

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

MEETING OF AUDIT AND RISK COMMITTEE – 08.07.2022

CONFIRMED MINUTES

PRESENT: I Wright (Chair and CG), A Coleman-Cooke (CG), R Anderson (CG), S Green (EM), L Holdsworth (EM).

AUDITORS: M Gibson (RSM), D Hoose (Mazars).

OFFICERS: Z Foster (Clerk), M Russell (VP – Finance and Registry), S Marshall (ED – Digital and Campus Services), R Shuttleworth (Director of IT)

Key CG - College Governor EM - External Member
ED – Executive Director VP - Vice Principal

1. Private Discussion with Mazars and Audit and Risk Committee

Z Foster, S Marshall, R Shuttleworth, and M Russell left for this item.

A confidential discussion took place with the auditors.

2. Apologies for Absence

R Barnett (RSM); P Church (RSM), R Walker (Mazars).

3. Declarations of Interest –none declared

4. Unconfirmed Minutes of 4 March 2022

The minutes were approved as a correct record.

5. Matters Arising not on the Agenda

It was noted that the deep dive scheduled had been replaced with energy (item 10.2).

Officers confirmed that there were currently no effects of the Russian sanctions on the College.

R Shuttleworth gave an update in relation to BT with an alternative re-routing plan instead of the third line which was due to be confirmed and completed within the next four weeks.

6. IT Security Action Plan Update

R Shuttleworth highlighted aspects of his report including: the DDOS attack and network disruption issues which had been resolved and were being closely monitored going forward (by the College and JISC) and networking and backup appliance updates.

6.1 Digital Strategy Implementation – R Shuttleworth outlined the positive progress

Committee questions and discussion included: detail of the additional mitigation measures by JISC; and clarification on use of BT.

6.2 IT Disaster Recovery Policy and Procedures – S Marshall informed the Committee of the recent approval of the Business Continuity Plan and the Major Incident Response by Corporate Services Committee and Governing Body and how the IT Infrastructure Plan linked in.

R Shuttleworth gave a brief overview including the recruitment of a security and compliance officer for the team and the Board Cyber Security toolkit for Boards.

Committee questions and discussion included: various practical aspects of the plan (e.g. paper copies; access etc); clarification on the chain of command (CMT and SLT); how the plan would be tested including testing of key assumptions; the level of cover outside of hours to deal with any potential disaster and associated risks; and the questions within the cyber security toolkit.

It was **agreed** that the Committee would benefit from Cyber Security training and that I Wright and Z Foster would progress this.

Subject to a title change to 'IT Infrastructure Recovery Plan', the Committee **agreed** to recommend the policy for approval by the Governing Body at its July meeting.

7. Audit Matters

7.1 Exception Report

M Russell gave a full update detailing that two low priority actions had been closed and two medium ones within HR remained open and he outlined the reasons behind this.

Governors sought reassurance on one of the actions with confirmation that this had been rectified. Action by Z Foster to update the papers with the full action plan.

7.2 ESFA Financial Statements Letter

M Russell outlined the confirmation of 'outstanding' Financial Health at year end. He also detailed the expected position of 'good' throughout the newly adopted 5 year financial plan and reasons for this. The benchmarking dashboard was also highlighted along with detail of how to access the data.

I Wright, on behalf of the Committee, welcomed the excellent confirmation particularly in the current economic climate. He relayed the thanks of the Committee to the Finance/wider College teams.

7.3 Post 16 Audit Code of Practice 2021-22

M Russell detailed briefly the changes outlined in the April 2022 document. He informed the Committee that a review of the fraud policy and procedures would take place during 2023.

The Committee had a full discussion on aspects of fraud including: the Committee's role, where vulnerabilities may be, culture, the increased focus by the Government on Corporate fraud; the impact of cyber on fraud, and the role of the External Auditor in assessing the risk (via revenue recognition).

7.4 Regulatory Audit Self Assessment Verbal Update

M Russell gave a verbal reminder to the Committee that the completed self assessment (compiled by M Russell, Finance Team and Z Foster) would come to the September meeting for consideration and approval ahead of the External Auditor's work during the Autumn Term.

D Hoose (Mazars) added that whilst there was no new additional appendix for Covid, the expectation was that the same annex be completed as for last year's self assessment.

7.5 Cycle of Business 2022-2023

The cycle of business was **approved** by the Committee.

8. Internal Audit 2021/2022 – M Gibson from RSM presented on the following audit reports:

8.1 Progress Report M Gibson confirmed that the plan had been completed for 2021-2022.

8.2 Follow up of Previous Management Actions – it was confirmed that appropriate evidence had been provided to show that 12 out of the 15 management actions had been completed/implemented. Progress in relation to the other 3 was detailed.

