

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

MEETING OF AUDIT AND RISK COMMITTEE – 09.12.2022

CONFIRMED MINUTES

PRESENT: I Wright (Chair and CG), M King (CG as of 15.12.22 in attendance).

For Item 3 only: R Davies (Chair of GB/CG), P Lynn (Vice Chair of GB/CG), J Castor (CG), M Lamb (CG), S Lane (CG), D Lusardi (CG), P Studd (CG).

AUDITORS: P Church (RSM), D Hoose (Mazars)

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

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

To note: the meeting of the Audit and Risk Committee on 9 December 2022 was not quorate and therefore the recommendations outlined below and referenced within the respective items were **approved POST MEETING by written resolution with a 75% return rate of Audit and Risk Committee members (by the deadline of 14 December 2022).**

Approved Recommendations:

- Item 3.1 Audit Findings Management Letter to be recommended for approval at the Governing Body meeting of 15 December 2022
- Item 3.2.1-2.3.8 the Financial Statements 2021-22 outlined below (subject to no further material changes from audit and tax work) be recommended for approval by the Governing Body, prior to them being signed and returned to the Education and Skills Funding Agency before 31 December 2022 deadline:
 - Middlesbrough College Financial Statements for the year ending 31 July 2022
 - Northern Skills Business Services Group Limited Financial Statements for the year ending 31 July 2022
 - Northern Apprenticeship Company Limited Financial Statements for the year ending 31 July 2022
 - TTE Technical (UK) Ltd Financial Statements for the year ending 31 July 2022
 - TTE International Ltd Financial Statements for the year ending 31 July 2022
 - TTE Apprenticeships Ltd Financial Statements for the year ending 31 July 2022
 - Middlesbrough College Management Services Limited Financial Statements for the year ending 31 July 2022
 - University Centre Middlesbrough Limited Financial Statements for the year ending 31 July 2022
- Item 4 – the unconfirmed minutes of 30 September 2022 be confirmed as a correct record
- Item 6.2 the Risk Management Annual report 201-22 be recommend for approval by the Governing Body at its meeting of 15 December 2022
- Item 7 – the 2021-22 Annual Report of the Audit and Risk Committee (containing the 2022-23 Internal Audit Annual Plan, Terms of Reference, 2021-22 Internal Audit Annual Report, the 2021-22 Audit Findings Management letter and the Risk Management Annual Report) be recommended for approval by the Governing Body at its meeting of 15 December 2022, and that after approval the report would go to the ESFA alongside the financial statements.

The minutes following are therefore a record of discussions, proposed recommendations and actions to inform and support the next meeting of the Committee in March 2023.

1. Apologies for Absence

R Anderson (CG), M McClintock (CG), S Green (EM), R Barnett (RSM).

M King was welcomed to the Committee.

2. Declarations of Interest – none taken

3. Financial Statements 2021-2022

Seven members of the wider Governing Body were present to hear and respond to the audit findings from Mazars and the financial statements overview by M Russell.

3.1 Audit Findings Management Letter

D Hoose (Mazars) gave a summary of the External Auditors work for the 2021-22 accounts. He concluded a clean and qualified audit.

He also outlined the additional upcoming risk associated with the ONS reclassification decision (including a new financial handbook) but that there was nothing currently raising an audit issue. He also drew attention to the Harpur and Brazel case on holiday entitlements and of a potential adjustment in the accounts in relation to this.

He confirmed that the Regularity Audit detail outlined value for money and that the College acted with propriety. Further note was made to one or two minor adjustments to come through but that these were not material. He gave thanks to M Russell and the Finance Team for this assistance with the audit.

Questions and discussion included: clarifications on liability in relation to Harpur case (potential adjustment); noted that reclassification would form a bigger part of the next set of accounts generally and within the particularities of subsidiary companies; examples of what might change the status of 'going concern; in the future under the public sector depending on individual college circumstances; and a general discussion on how the audit went within the College.

The additional governors in attendance were in **agreement of the proposed recommendation for approval** of the Audit Findings Management Letter at the Governing Body meeting on 15 December 2022 and this was also **confirmed** by the Audit and Risk Committee post meeting via written resolution (as outlined in the shaded table).

3.2 Financial Statements Overview

3.2.1-2.2.8

M Russell gave a positive report on the financial statements confirming that there were no material changes from July 2022 and that the Financial Health position remained good. He also detailed adherence to the Golden Rules with the exception of EBITDA (6.8% rather than 7%).

