THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

CONFIRMED MINUTES OF 13.03.2026 MEETING OF AUDIT AND RISK COMMITTEE

PRESENT: R Anderson (Chair/CG), D Budd (CO), A Coleman Cooke (CO), G Dobson (CG), Z Lewis (Principal) for Item 6, M McClintock (CG), P Neal (CG) via Teams, M Wells (CG).

OBSERVING: S Collier (External Governance Reviewer)

AUDITORS: S Pringle (WBG) via Teams.

OFFICERS: Z Foster (Head of Governance), S Marshall (VP – Digital and Campus Services), O Rodley (VP – Quality and Performance), C Whitehead (VP – Finance and Registry), M Wilson (Exec. Dir. Finance).

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

1. **Private Discussion with WBG and Audit and Risk Committee**
Members of staff left for this matter while a private discussion took place

2. **Apologies for Absence**
D Hoose (Forvis Mazars), I Wallace (CG) and G Gillespie (WBG).

Welcomes were extended to Shirley Collier, the AoC External Governance Reviewer who was observing the meeting, James Wells, who would be delivering a presentation on AI and Matthew Wilson, Executive Director of Finance.

3. **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).

4. **Unconfirmed Minutes of 11.12.2025** – were approved as a correct record.

5. **Matters Arising not on the Agenda** –.
- Z Lewis confirmed that she had checked with the Charity Commission on duty to report in respect of Hope Foundation and that this was not the remit of the College.
- O Rodley gave an update to progress with One Advance in respect of a new risk management system. The Committee discussed the necessary procurement processes prior to any contract being finalised and it was confirmed that the procurement process would be instigated as required.
- Finance Structure – C Whitehead gave an overview of the current finance structure which had been strengthened, but which remained below both sector and regional FTE benchmarks, albeit there were some efficiencies with the team being on one site.

Questions and discussion included: areas of most need for the Finance department with an update on approvals for two roles (one being accountant) and the benefits on efficiency which would be realised; the differing responsibilities of the VP of Finance and Registry (having a forward thinking strategic focus) and Executive Director of Finance (more backward reporting focus) and where it was also noted that a member of staff benchmarked in Registry actually has more responsibilities under Finance and that the VP of Finance was also responsible for the registry area which wasn't detailed on the infogram; how the benchmarking was reached and whether it was against other similar sized colleges with confirmation that it was a small sample which was pro-rata up to size, additionally within the North East there were a number of college groups which skewed the data; and better use of systems now they were embedded to further release efficiencies, at which point the situation would be reassessed.

6. **Risk Management Update** (including risk registers)
6.1 Z Lewis gave a comprehensive presentation focusing on:
Risk Update
- Eton College risk was recommended for removal from the register
- A Consequences column had been added to the Strategic Risk Register
- Staff recruitment and retention still highest risk – low funding rate 26/27 of 0.55% which was considerably less than expected and out of kilter with schools and universities. Whilst the College was able to accommodate this due to headroom, investment opportunities would be much reduced with a paper going to the upcoming Corporate Services Committee meeting for their review. More widely, it was noted that the low funding rate uplift would have a further detrimental effect on staff recruitment and retention for the sector
- Curriculum reform – where there was a delay defunding but that the future risk still remained
- New emerging risk – Iran war impact on pricing with examples in relation to pricing for laptops, steel for the TTE mezzanine project, general capital, energy, space etc. A further example in relation to the Salix tenders which were

all over budget was also detailed, along with re-scope and re-tender plans. Despite this Z Lewis confirmed that she had spoken to the Chair of Corporate Services re the 5 year plan and the early notification of the pay award which was still manageable due to the significant headroom the College currently had

- The new compliance register which had been created by SLT giving further detail of level of compliance and where the responsibility sat etc (detailed under ***6.4***)

Audit Update – Z Lewis drew particular attention to:

- Health and Safety re audit showing a much improved position
- Positive audits for AI / payroll/ EDI under the new internal auditors (detailed under ***Item 8***)

Other Updates – Z Lewis highlighted:

- Registry/ finance structure and positive progress as outlined in ***Item 5***
- AI presentation under ***Item 6.2*** to aid Committee assurance
- That there would an update in relation to Cyber under (AOB) which would be going to the Corporate Services Committee meeting for approval
- SLT – a new structure would be proposed to Governors (via Remuneration Committee) in light of the recent change with confirmation that interim arrangements were working well.

Discussion focused on the value of the compliance registers, and the plan to review the compliance register bi annually.

