

**THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE**

**MEETING OF AUDIT AND RISK COMMITTEE – 21.06.2024**

**CONFIRMED MINUTES**

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

Z Lewis (CEO/Principal) for Item 6.

**AUDITORS:** M Gibson (RSM), D Hoose (Mazars) (Teams)

**OFFICERS:** Z Foster (Clerk), S Marshall (VP – Digital and Campus Services), M Russell (VP – Finance and Registry).

**Key** CG - College Governor CO – Co-opted Governor  
VP - Vice Principal

**1. Apologies for Absence and Welcome**

M King (CG).

**2. Declarations of Interest** – R Anderson declared any relevant interest in respect of LSIP and the Stamp Exchange in Newcastle (as the NECC are NSG's landlord).

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

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

**4. Unconfirmed Minutes of 08.03.2024** – were approved as a correct record.

**5. Matters Arising not on the Agenda** – all matters had either been concluded or were in progress.

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

Z Lewis reported a more positive picture in relation to staff turnover/stability; and the potential effects of a change of government on some risks including qualification reform potential changes/pause and Eton College.

She then spent some time outlining the new additional red risk – '*failure to ensure compliance with legal/regulation/statutory and governance requirements/changes to external factors risking non-compliance*', giving detail of the subcontracting audit completed last summer to which the DfE had only recently confirmed some areas of non-compliance in relation to procurement/tendering practices. She confirmed that these areas had now been fully attended to with the DfE informed of this. In addition, RSM would be contracted to assure this fully.

She also drew attention to a second area of compliance relating to bursaries which had affected a number of colleges and the need for the College to disaggregate the bursary and benefits policy to ensure future clarity - this had already been actioned, completed and resubmitted immediately to the DfE. Whilst the College had to ensure full compliance for the current year, Z Lewis outlined its involvement in a simplification pilot (involving only 8 colleges) for the new academic year, in which innovation to reduce bureaucracy was encouraged (including in the bursary area) which may result in some positive future change for the sector.

RSM detailed the subcontracting audit process and its complexities and reasoning on their earlier thoughts on the College's performance (which had been mid-range).

More generally, M Russell detailed the additional contributing factors in raising this risk which included the new financial handbook (as a result of reclassification), IoT membership changes and changes to procurement rules.

The Committee discussed this in full including: the robustness of the College's subcontracting provision and risk profile generally (which was low); any potential negative effect in relation to DfE's view of the control environment of the College; the risks associated with collaborative arrangements; HE fees compliance clarification (different regulator); and the positive involvement of the College with Project S.

I Wallace gave positive feedback on his attendance at the SLT Risk Management meeting particularly in relation to the robust discussion both in respect of the proposed framework and more widely in relation to member engagement and challenge within the meeting.

The Risk Registers were discussed in full including: improvements with staff turnover and the potential impact of the Labour manifesto; an update on recruitment for M Russell's replacement/interim; possible reasons for improvements in staff retention; reasons for staff leaving and the effect on the College; internal promotion opportunities for College staff; the potential for complacency post Ofsted and how this was being managed including the raising of expectations through quality assurance and the strategic plan (as evidenced by discussions in the SLT risk management meeting and curriculum risk register) and assurances through the Curriculum and Standards Committee; the evolution and broadening of the governance and compliance risk and the separate use of the policy register for assurance (under O Rodley's management) with designated owners for each policy area (and specific compliance expectations); how the Committee sought assurance over areas of concern via identification of dynamic risks such as GDPR; reclassification; cyber etc.; potential risks regarding the IoT; where the economy sat within the register (world wide event) and the counter cyclical process of colleges within the economy; and an update on the management of risks within the Engineering department (with the Committee to continue to monitor progress over the next 12 months).

Action by K Parkinson to develop the retention mitigating factors/narrative within the recruitment and retention risk on the registers to reflect actual practice (currently a heavy focus on recruitment).

Action by Z Foster to invite O Rodley to a future meeting to discuss the quality cycle, policy assurance and compliance.

Z Lewis left the meeting at 2.10pm.

The Committee **confirmed** the removal of the reclassification and cyber risks as individual risks (both moving into the respective wider risks of 'failure to ensure compliance' and 'business continuity' respectively) going forward.

Proposed new Risk Management Scoring Framework- M Russell gave the background to the proposed new impact framework and the Committee considered this in detail including testing how risks might be escalated.

