will be fair and balanced. The College already includes a lot of information supporting going concern.

The financial statements need to give appropriate recognition that this year is different.

Are there any indicators emerging from the sector?

It is a mixed picture but as the AoC summarised recently, overall the sector has been damaged financially. Some colleges have seen a greater impact especially those with large borrowings and restrictive covenants. MK College is in a good position in that it has a small loan with no covenants and has offset the reduction in income with a reduction in costs.

Imelda Galvin added although the sector has surety of income for 2020/21, there could be a financial impact in future years.

A remote audit may not be as efficient so have you considered extending the planning time to offset delays e.g. in receiving information?

The detailed planning is still to be done and it is not clear yet whether any audit work can be completed on site.

Most evidence has been provided electronically so no problems are foreseen which cannot be managed.

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

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

a) Strategic Risk Register

The Committee noted that in response to its request at the last meeting, the Strategic Risk Register now includes an assessment of impact and likelihood which informs the inherent and residual scores and RAG ratings. A future consideration may be the addition of a target score (linked to risk appetite) but this is not required currently.

There are nine strategic risks of which two are currently red (highest priority):

- 1) Inadequate buildings/infrastructure and/or responsiveness to change leading to a poor student experience and reputational damage
- 2) Health and well-being - failure to protect learners, staff and visitors following the outbreak of a pandemic

The seven remaining risks are amber.

The high level of change (in red font) demonstrates that the Strategic Risk Register is reviewed regularly. The Strategic Risk Register is a business tool and not merely a compliance report.

The inherent risk score is always 16 for strategic risks (by virtue of the scoring system) but operational risks may have a lower inherent score.

b) Risk Management Policy

The Policy is reviewed annually; there were no significant changes. The Committee asked for changes to be highlighted when documents / policies are submitted for approval.

c) Operational Risk Management / Business Continuity Group

Operational Risk Management

The College's Risk Management Group (RMG) meets regularly and the internal auditor (Steve Lake) attends. The RMG owns the Operational Risk Register (ORR) and focuses on a different risk at each meeting.

RMG meetings are minuted and the minutes from the meeting on 27th April and 27th May were circulated for information to Committee Members (Paper 4.4C). The Committee noted that the minutes provide assurance of the process.

The Committee discussed the internal auditor's role in risk management at the College; there is no separate risk assignment on the internal audit plan for 2020/21 as the plan states '*risk management is covered through the internal auditor's attendance and work with the Risk Management Group*'. Rather than a scheduling a specific assignment on risk, the internal auditor confirmed he was able to give an opinion on the effectiveness of risk management through this ongoing involvement.

Imelda Galvin confirmed she was accountable for risk and had established the Risk Management Group. The College does not have an internal risk department; the internal auditor is independent and challenges the Risk Management Group, which adds value to the process.

The Committee asked to review the terms of reference of the Risk Management Group so that the internal auditor's role and responsibilities were clear and transparent and could be held up to scrutiny.

Action 3: Steve Lake / Imelda Galvin

Business Continuity Group (BCG)

The BCG is aligned to the RMG and currently meets weekly to focus on risks and mitigating actions relating to COVID-19. Department plans (which are overseen by the BCG) had been circulated to the Committee by email on 17th June.

The Board signed off the College's overarching unlock plan at the meeting on 10th June.

Governors asked questions:

Is there a track and trace system in place?

There is no app but staff and students will be required to sign-in at reception (i.e. access cards have been disabled) therefore the College has a record of who is in College every day. Students are only attending college currently to complete assessments i.e. there is no teaching taking place.

Social distancing will be in place and anyone displaying symptoms will be advised to follow the latest government guidance. Parents of LDD students would be contacted.

What support are students receiving?

On site, there will be facilities, security and a small number of teachers. The College curriculum teams are in regular contact with students who are working remotely.

The Committee:

- ***recommended the Strategic Risk Register to the Board for approval***
- ***recommended the Risk Management Policy to the Board for approval***
- ***received assurance on the role of the Risk Management Group and Business Continuity Group***

2020/21 ASSURANCE

5.1 Draft Strategy & Plan for Internal Audit 2020/21 (previously circulated as Paper 5.1)

Will Gordon referred to the proposed plan which is based on a three-year cycle. He assured the Committee that the plan was aligned to the Strategic Risk Register and had been discussed with the College's Risk Management Group.

The Committee discussed controls which may be missing from the plan and it was agreed that audits for the previous two years would be added so there is a five year view.¹

There are 8 contingency days in the plan should any concerns emerge.

¹ Steve Lake has since added this information to the version of the plan which will be submitted to the Board for approval on 15th July

Financial Controls relating to the Student Union may be a consideration for 2021/22 (for 2020/21, the delegated budget is small).

The Committee recommended the Internal Audit Strategy and Plan for 2020/21 to the Board for approval

COLLEGE

6.1 College Financial Regulations *(previously circulated as Paper 6.1)*

The following sections of the Financial Regulations have been reviewed and there have been minor amendments (changes tracked):

Section 1: Introduction and General

Section 7: Reimbursement of Expenses

Section 8: Income

Section 10: Treasury Management, Banking and Cash

Section 15: Conflicts of Interest, Bribery, Gifts & Hospitality

Section 16: Partnership and Sub-contracting

Section 17: College Companies and Joint Ventures

In relation to Section 10, Will Gordon confirmed that the bank accounts had not yet been opened for the two new college companies.

The Committee reviewed the seven sections of the Financial Regulations and recommended these to the Board for approval

6.2 GDPR *(previously circulated as Paper 6.2)*

Marc Gillham updated the Committee on GDPR. There are no concerns and no reportable data breaches. The ICO has temporarily relaxed the timescales on responding to subject access requests.

The recent focus has been moving the organisation to remote working due to the pandemic e.g. reminding staff of data security when working from home (locking laptops etc.).

There has been an increase in phishing emails but there have been no security issues.

The Committee noted the assurance on GDPR

ANY OTHER BUSINESS

6.3 Funding Assurance Review

Marc Gillham reminded the Committee that the College had planned to commission Karl Bentley of RSM to carry out a review of learner records. As this work could not be carried out remotely, the review did not proceed.

Marc is now working directly with the ESFA concerning changes to funding rules.

The funding assurance review will be rescheduled but there is no date at this stage. There will be no ESFA external funding audit this year.

The Committee received the update on the funding assurance review.

CONSENT AGENDA

7.1 Audit & Risk Committee Draft Business Plan for 2020/21

The Committee approved the Committee's Business Plan as a working document

NEXT MEETING: 30th November 2020

Julie Mills, Imelda Galvin, Marc Gillham and Will Gordon left the meeting

CONFIDENTIAL SESSION

This part of the meeting was a confidential session with no management present (confidential minutes A). It is a standing agenda item in the event that auditors wish to raise any issues directly with the Committee.