

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

MEETING OF AUDIT AND RISK COMMITTEE – 23.06.2023

CONFIRMED MINUTES

PRESENT: I Wright (Chair and CG), R Anderson (CG), A Coleman Cooke (EM), M King (CG), D Lusardi (CG) for Item 8), M McClintock (CG).

AUDITORS: M Gibson (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

1. Apologies for Absence and Welcomes

P Church (RSM).

The Committee welcomed D Lusardi to the meeting specifically in relation to assistance with Item 8 – Cyber Security Assurance exercise.

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 Mazars and Audit and Risk Committee

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

4. Contract Matters

Auditors were not in the meeting for this item.

M Russell took the Committee through both sets of auditor contracts.

4.1 External Auditor Contract Update

The Committee discussed the potential impact of a change to the year end should this become a reality.

As tentatively agreed at the March meeting, it was proposed and **agreed** to utilize the second year of the two year extension to the contract up to and including 31 July 2024 and to seek approval from the Governing Body at its July meeting.

4.2 Appointment of Internal Auditor/Tender Update

M Russell outlined the tender process outcomes, current FE auditor landscape (which was small) and increased fees (by 20%) and option to save costs via reduction of days.

The Committee discussed: the various options regarding dropping the number of days for internal audit from 40 to 50; and whether auditors (both internal and external) could be encouraged to sign up to longer term contracts in the current climate.

The Committee **agreed** to recommend to the Governing Body at its July meeting a year's contract for RSM until 31 July 2024 at the full 50 days service.

5. Unconfirmed Minutes of 10.03.2023 – were approved as a correct record

6. Matters Arising not on the Agenda – confirmed as all in progress or completed

7. Risk Management Update (including risk registers)

M Russell gave an update to the Risk Management meeting attended by R Davies on behalf of the Governing Body and gave an update in relation to the 5 red risks. He also outlined where and why the SLT Risk Management group had reduced risks (business continuity; reclassification; and governance) and concluded with a request to remove the risk of ITE with the successful 'good' Ofsted outcome in May.

The Committee considered each of the red risks:

- i. **Staff retention and recruitment** – factors impacting on recruitment and College responses and processes were discussed. It was **agreed** to invite K Parkinson to the next meeting to talk through this risk in detail.
- ii. **Behaviour** – discussion included: the actions being implemented from the Behaviour Strategy workshop; the impact of Covid on young people (not just within College) and of other possible factors impacting on behaviour (cost of living); scrutiny of the behaviour figures; and the positive impact of the College approach to vaping.
- iii. **Qualification reform** – the complexities of this were discussed (particularly in relation to T Levels) including any potential change of direction post national election. It was **agreed** to invite O Rodley to a future meeting as more information came through.
- iv. **Finance** – M Russell outlined the tight budget and high-level considerations which Governors discussed particularly in relation to financial health and Ofsted.
- v. **Eton College** – M Russell detailed the latest stage within the process and of the local complexities and actions by the College.

Action - the Committee asked that the downgrade of the business continuity risk be reconsidered (keep at 12 rather than downgrade to 9) and possible separation of cyber from this.

The Committee also sought reassurance on the downgrading of reclassification and discussed whether GDPR should be a new risk in light of the recent audit outcome.

Risk Management Plan 2023-2024 – M Russell gave a brief overview and drew attention to the regular inclusion of a September meeting into the cycle.

The Committee discussed the possible option of an additional risk management group to broaden the diversity of thought in the process. **Action by M Russell** – to raise with SLT with a view of a future process for CMT members.

8. Cyber Security Committee Assurance Exercise

This item was taken before Item 7 at the meeting with D Lusardi leaving after the item (2.05pm)

R Shuttleworth introduced the exercise, supported by D Lusardi (Link Governor – Digital Transformation) and S Marshall which included: the College IT team approach; staff training and wider College culture; the advantages of the NCSC (National Cyber Security Centre) approach framework as a basis for assurances; update on Cyber Essentials; and detail of the forthcoming Red Team exercise.

The Committee had a full discussion including: how best the Committee could ensure it was asking the right questions i.e. what were the key cyber risks?; possible future third party assurance; the limitations of mitigations in the changing IT landscape (AI etc) and the need to review the College approach regularly due to the fast moving nature of technology; further reassurances of protection systems and potential impacts (including Multi Factor Authentication; back up systems beyond Microsoft); data size, storage and retrieval; the new Smoothwall system; how the assurance work of the Committee could be shared with the Governing Body; operational assurances and role of SLT; the changing risk profile; business continuity/disaster recovery processes in the event of cyber breach; cyber culture of College and risks within; and where cyber sat within the Risk Management Structure (currently SLT and some remit within Digital Transformation group).

The Committee asked for further consideration of the risk management structure by the SLT Risk Management Group to include cyber. It requested **R Shuttleworth** to draft and share an ordered priority list of cyber risks to the College and how these were being addressed for scrutiny at the September meeting ahead of sharing with the Governing Body.

9. IT Security Action Plan Update

R Shuttleworth gave a comprehensive update to the report including the successful revalidation of Cyber Essentials and Cyber Essential Plus and detail of Smoothwall.

Discussion and questions focussed around Smoothwall usage in College and elsewhere.

