

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

MEETING OF AUDIT AND RISK COMMITTEE – 08.12.2023

CONFIRMED MINUTES

PRESENT: I Wright (Chair and CG), D Budd (CO), A Coleman Cooke (CO), M King (CG). M McClintock (CG), I Wallace (CG)

Z Lewis (CEO/Principal) for Items 3 and 7.

For Item 3 only: I Anwar (CG), R Davies (CG/Chair), D Lusardi (CG). A Pajura-Jaszczak (Staff Governor), D Still (Staff Governor).

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

OFFICERS: Z Foster (Clerk), S Marshall (GD – Digital and Campus Services), B Robinson (Deputy Principal), M Russell (VP – Finance and Registry), R Shuttleworth (CTO).

Key CG - College Governor CO – Co-opted Governor CTO – Chief Technology Officer
GD - Group Director VP - Vice Principal

1. Apologies for Absence and Welcome

R Anderson (CG), R Barnett (RSM), P Church (RSM).

The Committee welcomed I Wallace to his first Committee meeting as a College Governor and full introductions were given.

B Robinson was welcomed to the meeting for Item 7 (Risk Management) – specifically in relation to qualification reform risk.

I Wright also welcomed Z Lewis for both Items 3 and 7 (Risk Management).

Finally, I Wright welcomed the wider Governing Body members to the most important meeting of the year which considered the Financial Statements and to hear the External Auditor's account of the Financial Statements 2022-2023 (*Item 3*).

2. Declarations of Interest – M McClintock registered an interest in respect of affiliation with Middlesbrough Council (opposition backbencher) as declared in p64 of financial statements - 24 Related Party Transactions.

3. Financial Statements 2022-2023

Five 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 (within the draft audit completion report) D Hoose (Mazars) gave a summary of the External Auditors work for the 2022-23 accounts. He did acknowledge that whilst the audit still had minor outstanding elements, it was substantially complete with clean opinions.

He then drew attention to key areas to note including: an update on the pensions calculation; that regularity had had been given a clean bill of health and gave an update in relation to the new Managing Public Money rules to which the College had conformed.

He gave thanks to M Russell and the Finance Team for assistance with the audit. I Wright, on behalf of the Committee gave thanks to D Hoose and the wider Mazars team involved.

Questions and discussion included: clarification on minor elements of outstanding work preventing a complete set of accounts (and reasons why which were predominately linked to the tax computations of the subsidiaries) a wider discussion on timing of the audit – generally and the norm for other colleges with an overall conclusion from the Committee and management that the current approach was reasonable; clarification on timing of Corporate Services and Audit and Risk committees in relation to consideration of the financial statements and their respective roles;

confirmation on RSM fees for financial statement accounting; greater detail on a contract issue; and potential external issues which might have a material impact (including bank loans; and teacher pension increase and funding support.

A more detailed discussion took place on the sector wide issue of cash with reclassification rules resulting in no access to an overdraft facility particularly with the 30 day cash buffer recommendation by the FE Commissioner (the issue would be considered by Corporate Services Committee in detail in relation to the financial plan) and it was **agreed** that the Committee, possibly through Internal Audit, would consider the cash cycles and controls over the next few meetings. Clarification was given relating to the treasury management function.

The Committee **approved** the recommendation to the Governing Body of the draft Audit Completion report.

3.2 Financial Statements Overview – M Russell detailed the group structure for governors present and outlined the complex approach to reducing subsidiaries under Managing Public Money rules (MPM). He confirmed '**good**' financial health and that the results were as per the Management Accounts in July 2023. He highlighted the benchmarks which were breached and reasons why. He outlined the pension adjustment and how this was presented within the statements. Attention was also drawn to the TVCA policy change which had affected payment instalments at year end and going forward.

The main discussion focused on the TVCA change in policy (to pay in arrears rather than grant funded) which was contrary to any other in the country, of the College's position against other local colleges, collective lobbying by Tees Valley colleges through FE+, the national perspective, and whether governors could assist through local mechanisms.

