

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

TEAMS MEETING OF AUDIT AND RISK COMMITTEE – 10.03.2023

CONFIRMED MINUTES

PRESENT: I Wright (Chair and CG), R Anderson (CG), A Coleman Cooke (EM), M King (CG).

AUDITORS: M Gibson (RSM).

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

R Lawson (External Reviewer) in attendance

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

1. Apologies for Absence and Welcomes

M McClintock (CG), R Barnett (RSM), P Church (RSM), D Hoose (Mazars)

A Coleman Cooke was welcomed back to the Committee and R Lawson was welcomed to the meeting as observer.

2. Declarations of Interest – R Anderson reminded the Committee of her ongoing declaration as Lead for the Tees Valley Learning and Skills Improvement Plan (LSIP).

3. Private Discussion with RSM and Audit and Risk Committee

Members of staff left for this item while a private discussion took place.

4. Unconfirmed Minutes of 9 December 2022 – approved as a correct record (though noted that the meeting had not been quorate hence they were simply a record of discussion and confirmation of the written resolution which approved the required items).

5. Matters Arising not on the Agenda

The Committee discussed the cyber training and **agreed** that due to a lack of relevant training available, the June meeting would have a committee question session to determine that the appropriate systems and monitoring were in place. Action by Z Foster and I Wright to organise an appropriate set of questions.

6. Risk Management Update (including risk registers)

M Russell gave an update to the Risk Management meeting attended by A Coleman Cooke on behalf of the Committee (and R Davies on behalf of the wider Governing Body). He briefly outlined the process of consideration of risk within the meetings. He then detailed the six red risks (including one added post meeting) and of the external factors prevailing on all and of the increasing risk profile of the College.

The Committee discussed each of the red risks in detail:

i. **Staff retention and recruitment** – quality of new staff; disruption whilst recruiting; the small FE pool and competition with both industry and schools in terms of salary/terms and conditions; the impact on the College of the local labour market in such areas as engineering over the next few years; the role of curriculum planning; the effect of the demographic upturn over the coming years; how HR were coping with the additional workload; flexibilities with pay and complexities with such offers; SLT's regular monitoring of risk outwith the formal risk management meetings; and explanation of the aggregation of risks.

It was acknowledged that the management of this risk remained the top priority to ensure the success of the College and that link up with the Corporate Services Committee on this whole agenda would enable appropriate monitoring, challenge and support.

ii. **Behaviour** – S Marshall gave an overview of the situation in College now and in respect of future cohorts.

Governors discussed the system for management of behaviour, the impact on staff and students (*further detail of which was requested by the Committee*), and the role of the Governing Body.

The Committee was appraised of initiatives (e.g. community police, quiet area, student suggestions) and training to support staff. M Russell drew attention to the forthcoming SLTT behaviour offsite workshop later in March which would focus further on strategies to mitigate the issues now and for forthcoming years.

iii. **Qualification reform** – M Russell outlined the complexities and issues surrounding Level 3 qualification reform. R Anderson outlined the role of the LSIP to support the curriculum planning process and Governors discussed the written ministerial statement in the House of Commons on the subject.

iv. **Reclassification** – it was acknowledged that little additional information had been received other than bitesize guidance. M Russell drew attention to the 'Managing Public Money' publication which would form the basis of key decisions and authorisations ahead of any future FE specific handbook.

The impact of reclassification on subsidiaries, possible change to the financial year end and borrowings were debated in full, along with some positives in relation to grants. Possible local complexities in relation to the Middlesbrough Mayoral Developmental Corporation which SLT were tracking was also highlighted.

v. **Finance** – the risk of managing resources and keeping good financial health was discussed in detail particularly in relation to TTE, demographic shift and lagged funding and energy costs. The combined roles of the Audit and Risk, Corporate Services and Curriculum and Standards Committees in managing this risk was also referenced.

vi. **Eton College** – M Russell outlined the local objection to the proposal and governors discussed the effect on learners, the College (finance, learners, quality, staffing) should the proposal be approved.

In summary, the Committee were assured that the red risks were correct and the appropriate mitigations and actions were in place.

7. **IT Security Action Plan Update**

R Shuttleworth gave a comprehensive update to the report including: cyber (which was now an independent risk on the risk register), resilience within the College and nationally within FE; mitigations to IT threats and training for some staff after ethical phishing exercises. He also detailed trialling the use of Microsoft Security suite and some likely commissioned work by RSM to do a red team exercise. He further outlined the positive impact of the trial of Smoothwall monitoring by the Safeguarding Team.

Questions and discussion included: the programme of actions for the security and compliance team (including regular phishing exercises, training etc), clarification on lessons learnt as a result of such activity and a request to group thematically for future reports; Chat GPT in detail and the risk for education and the College.

Action by R Shuttleworth to use Chat GPT to source series of questions in relation to FE Audit Committee's monitoring of cyber security ahead of the item for the June meeting.