Z Lewis then left the meeting at 1.30pm

6.2 Artificial Intelligence (AI) Presentation – J Wells gave a comprehensive overview which considered the risks (academic integrity, data integrity and staff and learner capabilities); mitigations (including a focus on education for both students and staff via induction/Thrive/tutorials/CPD and regular campaigns; data protection/ AI policy/ and systems); governance – roles and responsibilities of key groups in College including the Governing Body / Audit and Risk Committee to ensure that regulation and associated risks are adhered to and managed (as evidenced by the recent AI internal audit); the benefits of AI in a number of areas including teacher workload with bespoke solutions, ideas and support, and Business Support use e.g. within the SAR process; and how AI was being developed within the College going forward (e.g. SEND support, Learner AI Charter, more emphasis on process than product in assessment and switch to digital maturity rather than literacy in learner upskilling).

Discussion and questions included: how the red line in security risk blocking of AI tools was determined with a combination of sources being used (including JISC, national centre of Cyber Security, Microsoft); how many staff were using the lesson planning aides with confirmation that this was around 15-30% each month with some curriculum areas being more involved than others (e.g. Sport, travel, public services and Health and Care); how governors could be assured that the AI policy was implemented and followed and related output measures with confirmation that the policy was to be mandated for bi-annual updating (with updates varying depending upon staff role) and that expectations were clear within the IT Acceptable Use policy which was signed by all users; confirmation was given that Co-pilot was completely ring-fenced to the organisation and was therefore very secure; Deep Fakes / safeguarding and monitoring of use of deep fakes – J Wells confirmed that this content was blocked through Smoothwall and where there were trends, this was tackled through the tutorial programme for students. *Action - Governors asked for any trends in this area to be referenced in A Adamson's next Governors repor*t; how Inspire AI would evolve, with J Wells confirming this was a iterative development cycle updated every six months which took account of new qualifications, data sets and associated training to ensure lesson planning was appropriate; and re the SARs example, clarification was given that the data was from the dashboards (as a single source) not AI generated with the AI use being more for triangulation and concentration of themes etc.

Key risks for governors to be aware of were discussed including: data integrity and cyber with confirmation that the data and security teams control of that, also longer term the potential capacity of job loss, human risk with a potential reduction of critical thinking skills as AI takes on more of this, impact of AI on increase in complaints and tribunal claims; confirmation that Chat GTP was not blocked in College as it was used by staff albeit governed by the AI Policy and regularly considered by the AI and Ethics Committee; and whether a six month review of the AI Policy was frequent enough in light of huge and swift changes with confirmation that due to the high level nature of the policy this timeframe was appropriate, albeit the underlying tools at the operational level were continuously assessed with advice taken where required.

J Wells left the meeting at 2.10pm

6.3 Registry Update – C Whitehead took the Committee through the Registry update which gave considerable detail to the progress as a result of the two most recent audits.

Governors welcomed the report and gained considerable assurance from the clearly laid out approach detailing and confirming compliance with the recommendations. It was also suggested that this was a model of good practice with appreciation to be shared with J Cadwallender and her team.

6.4 Risk Management Update – O Rodley gave a brief appraisal of the recent SLT Risk Management meeting which R Anderson had attended on behalf of the Committee. He confirmed 1 red risk – staff recruitment and retention, noting

a slightly better position that at the same time last year but also an increased risk of sickness. He also detailed movement within the register notably where risks had decreased and reasons why.

Governors discussed the decrease for worldwide event in light of the Iran war and supported the justification for the decrease dispute this activity, due to the lack of real control over potential mitigations.

The Committee ***agreed*** the removal of Eton from the Strategic Risk Register.

Compliance Register – O Rodley presented the new compliance register which was a result of the request by the Committee, confirming that it had been a useful exercise to split out the compliance risk and SLT responsible for each element, such that it was proposed and ***agreed*** that this be a bi-annual exercise to be shared with the Committee at September and March meetings.

The Committee found the register of value, with discussion on some further tweaks and more detailed evidence to make it even more comprehensive. It was ***agreed*** that this was a useful pilot for the compliance risk which had many risks within it and ultimately covered the major operational risk of not being compliant. However, it was ***agreed*** that it was wise to embed this fully before the Committee reviewed again in respect of spreading the practice to any other risk.

O Rodley then referenced the new Risk Assurance column on the strategic registers which was for every risk.

7. Exception Report

O Rodley presented the Exception report which included 4 further audits since the last meeting (3 from WBG and 1 in relation to health and safety), outlining the 2 low priority actions for AI and 7 recommendations from the Health and Safety follow up. He clarified the reasons for many of the outstanding actions which were linked to end of year targets.

8. Internal Audits 2025-2026 WBG

8.1 **Progress Report -** S Pringle confirmed that the plan was on track with 3 audits having been completed and the Apprenticeship Mock Funding audit now also underway.

8.2 **Payroll Audit Report -** S Pringle outlined the 4 gradings for audits (with Strong being the highest) and gave a general overview of the format of the audit reports.