The Committee then recommended for **approval** by the Governing Body all six sets of financial statements, as outlined below:

- 3.2.1 Middlesbrough College
- 3.2.2 Northern Skills Group Business Services Ltd
- 3.2.3 Northern Apprenticeship Company Limited
- 3.2.4 TTE Technical (UK) Ltd
- 3.2.5 TTE International Ltd
- 3.2.6 TTE Apprenticeships Ltd

It was also **agreed** that recommendation for approval be subject to the Vice Principal of Finance and Registry providing any update on any changes that have been made to the financial statements since these drafts were approved and if any changes are considered material the Vice Principal to consult with the Audit Committee chair, and if it is deemed necessary, provide an update to the Audit Committee members prior to presentation to the Corporate Services Committee and Governing Body respectively.

The College Governors invited for the item left the meeting at 1.45pm

4. **Private Discussion with Mazars and Audit and Risk Committee**

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

5. **Unconfirmed Minutes of 29.09.2023** – were approved as a correct record.

6. **Matters Arising not on the agenda** – all were either complete or explicitly within the agenda.

7. **Risk Management Update** (including risk registers)

I Wright outlined that Z Lewis had been invited to the meeting explicitly for this item and it was **agreed** by the Committee that this would be a standing invite with a verbal update being given by Z Lewis (as per every other sub Committee meeting). She confirmed that the practice of risk consideration at the start and end of meetings had been extended to all business meetings within the College.

Z Lewis then outlined the **4 red risks** within the registers with the top risk remaining recruitment and retention of staff but also the interrelated nature of this with the other red risks. She also detailed the risks which had increased lower down the register (regulation; worldwide events and strategic capital investment plans) and the two risks which had reduced (behaviour; five year financial plan).

Discussion included: possible reasons for the improvement in behaviour including: formal strategies and work over the past year and possible self-regulation and the data supported this improvement (including qualitative data from external visitors/assessors and a significant reduction in violent incidents and vandalism since last year) with some

governors recently in College confirming a calm and purposeful atmosphere; staff recruitment and retention including: whether this had improved (tentatively yes); use of market supplements; comparisons to school/university sectors for teacher pay; additional strategies the College was employing to retain staff; and improvements within the staff survey results.

7.3 Risk Management Annual Report 2022-2023

The **Committee agreed** (to recommend to the Governing Body **approval** of the report as part of the Annual Audit and Risk Report 2022-2023).

7.4 Curriculum Reform Risk update – B Robinson gave an overview to the Committee highlighting: the particular risk with T Levels; the replacement of Level 3 qualifications (which would impact the College significantly from 2025); and Level 2 and 1 reforms.

He detailed the options/mitigations relating to these changes (including creating more foundation programmes for T Levels) and the focus on a two year curriculum planning cycle this year to prepare. He outlined the national issue for colleges and lobbying, the potential impact of a change in government; and the multi-pronged approach taken by the College in the current climate to best support student achievement and progression.

A central discussion took place about the risk in relation to work placements and how this was being approached and mitigated by the College to ensure both number of hours and quality and of the DfE response to a significant lack of placement hours.

I Wallace and M McClintock gave incredibly positive feedback from their walkaround which had included T Level classes all of which showed commendable commitment by both staff and students.

The red risk of Eton College was further discussed in some detail with clarification given on the linkage to other risks such as retention. **Action** - upon conclusion, the Committee asked the SLT Risk Management group to give this risk further consideration suggesting a decrease in the scoring.

A wider discussion took place on the risk register scoring and an update was given on various products which were being considered by SLT which may assist.

Consideration of the inability to meet a grade 2 Ofsted was debated with Z Lewis reminding governors of the self-evaluation of the key faculties both at July and as agreed more recently in October within the Self Evaluation (SAR).

M Russell then drew attention to the extension of the Governance and compliance strategic risk to incorporate data protection/GDPR and AI.

