

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE
CONFIRMED MINUTES OF 20.06.2025 MEETING OF AUDIT AND RISK COMMITTEE

PRESENT: R Anderson (Chair for the meeting, CG), D Budd (CO), A Coleman Cooke (CO), M McClintock (CG) I Wallace (CG), M Wells (CG).

Z Lewis (CEO/Principal) for Item 6

In Attendance: P Neal (future CG and member of the Committee)

AUDITORS: D Hoose (Forvis Mazars)
A Mullens (RSM) via Teams

OFFICERS: Z Foster (Head of Governance), 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

It was noted that R Anderson was Acting Chair for the meeting with the recent resignation of I Wright.

The Committee formally acknowledged the resignation of I Wright and extended their good wishes and thanks for his outstanding contribution as Committee Chair over his seven years as a College Governor.

Welcome and introductions were given to P Neal (future College Governor and Committee member as of 1 August 2025).

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).
- I Wallace in respect of Item 14 Internal Tender recommendation – having been Director/Partner of RSM 2000-2013 but with no further involvement thereafter.

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

Members of staff and the Internal Auditor (RSM) left for this matter while a private discussion took place.

4. Unconfirmed Minutes of 07.03.2025 – were approved as a correct record.

5. Matters Arising not on the Agenda –

A number of matters arising items were discussed including:

- Update on resourcing of Finance Team which had now been successfully bolstered with replacement for VP of Finance and Registry due to start in September 2025 and new position of Executive Director of Finance starting at the end of June 2025.
- Funding/Income table for monitoring purposes with Z Lewis confirming that many of the income uncertainties had moved to green allowing the additional 1% pay award from August. She informed the Committee that the lagged funding for additional students had not been fully funded and of detailed ongoing lobbying on this
- Cyber activity assurance information was detailed by S Marshall
- RSM Board Assurance Framework – A Mullen outlined the purpose of the document (i.e. as a support to Committee and Board practice). This was discussed in detail by the Committee, focussing on all areas of assurance currently utilized, which when combined the Committee felt did give good assurance. It was **agreed** that RSM would bring some models to the September meeting to see if there could be ideas/practices to add to the Committee's current approach.
- Student Growth – O Rodley outlined the report, which confirmed that whilst there were a significant number of learners with health needs, the impact of these needs on attendance was minimal. The information gathering at induction was detailed, alongside the student led approach to disclosure of information/support, all of which were discussed by the Committee.

6. Risk Management Update (including risk registers)

Verbal Overview – Z Lewis outlined the main changes to the strategic risk register which now held 3 red risks (reduced from 5). She detailed the background to reducing the financial and qualifications reform risks and also the increase to the capital investments due to a more complicated picture as a result of further capital investments.

Changes to the financial benchmarks by the FE Commissioner were outlined, specifically how the College would perform against the three main metrics of EBITDA, cash days and staff to income ratio (which were detailed as aspirational targets not targets for interventions) within the prudent 5 year plan due to be presented to Corporate Services and the Governing Body in July.

6.2 - O Rodley then took the Committee through the full strategic register's 19 risks (3 red, 13 amber and 3 green).

He drew particular attention to the possibility of removing the Ofsted risk – this was discussed in full resulting in **agreement** that the risk should remain on the register as this represented the core business of the College, no matter the mitigations in place.

The Committee also discussed: potential modelling (and if so what this might include) should there be an international financial crash (which would come under the worldwide events umbrella risk) both negative and positive (including the benefit of the FE Commissioner's increase to cash days which could protect colleges and dual accountability with the DfE now colleges were back within the public sector); the change in budget outcome from earlier in the year and any potential negative reputational damage this might incur (albeit partially mitigated due to the changes to the financial benchmarks); and the role of the Treasury Management reports.

6.3 Risk Management Plan 2025-2026 – after consideration, it was **agreed** that the plan for 2025-2026 be recommended for approval by the Governing Body at its 10 July 2025 meeting.

