THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

AUDIT & RISK COMMITTEE

Minutes of the Audit & Risk Committee held on
Tuesday 13 March 2018 at 4.15 pm in the STEM Centre Conference Room

Present
Mr Andrew Malcolm (*CG and Chairman*)
Mr John Autherson (*EM*), Mr Ashley Coleman-Cooke (*CG*),
Mr Francis Hayes (*EM*), Mr Lee Holdsworth (*CG*),
Mr Stuart Green (*EM*), Mr Iain Wright (*CG*)

Auditors
Mrs Rachel Fleming (*KPMG*)
Mr Scott Winter (*ICCA*)

In attendance
Mr Andy Wond (*Executive Director*) (*agenda items 5.1 & 6.5 only*)

Officers
Mr Richard Atkinson (*Clerk*), Mrs Carolyn Kipling (*VP*)

Key
CG - College Governor
EM - External Member
Clerk - Clerk to the Corporation
VP - Vice Principal

The Chairman of the Audit & Risk Committee welcomed Mr Iain Wright (*College Governor*) to his first meeting following his appointment on the 14 December 2017, and also welcomed Mr John Autherson in his new role as External Member, following his retirement as a College Governor as of the 31 December 2017.

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<tbody>
<tr>
<td>18/001</td>
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<tr>
<td><strong>ITEM 1 - PRIVATE DISCUSSION WITH THE INTERNAL AUDITOR (ICCA EDUCATION, TRAINING &amp; SKILLS) TOOK PLACE PRIOR TO THE AUDIT &amp; RISK COMMITTEE MEETING COMMENCING</strong></td>
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<td>Deferred to the next meeting.</td>
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<td>18/002</td>
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<td><strong>ITEM 2 - APOLOGIES</strong></td>
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<td>Mr Jonathan Creed (<em>ICCA</em>)</td>
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<td>Mr James Morgan (<em>KPMG</em>)</td>
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<td>Mr Tom Courtman-Stock (<em>Student Governor</em>)</td>
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<td>18/003</td>
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<td><strong>ITEM 3 - MINUTES 5 DECEMBER 2017</strong></td>
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<td>The minutes of the 5 December 2017 were <strong>approved</strong>.</td>
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<td>18/004 ITEM 4 - MATTERS ARISING</td>
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<td>The Clerk to the Corporation informed the Audit &amp; Risk Committee that all actions from the 5 December 2017 had either been completed or were on the agenda for discussion.</td>
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<td>18/005 ITEM 5 - AUDIT MATTERS 2017 / 2018</td>
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<td>5.1 IT Security Action Plan Up-date</td>
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<td>The Executive Director - Information Services attended for this item, and presented the progress with the IT Security Action Plan, with five actions completed, and a further eleven actions in progress.</td>
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<td>Governors questioned whether a third party provider would be used for the penetration tests planned for the summer? In response, the Executive Director - Information Services confirmed this was planned, and progress will be reported to the Audit &amp; Risk Committee.</td>
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<td>Governors also questioned the progress with implementing the Disaster Recovery Plan, and sought reassurance of the interim back up plans? In response, the Executive Director - Information Services stated that capital had been allocated in 2018 / 2019, and plans would be rolled out. In the interim, the College has invested in a second internet line, has daily back-ups, and is liaising with third party data centres such as Middlesbrough Council and JISC to look at alternative data centres.</td>
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<td>The Audit &amp; Risk Committee then discussed the delay to the anti-virus testing on the servers (deadline moved from December 2017 to May 2018), and approved the change of dates due to the complexity involved.</td>
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<td>Finally, on behalf of new members, Governors questioned how safe were the College’s IT systems from attack? In response, the Executive Director - Information Services stated that systems were robust, and they had avoided recent malware attacks. Some favorable comparisons were then made to Police and MOD Systems, as the Executive Director - Information Services has previously worked in these organisations.</td>
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<td>The Audit &amp; Risk Committee requested further up-dates, with the Executive Director - Information Services to attend future meetings.</td>
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<tr>
<td>Andy Wond</td>
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### 5.2 Exception Report

The Vice Principal - Finance & Registry and the Clerk to the Corporation presented the Exception Report, which detailed the outstanding recommendations as of the 13 March 2018, being one high, two medium and two low recommendations. It was also noted that seven recommendations have been completed since the 5 December 2018, and the Audit & Risk Committee welcomed the progress made.

The Audit & Risk Committee discussed the proposed removal of two recommendations relating to Employer Engagement and Data Protection, with the Vice Principal - Finance & Registry explaining the rationale. The Audit & Risk Committee approved their removal.

Further discussion then took place on the three recommendations (*Estates x 2 and Learning Support x 1*) whose deadlines had passed prior to the meeting. Following discussion, the Audit & Risk Committee requested that the Clerk to the Corporation seeks re-assurance that these audit points are now complete, and also requests that they are reported back to the next Audit & Risk Committee meeting.

Finally, the Audit & Risk Committee approved the change of deadline for the Curriculum Planning recommendation, which had been put back to 30 April 2018.