8. **Health and Safety Audit Update** – S Marshall gave a positive appraisal of progress in relation to the action plan for the Committee.

Discussion included: the process of embedding training and actions; awareness of fire prevention actions and criteria for classifying priorities; the role of procurement and asset management within the new system; and vetting clarification.

An update on the improved picture of fire safety at TTE was given which had been a priority previously.

Action by S Marshall to clarify and confirm the high priorities and status (i.e. if complete or outstanding) for the fire prevention actions within a report for the Committee.

S Marshall also gave a brief update with regard to the Sustainability Strategy which was near completion and would be going to Corporate Services Committee for approval in July. **Action by S Marshall** to share the draft with the Committee for comment ahead of publication.

9. **Exception Report** - M Russell presented the progress against the five actions/recommendations.

10. **Internal Audit** – presented by M Gibson from RSM

10.1 Progress Report – current progress and detail of forthcoming audits was outlined.

Governors sought (and received) reassurance that RSM had sufficient capacity for the number of audits due over the next period.

Governors also asked for the scope for the GDPR audit for comment ahead of the audit starting (M Gibson shared this with the Committee immediately after the meeting). It was also confirmed that Health and Safety could be added into the audit.

There was a further discussion on whether the College should have an explicit Reserves Policy including: the ability to keep reserves under reclassification; and factors determining reserves including operating surpluses; number of cash days; ESFA financial health ratings; liquidity; pensions etc.

10.2 Benchmarking Report – M Gibson gave an overview of the College's performance in 2021-22 which saw a greater number of reasonable assurances and actions overall than previously.

Questions and discussion included: the use of credit cards and appropriate monitoring. It was also clarified that the control and risk environment was not deteriorating, rather the College's approach to audit work which focused on areas of risk, did affect audit outcomes and actions with acknowledgement that this was a positive approach.

11. Policy and Procedures Update

M Russell detailed the requirements for the three policies and plans and the review process which had taken place (including reference to the rules under reclassification on managing public money, the College's own financial regulations which in turn used the Nolan Principles and were underpinned by the Corporate Governance Code).

The Committee queried how proactively staff were aware of the Bribery and Fraud Act on their everyday activity and where training sat. Whilst there was confidence within the underlying controls it was acknowledged that there should be mandatory awareness raising to support this (particularly for key faculties/staff) and M Russell would follow this up with the Head of Workforce Development.

The three documents below were then **recommended for approval** by the Governing Body at its meeting of 13 March 2023:

- 11.1 Anti Fraud Policy
- 11.2 Fraud, Theft and Bribery Plan
- 11.3 Gift and Hospitality Policy

12. Audit and Risk Self Assessment 2022-2023

Z Foster detailed the cyclical process of Committee self assessment and of the questions from the 2020 cycle for review ahead of the upcoming process.

After some consideration, it was **agreed** that the questions would be reviewed ahead of the June meeting and grouped into themes and some additions were suggested alongside fewer yes/no questions. It was also **agreed** that the process itself could take place over the summer with the results coming to the September meeting.

Further comments on the questions were welcomed ahead of the June meeting where the final questions would be determined and timeline approved.

13. Committee Review of the Top Risks

The Committee **agreed** that a comprehensive discussion had taken place under Item 6 with a clear direction on emphasis and concerns.

The Committee acknowledged that there was also a further opportunity for feedback from the consideration of risks at the Governing Body meeting on 13 March 2023 where any key changes could be added to the registers as appropriate.

14. Any other Business

None taken

15. Dates of Next Meetings

15.1 Friday 23 June 2023 at 1pm

M Gibson left the meeting.

16. Internal and External Auditor Contracts

M Russell outlined the current status of both contracts

- Internal – RSM were at the end of their contract (3 years plus 2 additional years) at 31 July 2023 therefore an internal auditor process would need to take place during 2023
- External – Mazars were currently in the first year of a possible two year extended term. There was option therefore to seek a new external auditor as of 1 August 2023 or extend for a further year with a process March – June 2024. M Russell detailed the current situation re fees.

M Russell detailed early work into the internal audit tendering and the Committee discussed the small pool of auditors available and of the potential further negative impact of a move to March year end should this occur under the reclassification agenda.

The Committee discussed the situation with a preference to stagger the dates for the two sets of auditor contracts given the need to retender on Internal Audit and the current market position.

They **agreed** to the mini competition process outlined by M Russell to be instigated during April 2023 in respect of the Internal Audit process. Also, should the internal auditor process not yield a suitable outcome, it was **agreed** that a full tendering process would take place June 2023.

I Wright **agreed** to be the Committee liaison point for the mini tender process.

Full consideration of both contracts would come to 23 June 2023 meeting.

17. Members Discussion – none taken.

The meeting closed at 4.15pm