6.4 Risk Management Policy – O Rodley detailed the main changes to the policy, drawing particular note to the risk appetite statement (noting a cautious approach), which the Committee found a useful addition.

Subject to retaining a sentence on p2, it was **agreed** to recommend the policy to the Governing Body for approval at its 10 July 2025 meeting.

Z Lewis left the meeting at 2.10pm

7. Audit Matters

7.1 ESFA Financial Statements Letter- was received confirming 'good' financial health for 2024-2024

7.2 Guidance and Framework for 2025 Audit Reporting – Z Foster and D Hoose gave a brief account of the key guidance and framework documents to be used for the completion of the 2025 External Audits; drawing particular attention to the removal of the Post 16 Code of Practice, introduction of College Auditor Framework and Guide and how the requirements (which were essentially unchanged) were incorporated into the framework, Accounts Direction and College Financial Handbook.

7.2.1 Terms of Reference Annual Review – Z Foster detailed some minor updates to the Terms of Reference as a consequence of the documents within 7.2 and FE and Sixth Form governance guide, which the Committee **agreed** to recommend for approval by the Governing Body at its July meeting.

7.3 Exception Report – O Rodley gave an update on progress against actions from four completed audits since the last meeting.

There was some discussion and clarification regarding the Estates actions which was further discussed under 8.5 (follow up).

7.4 Cycle of Business 2025-26 was introduced by Z Foster and after consideration, **approved** for usage for 2025-26, with the proviso that Z Foster could revise if required.

8. **Internal Audit**– presented by A Mullen from RSM

8.1 Progress Report – an update detailed the three completed audits and the Financial Handbook audit report (currently at the draft stage) which would come to the September meeting.

There was a discussion in relation to the emerging issues document provided, namely the Failure to Prevent Fraud (as part of the Economic Crime and Corporate Transparency Act) and expectations as of 1 September 2025 with an action for O Rodley/team to consider this in further detail.

8.2 Mental Health and Wellbeing (of staff and students) Audit Report – the audit outcome was of ‘**substantial assurance**’ with two actions which were outlined.

8.3 TVCA Subcontracting Review, as required by TVCA, was completed with 1 action outlined. A Mullen confirmed a very clean report.

8.4 Estates Statutory Compliance Audit Report – once again a **substantial assurance**’ outcome was given for this audit with 3 low actions which were discussed.

8.5 Follow Up - A Mullen confirmed that of the 11 actions, 2 were ongoing with some progress which resulted in reasonable progress against implementing agreed management actions.

The follow up report was discussed in some detail including: requirement for further detail to the Committee on progress in relation to medium risk 2 which had been reduced to low in the follow up report with clarification whereby the original action had been decreased due to some progress having been made. There was then further debate on whether this should be the case or whether the action remains as was until fully attended too.

Action by A Mullen – to amend action 2 returning it to medium risk until it was fully closed off (for full assurance)

The use of the extra days remaining was discussed with **agreement** that the days could be appropriately used to perform an advisory piece of work against the new Fraud guidance and where the College sat/any gaps, which would be particularly useful for the new VP of Finance and Registry.

Action by A Mullen an relevant SLT members to scope and commission this work.

9. **Health and Safety Audit on High Risk Areas (by Northern Safety Ltd)**

S Marshall took the Committee through the follow up audit on the High Risk areas completed by Northern Safety detailing where there had been progress and where there was still work to do (particularly in relation to consistency). Overall, she confirmed good progress, albeit the risk remained as was until the further checks on outstanding actions were satisfactorily completed, all of which would be reported to the Committee.

Questions and discussion included: whether all staff were qualified in health and safety with confirmation that there were plans in place to ensure this was the case by the end of next year with the respective Managing Safely and Working Safely qualifications for all; current consequences of not being qualified/evidence of qualification which were mainly linked to consistency and assurance through an effective evidence base (limiting activities/curriculum movement); and confirmation was given in relation to making qualifications an explicit part of recruitment going forward.