Questions included: clarification on anything by exception (none); the position on the number of subsidiaries moving forward and potential rationalisation;

Post meeting via written resolution, as detailed above in the shaded table, the Committee **agreed** to recommend the Financial Statements 2021-22 (subject to any minor adjustments and no material changes) to the Governing Body for **approval**

In addition, when presenting the above financial statements to Corporate Services Committee and the Governing Body, the Vice Principal Finance and Registry would provide an update on any changes that have been made to the financial statements since these drafts; and, if any changes were considered material the Vice Principal Finance and Registry will consult with the Audit and Risk Committee Chair and, if it is deemed necessary, provide an update to the Audit and Risk Committee members prior to presentation to the Corporate Services Committee and Governing Body respectively.

The seven College Governors invited for the item then left the meeting.

4. Unconfirmed Minutes of 30 September 2022

As outlined via written resolution above, the minutes were approved as a correct record.

5. Matters Arising not on the Agenda

Z Foster gave an update in relation to cyber security training which was still in progress. R Shuttleworth gave an additional update in relation to an ethical phishing exercise.

6. Risk Management Update including 6.1 Risk Registers 24 November 2022

M Russell gave an update to the Risk Management meeting attended by R Anderson with a further risk added post meeting in relation to reclassification. He detailed the six red risks currently active.

Discussion included: cost of living and effect on staff and students and how this was presented within the registers as an amber risk (rather than a possible red); financial performance of the College in the next year and the impact of reclassification.

Resulting actions from the discussion included: ensuring that the cost of living on students was appropriately scored and for I Wright to have an update from R Anderson.

6.2 Risk Management Annual Report 2021-22

The Committee agreed (via written resolution post meeting as outlined above) to recommend to the Governing Body **approval** of the report as part of the Annual Audit and Risk Report 2021-22.

6.3 Reclassification of Colleges - M Russell outlined the main information currently known in relation to this and it was noted the key immediate risk in relation to TTE relocation plans.

D Hoose also confirmed that that meetings were progressing with the ESFA on the changes and of the forthcoming financial handbook (timelines unknown)

A general discussion took place which considered the main immediate issues including a likely change of the year end for College accounts and the potential effect of this.

An additional discussion took place in relation to energy usage and of the recent energy efficiency grant which had been received by the College (to be used within two years). S Marshall would bring detail of the College's approach to Net Zero as an explicit agenda item during 2023 (along with a similar item at Corporate Services Committee).

7. Annual Report of the Audit and Risk Committee

I Wright outlined the detail of the annual report.

The full report and appendices (as outlined within the shaded box above) was **approved** post meeting by written resolution ahead of the meeting of the Governing Body on 15 December 2022:

8. IT Security Action Plan Update

R Shuttleworth gave a comprehensive update to the report including: increase to primary network line speed; the use of new techniques within the compliance team particularly the weekly vulnerability scanning; internal pen testing and options for future external pen testing (or alternatives relating to social engineering testing).

Questions and discussion included: sector comparisons in relation to IT security; what might be involved in social engineering testing; training of staff and of possible options for external validation and assurance.

Additionally, Z Foster and R Shuttleworth were still pursuing Committee training in cyber security potentially with JISC.

RMS confirmed that it did have specialists which might be able to perform some external assurance and P Church would liaise with R Shuttleworth in the first instance.

R Shuttleworth also detailed digital safeguarding systems and how this was working within the College.

9. Health and Safety Audit Update – S Marshall outlined the positive actions in relation to the re-audit which had also been presented to the Health and Safety Committee (including P Sharp as link governor). She outlined the progress in relation to risk assessments and related new policies being rolled out to curriculum areas.

Discussion included staff training on fire risk assessment.

I Wright welcomed the positive approach to this area of concern and resulting actions. Health and Safety would remain on the Audit and Risk agenda for the time being.

10. Exception Report - M Russell presented the report on actions/recommendations post September 2022 detailing five new actions (1 high) and noting the good progress across the period. Actions resulting from the recent audits would be part of the next exception report in March.

11. Internal Audit

11.1 Progress Report – P Church reported good progress at this early stage with all audits now booked in (including the changed audit as agreed at the July meeting of the Audit and Risk Committee)

11.2 Student Support and Engagement Audit Report – the audit outcome was ‘**substantial**’ which was very pleasing.

12. Committee Review of the Top Risks

Subject to the review of the cost of living on students' risk item, the other top risks were still considered appropriate as outlined within the registers.

The impact scores were clarified for M King.

13. **Any other Business** – noted that a written resolution would be sent out to Committee members for all decision items with returns on Wednesday 14 December 2022 in order to be able to progress business at the Governing Body meeting of 15 December 2022.

D Hoose offered his attendance at the Governing Body meeting of 15 December 2022 (post note –D Hoose attended for the financial statements item).

14. Dates of Next Meetings

14.1 Friday 10 March 2023 at 1pm

14.2 Friday 23 June 2023 at 1pm

15. **Private Discussion with RSM** – not taken

16. **Members Discussion** – not taken

The meeting closed at 2.30pm