

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE
CONFIRMED MINUTES OF THE 27.09.2024 MEETING OF AUDIT AND RISK COMMITTEE

PRESENT: I Wright (Chair and CG), R Anderson (CG), D Budd (CO), I Wallace (CG).

Z Lewis (CEO/Principal) for Item 7

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

OFFICERS: Z Foster (Clerk), S Langstaff (VP – Finance and Registry), S Marshall (VP – Digital and Campus Services), O Rodley (VP – Quality and Performance).

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

1. Apologies for Absence and Welcome

A Coleman Cooke (CO), M McClintock (CG), M King (CG).

S Langstaff was welcomed to the Committee.

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 RSM and Audit and Risk Committee

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

4. Unconfirmed Minutes of 21.06.2024 – were approved as a correct record.

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

6. Financial Statements and Regularity Auditor

D Hoose gave a brief overview of the early stages of the forthcoming audit confirming that planning and some sample selection work had taken place. He confirmed that everything was currently as anticipated.

7. Risk Management Update (including risk registers)

O Rodley introduced himself to the Committee and his role supporting the Committee going forward particularly in relation to risk management and internal audit.

Z Lewis gave a verbal update on risk highlighting the two biggest risks:

- 1) staffing- recruitment and retention particularly within Engineering
- 2) qualifications reform, within which a national review (due for completion by Christmas) was currently taking place.

She highlighted the request to remove/absorb the following risks as detailed below:

- 1) reclassification as a separate risk (although the impact was absorbed in the regulatory/compliance risk) and
- 2) proposed risk removal of TTE International (although it would remain on the Finance Risk Register).

Attention was also drawn to where risks had increased and the reasoning behind these changes:

- 1) health and safety which had moved to **red**
- and two **amber** risks

- 1) influencing external stakeholders
- 2) inability to meet Grade 2 Ofsted.

Z Lewis also updated the Committee in relation to the compliance risk (in which there had been a couple of issues relating to subcontracting and bursaries during 2023-2024) highlighting the successful recent re-audit by RSM for subcontracting which had returned all previous issues as green (fully compliant). She also reminded the Committee

of the pilot the College was part of which would allow some flexibilities re compliance rules over the next year, and uncertainties relating to procurement changes (in which the current government had also instigated a further review).

The Risk Registers were discussed in full including:

- i) Turnover/trends on recruitment and retention risk and potential impact of Skills England on further difficulties with recruitment for areas such as Electrical Engineering; the possible impact of the engineering skills shortage on apprenticeship opportunities and the role of TVCA/Business Board in looking at this issues and in relation to local growth plans; enrolment figures noting increases in Engineering and TTE and alternate offers where full (both within College and elsewhere locally); demographics of aging Engineering workforce and lack of current local strategy to support young people (leading to increases in NEETs) and employers; potential assistance from changes to Apprenticeship Levy as a result of Skills England report with foundation apprenticeships; and potential future incentives for recruitment to some sectors (post Budget).
- ii) Reasoning behind Health and Safety probability increase which was also linked to Engineering and TTE capacity, staffing and site integration including required training on new equipment; along with the ongoing number of contractors in site during term time.

Remedial actions included: that training be completed by all managers/staff asap; extra support via additional health and safety expertise from Northern Health and Safety to be contracted for a number of days to focus on the high risk areas, and an external audit which had been commissioned by Northern Safety focussing on the high risk areas after half term, the outcome of which would be reported to the Committee.

There was general agreement by the Committee on the **amber** risks with the following further points to note:

- iii) Eton College in which there had been little news either locally or at a national level but with the expectation that this was still going ahead, with the Committee asking for an update at the next meeting
- iv) Failure to meet 3 year strategic plan – S Langstaff gave her view on future uncertainties beyond the current year (in which there were appropriate mitigations and levers to ensure the plan was met)
- v) An update was given in relation to adding an explicit risk in relation to the new government with SLT agreeing that the various strands and associated mitigations of this were absorbed within the current strategic risks
- vi) Ofsted – O Rodley outlined why this had been increased, again due to the unknowns in relation to future plans/focus for inspections and to acknowledge the continued ambition and focus of the College despite gaining a Grade 2 in February.
- vii) Our Partners risk which had risen in light of increased devolution, the new Business Board, and national policy proposals (e.g. Skills England, HE/FE reforms etc). An update was given in respect of the current TVCA contract
- viii) Consideration was given to cyber as an independent risk with final agreement that this be kept separate from the general business continuity for the present time but that this be reviewed next time

The Committee **approved** the strategic risks as presented at this update.

The Committee also **confirmed** approval of the removal of TTE from the Strategic Risk Register and reclassification as a separate risk.

O Rodley updated the Committee on the Curriculum Risk Register.

Actions

- For an arrow determining direction of travel on each risk to be included in the strategic risk register score
- For Z Lewis to get an update in relation to Eton College at the December meeting (with D Budd offering support if required)
- For SLT Risk Management to consider the separate risk of Cyber at its November meeting
- For Audit and Risk Committee members to represent the Committee at the SLT risk management meetings over the year.