S Marshall outlined the ongoing focus on high risk areas as the priority but detailed plans to roll out actions to all other practical areas once this work had been completed.

10. **Financial Statements and Regularity Auditor – External Audit Strategy to 31 July 2025**

D Hoose outlined the planning document for the forthcoming year, including the agreed timetable. He detailed a couple of areas which would result in some additional audit work (the new accounting system and compensation payments for Russell Street which were of particular interest with a break even budget) but confirmed no further significant risks.

In relation to the wider picture, he outlined the impact of Managing Public Money particularly in respect of advance approvals by the DfE to avoid irregularity defaults and an update to the College Financial Handbook which had reduced reporting of significant fraud to the value of £5000 or more (previously having been £10,000).

D Hoose detailed the agreed fees for 2025 of **£97,745** in total.

He also drew attention to the additional one off fees within the 2024 table which reflected the additional time cost incurred due to the late provision of audit information by the College, which had only just been successfully negotiated down with the outgoing VP of Finance and Registry from the initial rate of £20,000 to **£13,500**.

Clarification was given in relation to some of the terminology used within the strategy document.

The Committee **agreed** to recommend the Strategy, including fees, and outstanding one-off fee to the Governing Body for approval as detailed below:

- The External Audit Strategy to 31 July 2025 (incorporating the 2024/2025 Financial Statements and 2024/2025 Regularity Audit)
- The External Audit fee of £97,745 as detailed in the strategy
- Additional one-off fee of £13,500 outstanding from 2024 audit (also outlined within the strategy).

D Hoose drew attention the horizon scanning piece of the strategy document including: the new Accounting Standard for 2027 where all leases would go on the balance sheet; and the ongoing consideration of moving the financial year end with the return to the public sector and of a DfE project looking into this with possible adjustments from March 2027.

Action by S Marshall and D Hoose to meet re lease for Russell Street.

11. Committee Review of the Top Risks

The top 3 risks were confirmed as per the start of the meeting.

Further discussion included: stabilisation of staff with better retention reported overall but with ongoing issues for hard to recruit areas (largely pay related); support to students impacted with some of the world events; raw material pricing and potential effect on projects /contingencies; and the potential effect of the Government infrastructure announcements (e.g. Training opportunities for civil engineering)

12. Any other Business

None taken

13. 2025-2026 Meeting Schedule

The following meetings were approved for the forthcoming academic year:

13.1 Friday 26 September 2025 1pm

13.2 **Thursday 11 December 2025 1pm**

13.3 Friday 13 March 2026 1pm

13.4 Friday 19 June 2026 1pm

Both sets of auditors left at 3.15pm ahead of the confidential item below

14. Contract Matters

Internal Auditor Tender Recommendation

R Anderson gave the background to the two interviews (chaired by R Anderson, and panel membership of A Coleman Cooke, S Marshall and S Fedderson) which had taken place after a full procurement process and scoring assessment which had involved O Rodley and S Langstaff and led by S Fedderson (Procurement Manager).

Governors questions and discussion focussed on various aspects of the presentation and tender documents including: costs (and expenses) where confirmation was given; work in FE sector (and HE); and remote or in-college provision by both sets of interviewees.

After due consideration, the Committee **agreed** to recommend via written resolution, the appointment of WBG LLB Services as outlined below:

- WBG LLB to be appointed on a three year term as of 1 August 2025 until 31 July 2028, subject to satisfactory annual reviews, with the option to extend for a further 24 months at the discretion of the Audit and Risk Committee, at a contract value of £67,500 over three years.

Post Meeting Note: the written resolution was formally passed on 28 June 2025 and confirmed by the Governing Body at its 10 July 2025 meeting.

14 Members Discussion - members of staff left for this item.

The meeting closed at 4pm