### Post Meeting Note

In discussions, the Chairman of the Audit & Risk Committee, requested that the Exception Report table be modified by the Clerk to the Corporation to allow easier tracking of outstanding and completed recommendations.

### 5.3 ESFA Provider Financial Assurance Funding Audit

The Vice Principal - Finance & Registry gave an overview of the report that was issued by PWC following their fieldwork in September 2017.

The Audit & Risk Committee welcomed the excellent report, which highlighted only £3,331 of over claims, which had been corrected. Both ICCA Education, Training & Skills and KPMG stated that this was an excellent report, and highlighted that sound systems are in place.
Following discussion of the recommendations contained in the report, the Audit & Risk Committee requested that the Clerk to the Corporation adds these to the Exception Report, so that progress can be monitored.

**ITEM 6 - INTERNAL AUDIT REPORTS 2017 & 2018**

**6.1 External Assurance Review (Subcontracting Certificate)**

Mr Scott Winter (*ICCA Education Training & Skills*) verbally updated the Audit & Risk Committee on the progress with issuing the External Assurance Review document, which was now an annual requirement.

The Audit & Risk Committee welcomed the overview, and the assurance level that had been obtained, noting that the Subcontracting Certificate would be provided to the Education & Skills Funding Agency, albeit no deadline had been set by the Agency.

The Vice Principal - Finance & Registry briefed the Audit & Risk Committee on the reasons for the delay in finalising the report, and apologised.

The Audit & Risk Committee requested that the finalised document be circulated to the Audit & Risk Committee once approved by the Senior Leadership Team.

**6.2 Apprenticeship Post Levy Systems Internal Audit**

Mr Scott Winter (*ICCA Education Training & Skills*) presented the Apprenticeship Post Levy Systems Internal Audit, and it was reported that Substantial Assurance had been given. Two low recommendations have been made, which are in the process of being implemented, with further up-dates to be reported on the 12 June 2018.

**6.3 Non-IT Major Incident Management Internal Audit**

Mr Scott Winter (*ICCA Education Training & Skills*) presented the Non-IT Major Incident Management Internal Audit, and it was reported that Substantial Assurance had been given. Two medium and one low recommendations have been made, which are in the process of being implemented, with further up-dates to be reported on the 12 June 2018.
Governors welcomed the up-date and assurance that the College had appropriate systems in place, but **questioned**, in light of the recent nerve agent incidents, whether the College had scenario-planned a similar type of incident? In response, the Clerk to the Corporation stated that this type of incident was unlikely, but he would raise the issue at the next Incident Manager meeting.

### 6.4 Tuition Fees & Debt Management
#### Internal Audit

Mr Scott Winter (*ICCA Education Training & Skills*) presented the Fundamental Financial Accounting Controls Internal Audit, and it was reported that Substantial Assurance had been given. One medium recommendation has been made, which is in the process of being implemented, with further up-dates to be reported on the 12 June 2018.

Governors **questioned** why this Internal Audit had been planned as part of the Internal Audit Timetable. In response, the Vice Principal - Finance & Registry stated that bad debts have been a recent focus of discussion at the Corporate Services Committee, who sought assurance that systems and processes were in place. The Audit & Risk Committee welcomed the overview, and would continue to liaise with the Corporate Services Committee to ensure the level of bad debts did not increase.

### 6.5 Readiness for Compliance with GDPR
#### Internal Audit

Mr Scott Winter (*ICCA Education Training & Skills*) presented the Readiness for Compliance with GDPR Internal Audit, and it was reported that this was an advisory audit, so no assurance level was given. However, good progress had been made, with four minor recommendations having been raised, and agreed.

The Audit & Risk Committee **questioned** why the Internal Audit was late? In response, the Vice Principal - Finance & Registry stated that the audit had been complex and only took place in February Half-Term, with the draft report being received on 2 March 2018. However, it was felt that the item should remain on the agenda so that the Audit & Risk Committee could receive a verbal up-date in progress, and then receive the report after it had been discussed with the Senior Leadership Team.

The Audit & Risk Committee also **requested** that the Clerk to the Corporation adds the recommendations to the Exception Report, with an up-date to be provided on the 12 June 2018.

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<td>Richard Atkinson</td>
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| Minutes 13 March 2018 | Page 5 of 10 |
After assurances that all Internal Audits would be circulated in advance, the Audit & Risk Committee requested that the final version be circulated as soon as it has been approved by the Senior Leadership Team on Monday 19 March 2018.

6.6 Internal Audit Progress Report

Mr Scott Winter (ICCA Education Training & Skills) presented the Internal Audit Progress Report for 2017 / 2018, and it was noted that six internal audits have now been completed, including the three Internal Audits shared with the Audit & Risk Committee in agenda items 6.2 to 6.4, with five Internal Audits being awarded Substantial Assurance.

Governors questioned whether any other audits should be added to the Internal Audit Strategic Plan either this year or next year, due to changes in FE. In response, Mr Scott Winter stated that there may be more opportunities to look at advisory audits in the future, which would add more value by looking at key areas affecting the College, especially in terms of shifting government policy.