8.3 ESFA Funding Rule Compliance M Gibson outlined this annual audit and governors discussed the outcome and related benchmarking. It was confirmed that the outcome was good.

Action by RMS to bring some contextual analysis and comparative benchmarking on this audit to the Committee.

8.4 IT Resilience Framework – M Gibson outlined the focus of this audit and of the specialists used to test and analyse the key controls. The department received **substantial assurance** with 2 management actions (both low) which were detailed.

I Wright, on behalf of the Committee, was very encouraged and pleased with outcome for IT which had been a significant focus for the Committee.

8.5 Internal Audit Strategy 2019/20-2024/25 including the 2022/2023 Internal Audit Plan - M Gibson introduced the Strategy document which included the plan for 2022-23.

Governors discussed and considered: whether the proposed audits were the right ones; whether risk management could consider emerging issues/horizon scanning; a possible audit of procurement systems and practice and what this might include (fraud; contract registers; spend; rules; contract extensions and overall management).

The Committee agreed to recommend the Internal Audit Strategy to the Governing Body **subject to** the inclusion of a Procurement Audit which would replace TTE Governance.

It was also **agreed** that the Risk Management audit would include aspects of how the College horizon scanned in relation to the Strategic Plan.

9. Financial Statements and Regulatory Auditor – External Audit Strategy to 31 July 2022

D Hoose outlined a change to the server team with the retirement of R Walker. He confirmed that there was no change to the scope but detailed additional narrative on Governor training which would be required.

He drew attention to key aspects of the strategy and informed the Committee of the likely increase to fees (max 2.5% on this third year of the initial phase) which would be confirmed with M Russell.

Questions and discussion included: VAT issues clarification and potential effect if OfS reclassify the sector; how the audit would be conducted (on-site v remote) with a clear direction from the Committee that representation on site would be preferred/expected and reasons why.

The Committee **agreed** to recommend the Strategy for **approval** to the Governing Body.

10. Risk Management Update

10.1 Risk Registers as of 9 May 2022 M Russell detailed the registers and status of the risks (1 red, 12 amber and 2 green). He drew attention to the movement of the Governance risk from 8 to 12 and reasons why. He also highlighted two emerging risks of staffing retention and finance if the Financial Health grading dropped below 'good'.

Z Foster highlighted that SLT Risk Management Group were keen to have an Audit and Risk Committee member attend. It was **agreed** to act on this once the Committee was strengthened.

The Committee discussed the risk management process and how often it was considered with M Russell giving more detail on the wider system of controls and constant consideration of key risks.

The Committee asked if the Risk Registers could be improved (Strategic) for better viewing.

10.2 Energy Costs Risk Management Report

M Russell and S Marshall led the discussion on the deeper consideration of energy costs and how the finance and estates team were working together on the mitigation of increased costs. M Russell explained that costs had increased by £1M and for 2022-23 this had absorbed the benefits of the ESFA 16-18 funding rate increase and led to a reduced planning surplus moving forward. He also detailed the role of NEPO in the procurement of energy.

Discussion and questions included: the challenge of reducing the carbon footprint and increased energy costs (with examples of the complexities given by S Marshall) with acknowledgement and agreement by the Committee of a resulting longer term sustainability strategy whilst energy costs remained high (and therefore the priority); potential of generating own energy to become self sufficient and current value engineering work on TTE new build on this; role of the Committee in flagging this significant risk to the Board; monitoring particularly if energy prices remain high which could impact financial planning; wider contextual information in relation to this financial plan (including curriculum planning; funding rates etc); inflation and energy assumptions in the financial plan and the balance of risk and opportunity; staff retention and recruitment pattern update (as discussed with CSC); and day to day energy saving.

Agreed that it would be useful to append the information on costs from the report for the Governing Body.

Action by I Wright to come back to the Committee on future areas to consider for 2022-23.

10.3 Risk Management Plan 2022-2023 /10.4 Risk Management Policy

The Committee agreed to recommend the Risk Management Plan and Risk Management Policy **for approval by the Governing Body.**

11. Any other Any other Business

11.1 S Marshall updated the Committee on a resignation in the Health and Safety Team and of mitigating action with the immediate appointment of external consultants whilst recruitment was ongoing.

She also updated the Committee on the Health and Safety external audit which had taken place during May-June. The report would be shared and any actions added to the exception report for monitoring.

11.2 I Wright, on behalf of the Committee, thanked A Coleman Cooke for his exceptionally positive and valued contribution as part of the Audit and Risk Committee over his tenure.

12. Dates of Next Meeting 2022-2023

- Friday 16 September 2022 at 1pm
- Friday 9 December 2022 at 1pm
- Friday 10 March 2023 at 1pm
- Friday 23 June 2023 at 1pm

13. Members Discussion – none taken

The meeting closed at 3.15pm