Resulting actions from the discussion included; more information on mitigations for risk registers (retention and quals reform); greater detail on the reclassification risk wording now there was a different focus and more detail within the compliance and governance risk (to include OfS, non UK staff and students/AI more explicitly); and within the finance risk register to include monetary figures within the first column (advanced learner loans) for greater clarity.

Z Lewis and B Robinson left the meeting at 3pm.

8. Annual Report of the Audit and Risk Committee

Z Foster and I Wright outlined the detail of the annual report. Minor adjustments were approved which drew out the responsibilities of the Committee in finer detail. Subject to those additions, the full report and appendices as outlined below were recommended for **approval** at the meeting of the Governing Body on 18 December 2023.

- The 2022-2023 Annual Report of the Audit and Risk Committee which includes:
 - the 2023-24 Internal Annual Audit Plan
 - Committee terms of reference
 - the 2022-2023 Internal Audit Annual Report
 - the 2022-2023 Audit Findings Management Letter (Item 3.1)
 - the Risk Management Annual Report (Item 7.3)

9. IT Security Action Plan Update

R Shuttleworth gave a comprehensive update including: the refreshed Digital Transformation group (including how the strategic risk registers were included and fed into SLT risk management considerations); Smoothwall updates and progress; vulnerability scan update; and Microsoft Secure Scoring both current and target.

Questions and discussion included: whether aspects of Smoothwall could be overridden if required (yes); privacy considerations in respect of private devices and what was acceptable in terms of online sites/activity on the College site.

After consideration, the Committee **agreed** to keep IT Security on the Audit and Risk agenda to ensure future reassurances in this high risk area.

10. Health and Safety Audit Update

S Marshall gave an update on fire safety actions, specifically in relation to fire doors and the prioritization process. She also detailed a further audit of health and safety as part of the internal audit plan in 2024. Governors were impressed with work done over the period to address the actions.

After discussion, it was **agreed** to keep this on the agenda for the Committee at least until after the audit next April.

11. Exception Report

M Russell detailed progress with two of the high priority areas having their own agenda items (Health and Safety and GDPR) to give opportunity for greater detail and discussion.

Clarification was sought on the management action plan.

12. GDPR Audit Update

M Russell gave the background to the red audit outcome from last academic year and of ongoing work to address the issues including a full analysis of the GDPR area for the College and consideration of the future approach.

The Committee questions and discussion included: the nature of the DOP role (which had to take priority over any other role a person might have) and the potential long term restrictions on this; additional resources required to properly fulfil the requirements (beyond those identified in the audit); mitigation of the risk as now identified (and identification on the risk registers); and of the need to seek a balance for the Committee between ensuring it was not too operational whilst being able to seek assurances on a future plan.

It was **agreed** that M Russell would liaise with I Wright between Audit and Risk meetings to continue to monitor progress and actions.

13. Internal Audits 2023-2024

13.1 Verbal Update – M Gibson gave a verbal update, noting that no audits had yet taken place this term (with HR having been put back until February) but all audits were in the schedule and preparations were underway for the first audits of 2024.

14. Committee Review of the Top Risks

After review, the following areas were **agreed** to be flagged to the next SLT Risk Management meeting:

- Endorsement that Eton moves down
- Consideration of cash higher on the agenda in light of the TVCA approach
- Further consideration of the Cost of Living impact – is the College tackling all it needs to do/ is there more to do?
- Watch list in relation to interest rates and inflation

There was a discussion on how best to articulate the risk appetite balancing both granularity without becoming too bureaucratically complex/unnecessary.

15. Any other Business

M Russell detailed an incident of fraud which he was required to bring to the Committee. Further detail would be sent to the Committee post meeting as appropriate.

Action – for M Russell to bring a paper detailing the process etc. for the next meeting.

16. Dates of Meetings 2023-2024

16.1 Friday 8 March 2024 at 1pm

16.2 Friday 21 June 2024 at 1pm

17. Members Discussion – members of staff and auditors left for this item.

The meeting closed at 4pm