The Committee then **approved** the new risk management scoring framework which would be in use from the new academic year.

Risk Management Plan 2024-2025 – M Russell gave a brief overview of the plan which the Committee **agreed**, to recommend to the Governing Body for approval, subject to approved detail of the new scoring for the forthcoming year.

## 7. Audit Matters

### 7.1 Exception Report

M Russell confirmed good progress generally within the four audits completed since the last meeting (with specifics in relation to subcontracting and GDPR coming as separate items under the agenda). M Russell detailed the legal review of the subcontractor contracts which would be completed in July.

Completion dates clarification was given.

### 7.2 GDPR Audit Update

M Russell confirmed that all recommendations from the original audit had now been completed. He also detailed next steps which included a deep dive into the existing impact assessments and additional resource for P Moody.

### 7.3 ESFA Financial Statements Letter

M Russell presented the letter for information which confirmed the College's financial health grade as 'good' for 2022-23.

### 7.4 Post 16 Audit Code of Practice 2023-2024 (including Regularity Audit Self Assessment update)

M Russell confirmed the annual review of the Code of Practice in which there were few major changes, albeit that the handbook did present updates to assist colleges in meeting Managing Public Money (MPM) compliance and other reclassification responsibilities.

Z Foster detailed some minor amendments to the terms of reference as a result of the updated Code.

The Committee **agreed** to recommend for approval the updated Audit and Risk Committee Terms of Reference to the Governing Body at its 11 July 2024 meeting.

### 7.5 Colleges Financial Handbook

M Russell highlighted the new handbook which effectively codified the specific responsibilities of college officers and governors following reclassification. He confirmed that compliance with the handbook was a condition of the accountability agreement. SLT had reviewed the handbook against the current Financial Regulations of the College which confirmed consistency with current College policy and practice.

He then outlined the new procurement legislation from October 2024, and assessment currently taking place by the Procurement Officer to ensure the College conforms with the Treasury's Green book for major capital projects and that the Procurement Policy aligns with the provisions of the new Procurements Act coming into force from October 2024. Reporting and actions on the review of the legislation would come to the relevant Committee once the review had been completed.

The Committee considered the internal audit in respect of the Procurement Act changes and **agreed** that it might be sensible to consider this a year earlier in the 2025-2026 cycle (despite a procurement review last year).

#### **7.6 Cycle of Business 2024-2025**

This was introduced by Z Foster and after consideration, **approved** for usage for 2024-25, with the proviso that Z Foster could revise if required

#### **7.7 Compliance with Subcontracting Standard**

As this item had been discussed in full under the risk register M Russell detailed the next steps which included: demonstrating that the red and amber actions had been resolved (RSM Audit), and that the subcontracting procedure be approved and processes embedded.

The Committee were informed that technically there would be no subcontracting under the standard though there was an expectation that the current subcontractors were retained. Once concluded, the RSM audit would be shared with the DfE and Committee.

### **8. Internal Audits 2023-2024 – presented by M Gibson from RSM**

**8.1 Progress report** – current progress was detailed with the ESFA funding audit and Follow Up actions audit to come at the next meeting (with fieldwork completed and drafts ready). The four audits showed an excellent set of results with all being of '**substantial assurance**' with few management actions.

M Gibson outlined the additional information reports (global internal audit standards and financial reporting standards) with I Wright, on behalf of the Committee, encouraging further such value rich additions from both sets of auditors.

Questions and discussion included: potential auditing of Economic Crime and Corporate Transparency Act with wider links to fraud (for which the College had close controls under current processes); potential of reputational and stakeholder auditing and wider collaboration and associated due diligence; and the funding review's cover of fraud activities.

The Committee also discussed AI and whether there were options for a specialist review of this by Internal Auditors. M Russell gave an update on current College usage and training (led by J Wells and his team in respect of CoPilot).

The Committee expressed an interest in a presentation on various aspects of AI for the College (and that this might be either Committee or wider GB led) to be led by J Wells and R Shuttleworth. **Action by Z Foster** to speak to R Davies as to whether this activity best suited a strategic planning/development event or be retained within the Audit and Risk Committee (potentially with interested governors attending).

The Committee and Auditors also discussed auditor usage of AI (which was not yet rolled out for audit work but did show some promise).