Z Lewis and D Hoose left the meeting at 2.10pm

O Rodley then gave an appraisal of the Quality Cycles (of which there were three throughout the year) and related Policy Assurance and Compliance for the Committee's assurance.

O Rodley also updated the Committee on the plan to present a revised version of the Risk Registers over the course of the coming year.

8. Exception Report

O Rodley detailed management actions against the two further audits completed since the last meeting.

He also outlined his increased oversight role in relation to the audit process.

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

9.1 Progress report – M Gibson reported a complete set of audits in relation to 2023-2024 and outlined early preparatory work for the first audit of the 2024-25 plan 'Student Support', gave an update on movement of one audit, and a reminder that there was still the contingency to determine a further audit over 2024-2025.

9.2 Follow up on previous Management Actions – M Gibson gave an appraisal of follow up progress which had resulted in '**reasonable**' progress against actions.

S Langstaff confirmed that the procurement actions should be attended to by the next meeting.

Governors discussed: the variances/differing functions between the follow up report and exception report.

9.3 ESFA Funding Rule Compliance – M Gibson outlined the purpose of the audit and scope of a specific set of tests which was outwith the control environment therefore not assurance rated. He detailed the 1 medium and 4 low priority actions.

9.4 TVCA Subcontracting Controls Review - M Gibson reminded the Committee that this audit sat outside the internal audit plan and was not included within the internal audit opinion and again conformed to a specific set of tests. Within the findings there had been 2 actions to attend to.

9.5 Annual Opinion 2023-2024 – M Gibson detailed an annual result coming in with the opinion **the organisation has an adequate and effective framework for risk management, governance and internal control**'. He also highlighted the caveats to that opinion for the Committee. He also explained the underlying circumstances relating to the Performance Indicators in respect of management responses.

Action by RSM - the Committee asked for the overall green opinion to be clearer within the report.

9.6 Follow up to ESFA Subcontracting Controls Report - M Gibson gave background to the commissioning of this additional audit. He confirmed that all the red actions resulting from the previous ESFA audit were now green with no outstanding actions remaining, giving the Committee full assurance.

10 **Regularity Audit Self Assessment Questionnaire 2023-2024** – Z Foster briefly outlined the 2023-2024 Regularity Audit Questionnaire's purpose.

It was **agreed to recommend that the 2023-2024 Regulatory Audit Questionnaire be approved by the Governing Body at its meeting on 21 October 2024.**

11. **Performance Indicators 2023-2024 and 2024-2025**

The auditors were not present for this item.

O Rodley presented the indicator documents for 2023-24 for both sets of auditors confirming that all KPIs has been met.

He then outlined some proposed changes to the Internal Audit KPIs for 2024-2025.

Z Foster detailed the reasoning for the delay in presenting the Financial Statement/Regularity Auditor's KPIs (which had been at the request of Mazars with 2023-2024 audit to complete and the start of a new 3 year contract from 2025) and it was **agreed** these would be presented at the March meeting.

The Committee discussed: bespoke audits and the difficulty in ensuring specialist auditors and how this was overcome; the internal audit market; the need for a hybrid approach to audits going forward with **agreement** that the proposed KPIs for 2024-2025 include a strong expectation (to be discussed at the planning stage) that a proportion of each audit be on site and that this be referenced in the resulting audit reports. Subject to that inclusion the KPIs for 2024-2025 were **agreed** for approval by the Governing Body as outlined above.

After full discussion, **the confirmation of appointment of both sets of auditors for the forthcoming year, based on their performance over 2023-2024, was agreed for approval by the Governing Body on 21 October 2024.**

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

After discussion, it was agreed that the top risks remained as per the presented registers under Item 7.

13. Any other Business

None taken.

14. Dates of Meetings 2024-2025

- 14.1 Friday 13 December 2024 at 1pm (with all Governors being invited to hear the report from the Financial Statements and Regularity Auditor)
- 14.2 Friday 7 March 2025 at 1pm
- 14.3 Friday 20 June 2025 at 1pm

M Gibson left ahead of the final two items.

15 Contract Matters

S Langstaff gave a brief update:

- i. External Auditors – after written resolution by all Governors, the three year contract (1 January 2025-31 December 2027) for Forvis Mazars had been approved (with confirmation due at 21 October 2024 Governing Body meeting) and R Davies was due to sign the contract on 1 October 2024
- ii. Internal Auditors – a reminder that a further one year extension had been given to RSM. Under the procurement regulations, a notice of direct award had been published on the Gov.uk Contracts Finder website.

S Langstaff gave confirmation that a full tender process for Internal Audit for 2025—2026 onwards would take place over the summer term and a timeline update would be presented at the March 2025 meeting.

16 Members Discussion – members of staff left for this item.

The meeting closed at 3.40pm