He then confirmed that the Payroll audit had resulted in a **Strong** grading with no recommendations, and identification of 9 good practice points.

Governors discussed the context of this audit, notably against the previous audit (approx. 3 years ago).

Action by O Rodley/Z Foster – to provide a verbal report/summary of findings of previous audits where available within Matters Arising for the June meeting

8.3 **EDI Audit Report** - a **Strong** audit outcome was also given for this audit, with S Pringle also drawing attention to 8 areas of good practice.

Governors asked how complaints of an EDI nature were captured in the College with confirmation that these were reported to the EDI committee. *Action by O Rodley* - who would look into support related issues and where these were captured.

8.4 **Artificial Intelligence Audit Report -** a further **Strong** outcome was reported. There were 2 low grade recommendations from the audit, and 11 areas of good practice, with sound structures in place.

The Committee considered the recommendations as appropriate and requested a report back at the next meeting on progress, either under Maters Arising or as part of the wider Exception report item (*action by R Shuttleworth/S Marshall)*

8.5 **Updated Audit Plan -** S Pringle confirmed the remaining audits for the year. It was noted that the Mock Funding Apprenticeship audit had replaced the Mock Funding Adult (as this had been audited more recently) and that this had been approved by R Anderson on behalf of the Committee in December 2025.

9. Health and Safety Re-Audit

S Marshall gave a summary of the second re-audit, the purpose of which had been to pick up on previous findings and actions. She confirmed that the high risk areas has validated the competency of all staff against the standard validation matrix; assurance had improved from partial to reasonable; gave detail and progress on the outstanding issues, actions to which would ensure greater consistency across the departments with training, competency standards, risk assessments and ensure up to date 'return to industry' training (Engineering) and development. All actions were on the Exception report for the Committee to continue to monitor progress.

S Marshall detailed the plan to re-audit in September 2026 which would allow for embedding of the process and encompass any new staff into the competency matrix.

Questions and discussion included: how the audit outcomes fed into the compliance and risk registers with a *resulting action for S Marshall* to add to the compliance register in relation to legislation and staff competence; learning from the audits with a full discussion on the complexities of merging TTE and STEM, resulting lack of consistency and incidents; potential cultural issues in merging the two areas; and overall ***agreement*** that consistency was key in moving forward particularly in respect of being an exemplar to employers in this area. *Action by S Marshall* **–** to give a verbal update/paper on progress against the most recent actions at the June meeting.

10. Policy Update Report

10.1 Gift and Hospitality Policy

C Whitehead presented a reviewed Gift and Hospitality Policy highlighting that the policy had been reviewed (on advice from a Committee member) to explicitly include Governors at all stages. The Committee ***agreed*** to recommend this for approval to the Governing Body at its 31 March 2026 meeting.

She also gave an update in respect of the Fraud, Bribery and Theft policy also due for review, which in light of the Failure to Prevent Fraud legislation and resulting separate fraud register required, would come to the June meeting of the Committee for consideration and approval.

Action by S Pringle to share any templates/examples of a fraud register with C Whitehead.

11. Committee Review of Top Risks

Top risks were confirmed with the changeable international picture noted, particularly in light of forthcoming capital works and associated risks (TTE mezzanine).

12. Any other Business

S Marshall tabled a draft request relating to the Cyber Assurance Model (by R Shuttleworth), the full report of which would be going to Corporate Services Committee for their consideration and approval.

She detailed the reasons for the change to strengthen cyber resilience and the new mandatory multi factor authentication required on every single device (personal or College) as part of the new requirements for Cyber Essentials Plus and the difficulties of this at a practical level; she confirmed the College's current cyber strength which had a Microsoft Secure Score above 85% and was fully aligned with all compliance standards (including GDPR, DfE NCSC 10 steps etc.).

The proposed new assurance model was detailed – in essence:

- Keeping Cyber Essentials Certification plus
- Bi annual Red Teaming
- Weekly vulnerability scanning (as now)
- Annual CSAT review – which was separate external review

As part of this, governors would receive quarterly cyber dashboards, secure score trends and phishing simulation results to continue to give full assurance.

S Marshall confirmed that the proposal had gone through the Digital Transformation group (of which D Lusardi was a member and was in support of the model).

Questions and discussion included: whether other colleges were also backing out of Cyber Essentials Plus – this was not known as the changes were very new (this week); whether not having Essentials Plus would impact future contracts with confirmation it would not (though Cyber Essentials was still required for many including the DfE); and whether the proposal would affect relationships with Microsoft with an action to ascertain this and put the outcome in the paper to Corporate Services Committee.

Action by S Marshall to share the paper which was going to CSC with Committee members.

13. 2025-2026 Meetings

- Friday 19 June 2026 1pm

14. Members Discussion

Members of staff left for this confidential item.

The meeting closed at 3.10pm