**8.2 Behaviour Management Audit report** – the audit outcome was of '**substantial assurance**' with good processes in place under a good control environment. There had been two low management actions.

Discussion included: appreciation of the considerable feat of managing student behaviour and related health and safety effectively; and whether other colleges instructed similar audits leading to a wider discussion on the varying financial/resourcing abilities of colleges to broaden the auditing breadth.

**8.3 Health and Safety Audit report** - a '**substantial assurance**' was given in relation to this audit with one medium management action.

**8.4 HR Recruitment and Retention Audit Report** - once again a '**substantial assurance**' outcome was given for this audit with one low management action.

Clarity was sought in relation to the turnover figures with **action by RSM** who would check and update. The focus on recruitment was noted.

**8.5 T Levels Audit Report** - the final audit report presented also came in with a '**substantial assurance**' outcome with no management actions.

I Wright confirmed the Committee's assurances on the key risks with the set of audit reports received.

**8.6 Internal Audit Strategy 2024-2025** was presented by M Gibson with an outline of the process given.

There was some considerable discussion on the strategy including: reference to p45 of the progress report which considered emerging risks to the sector: the benefits of being onsite during audits and how RSM were conducting audits generally; other topics for audits either this year or in subsequent years (such as procurement, TTE (at some point), the wider Estates team (not Health and Safety); how the control environment and corporate memory could be considered through internal audit; other processes to determine changes in the control environment (e.g. staff surveys, Investors in People survey, staff appraisals, KPIs; performance information (and validation through Ofsted), quality cycle and monthly policy compliance assurance discussion/report at SLT led by O Rodley); the current (and highly beneficial) transparent working relationship with the senior team and the Audit and Risk Committee on consideration of risk); and the assurance framework (including internal audit) and how this was mapped (via Risk Registers).

The Committee encouraged a degree of onsite auditing where possible and it was confirmed that this did take place in discussion with those managers leading on the audits.

It was also confirmed that although the audit timetable was somewhat backloaded, this was manageable and already timetabled in for RSM.

It was **agreed** that there should be freedom to reallocation of follow up days/use of contingency to potentially add another audit at a later date (and that the audit plan should reflect this flexibility).

The Committee **agreed** to recommend the Strategy and associated Audit Plan 2024-2025 for adoption by the Governing Body at its 11 July 2024 meeting.

I Wright, thanked M Gibson and the RSM team for their work over the past academic year.

## 9. Financial Statements and Regularity Auditor – External Audit Strategy to 31 July 2024

D Hoose first outlined two changes: to reflect the capacity in the USA the change of company name to FORV/S Mazars and that Chris Barstow would be replacing Amy Budd as the main auditor lead for the College's audit.

The Committee discussed the importance of collective memory in light of both auditor and VP of Finance and Registry changes and how this might impact the External Audit. It was confirmed that continuity with the Head of Finance; the fact the auditors were familiar with the College, that the new audit manager was experienced within the college environment, and that there were few changes to the framework should ensure that operationally the audit would be effectively managed.

The Committee also discussed whether a change of government would affect some colleges' ability to be a going concern.

The Committee **agreed** to recommend the Strategy to the Governing Body at its 11 July 2024 meeting for approval.

## 10. Committee Review of the Top Risks

After discussion, it was confirmed that the TTE move and associated challenges remained an area of attention for the Committee in the coming year. In addition, it was suggested that a change in Government (should this occur) be added to the risk register.

## 11. Any other Business

I Wright, on behalf of the Committee, thanked M Russell for his good work and wished him well in his next appointment.

## 12. Dates of Meetings 2024-2025

12.1 Friday 27 September 2024 at 1pm

12.2 Friday 13 December 2024 at 1pm

12.3 Friday 7 March 2025 at 1pm

- *may need to be changed*

*Both sets of Auditors left ahead of the final two items.*

**13. Contract Matters**

External Auditor Contract Verbal Update – M Russell updated the Committee on the auditor position:

- A reminder that RSM's contract had been rolled forward for a further year with a small uplift
- Detail of the External Auditor market and plans and timeline for the tender process under CPC (the government advised framework) which it was hoped would be concluded for the new VP starting in September. I Wright would be involved on behalf of the Committee.

**Post Committee note** – R Anderson would also be involved with the tender process.

**14. Members Discussion** – members of staff left for this item.

*The meeting closed at 4pm*