10. Health and Safety Audit Update

S Marshall updated the Committee on progress in relation to the Action Plan. She also explained the excerpt from the Fire Actions for the Committee.

It was **agreed** to keep this item on the agenda for future meetings

11. Sustainability Strategy and Action Plan

S Marshall introduced the strategy and plan to the Committee (which was also an agenda item for Corporate Services on 10 July 2023) and outlined the upcoming conditions survey and impact of that work on the evolving strategy.

The Committee's questions, suggestions and discussion included: strengthening the education section of the strategy; the value of benchmarking/and conditions survey to tighten up the detail; the impact of the finances on the strategy's ambition; the general approach by the FE sector to the sustainability agenda; and inclusion of biodiversity.

The Committee **agreed** to keep this on the agenda for the next meeting. **Action by S Marshall** to share the annual energy benchmarking data.

12. Audit Matters

12.1 Exception Report

M Russell outlined that the recent five audits would be added to the report with 26 actions falling out of these.

12.2 ESFA Financial Statements Letter

M Russell presented this for information which confirmed a 'good' financial health grade for 2021-22.

12.3 Post 16 Audit Code of Practice 2022-2023 (including Regularity Audit Self Assessment update)

M Russell drew attention to the key changes which resulted from reclassification and the Managing Public Money rules. He and M Gibson (from RSM) also highlighted the Subcontractor Audit which was required by the DfE by the end of July, and which would be shared with the Committee as soon as this came through and would be part of the September agenda for discussion.

The Committee **agreed** to recommend for approval by the Governing Body at its July meeting the updated Audit and Risk Committee Terms of Reference.

12.4 Cycle of Business 2023-2024

The updated document was introduced by Z Foster and **approved** for usage for 2023-24

13. Internal Audits 2022-2023 – presented by M Gibson from RSM

13.1 Progress Report

Current progress and detail of forthcoming audits was outlined with six out of the seven audit reports having been completed with the Follow Up to come through.

13.2 Risk Management Audit Report

'Substantial assurance' was gained with no management actions

13.3 Procurement Audit Report

The outcome was of **'reasonable assurance'** and M Gibson detailed the actions. Third party risk was discussed, and M Russell detailed the approach to the management actions.

13.4 GDPR Audit Report

The outcome gained was **'minimal assurance'**. The detail behind this was given by M Russell and the actions were highlighted (with 5 high priority actions given).

The Committee discussed this in some detail including training of the new DPO (agreeing that this should be expedited); cultural aspect of GDPR; general risk for College/FE sector/more widely; detail of the current process and role of IT; potential impact of a serious breach; and the role of the Committee in addressing the actions from the report.

Next steps agreed:

- Training by new DPO by 31 July 2023 and possibly others
- Full GDPR awareness training
- Outside expertise in short term
- That the item and progress be returned to by the Committee

13.5 Budget and Monitoring Audit Report

'**Substantial assurance**' was given with one medium priority.

13.6 ESFA Funding Rules Audit Report

M Gibson reminded the Committee of the status of this audit (i.e. no assurance level) and detailed the findings.

Governors sought some clarification on one element of the audit which had been resolved.

13.7 The Internal Audit Strategy 2023-2024 (including the Internal Audit Plan for 2023-2024) was presented.

The Committee acknowledged the alignment to the strategic risks and discussed the timing of some of the audits within the plan.

Subject to the switching of some audit and keeping to 50 days of audit the Committee **agreed** to recommend the Strategy and associated Audit Plan 2023-2024 for adoption by the Governing Body at its July meeting.

14. **Financial Statements and Regularity Auditor – External Audit Strategy to 31 July 2023**

To note this item was taken after Item 3 on the agenda with D Hoose leaving thereafter.

D Hoose outlined the strategy and timetable which had been agreed with M Russell. He detailed key changes due to ONS reclassification and Managing Public Money (MPM) on the audit process and regularity questionnaire detail. He also outlined the fee negotiation process.

Governor questions included: the negotiated fee and whether this impacted on the amount of time on-site (noting that the Committee preferred time on site and reasons why) with confirmation that the work would remain hybrid; and horizon scanning particularly in relation to the economic environment including interest rate pressure and the impact on solvency of colleges.

The Committee **agreed** to recommend the Strategy to 31 July 2023 (incorporating the 2022/2023 Financial Statements and 2022/2023 Regularity Audit) and the External Audit fee to the Governing Body for approval.

15. **Audit and Risk Self Assessment Planning 2023**

Z Foster and I Wright outlined the updated questions and themed areas.

The Committee discussed this in detail **agreeing** that the themes would be reported upon with a scale of 1-5 (5 being the top) with the questions within being used as an aide. It would be expected that comments would be given to ensure some qualitative data in which to progress any actions.

Action by Z Foster and Quality Team to organise the process for July with results coming to the September meeting.

16. **Committee Review of the Top Risks**

The Committee considered the splitting of Cyber out of the Business Continuity risk to be of value and to add in GDPR as an explicit risk within the next review.

17. **Any other Business**

None taken

18. **Dates of Meetings 2023-2024**

18.1 Friday 29 September 2023 at 1pm

18.2 Friday 8 December 2023 at 1pm

18.3 Friday 8 March 2024 at 1pm

18.4 Friday 21 June 2024 at 1pm

19. **Members Discussion** – none taken.

The meeting closed at 4pm