Governors then questioned what the arrangements were in place in terms of Internal Audit rotation to avoid Auditors getting too comfortable with the College? In response, the Clerk to the Corporation stated that there is normally rotation after a period of time. Mr Scott Winter also stated that ICCA use specialists for their audits, so there is already rotation of auditors attending the College, as opposed to having a set team to do all of the audits.

Mr Iain Wright requested that the Clerk to the Corporation forwards the latest Stakeholder Engagement Internal Audit for information.

18/007

ITEM 7 - RISK MANAGEMENT UP-DATE

The Vice Principal - Finance & Registry and Clerk to the Corporation gave an overview of the discussions held with the Risk Management Group and the Senior Leadership Team on the 7 and 20 February 2018 respectively, when the following risk registers were shared.

- Strategic Risk Register.
- Directorate Risk Register.
- Provision Types Risk Register.
The Audit & Risk Committee welcomed the up-date, including the strengthening of the Risk Management Group, with the addition of the Vice Principal - Quality & Performance.

As agreed at the last meeting, the Audit & Risk Committee then reviewed one of the risks in detail, with this meeting looking at the Student Services Risk Register in depth, and questioned why the risk had gone from green to amber? In response, the Clerk to the Corporation stated this was mainly in relation to the Security Policy needing to be reviewed in light of recent security events. The Audit & Risk were assured of the rationale, and would monitor the risk so that it returns to its previous green status, but in doing so, it also asked that a more detailed rationale of the reasons why there has been a change in score, is added to the narrative.

Governors questioned the Auditors on whether, in their view, anything was missing from the Risk Register? In response, they both stated that it reflected the key College risks, and the systems and processes in place were robust.

Finally, the Audit & Risk Committee agreed to discuss in detail the Directorate Risk Register at the next meeting, and the Audit & Risk Committee requested that the Clerk to the Corporation and Chairman of the Audit & Risk Committee liaise prior to the meeting decide on which area to perform the deep dive and investigate further. It was noted that the appropriate senior manager may be asked to attend to discuss their Risk Register.

18/008 ITEM 8 - POLICIES & PROCEDURES

The Clerk to the Corporation presented an up-date on four key policies and procedures, which had all been approved by the Senior Leadership Team on the 20 February 2017, with the Risk Management Group also discussing and approving the Risk Management Policy on the 7 February 2018.

It was noted that KPMG and ICCA Education Training & Skills had both been consulted on the revised documents prior to discussion with the Senior Leadership Team, with any changes being identified on the reports.

8.1 Anti-Fraud & Bribery Policy
8.2 Fraud & Bribery Response Plan
8.3 Gifts & Hospitality Policy
8.4 Risk Management Policy
After discussion on the four policies, the changes made, the rationale for the changes, and the input from the Internal Auditors & Financial Statements Auditors, it was agreed to recommend that:

- The Anti-Fraud & Bribery Policy be approved by the Governing Body at its meeting on the 26 March 2018.
- The Fraud & Bribery Response Plan be approved by the Governing Body at its meeting on the 26 March 2018.
- The Gifts & Hospitality Policy be approved by the Governing Body at its meeting on the 26 March 2018.
- The Risk Management Policy be approved by the Governing Body at its meeting on the 26 March 2018.

Post Meeting Note

Due to the importance of these four documents, the full versions would be shared with the Governing Body through the Weekly Governance Email, prior to the Governing Body meeting on the 26 March 2018, so that they can be discussed and approved as part of the Audit & Risk Committee recommendations.

The Chairman of the Audit & Risk Committee reminded the Committee of their role in risk management, as detailed in the Risk Management Policy.

ITEM 9 - INTERNAL AUDIT TENDER

Mr Scott Winter (ICCA Education, Training & Skills) and Mrs Rachel Fleming (KPMG) left the meeting prior to the agenda item being discussed, and were thanked for their attendance and contribution.

The Vice Principal - Finance & Registry summarised the tender documentation, and associated timeline for the provision of Internal Audit Services, from the 1 August 2018.

Governors questioned whether the documentation was based on a FE Sector Template? In response, the Vice Principal - Finance & Registry stated that the College’s Procurement Advisors (Tenet) had provided the template, with amendments being made by the Vice Principal - Finance & Registry and Clerk to the Corporation prior to the meeting.
The Internal Audit Tender Contract Documentation was then discussed in relation to the proposed time-scales, and the Audit Committee then proposed some changes to the scoring matrix in relation to two areas, notably “Audit of Similar Institutions”, which was too high, and “Added Value”, which was too low, with the Vice Principal - Finance & Registry and Clerk to the Corporation being requested to make the required changes to 10% and 8% respectively.

After further discussion, it was agreed to recommend that:

- The Internal Audit Tender Documentation, Timetable and Criteria Scoring Matrix, as detailed in Appendices 1 & 2 of the Internal Audit Tender report, be approved by the Governing Body at its meeting on the 26 March 2018, subject to the minor changes being made to the scoring criteria for “Audit of Similar Institutions” and “Added Value”.

It was further agreed that:

- The interviews would take place on Tuesday 12 June 2018 between 1.00 pm and 3.30 pm, prior to a recommendation to appoint being made to the Audit & Risk Committee meeting at 4.15 pm the same day.

- The Interview Panel would be made up of Mr Andrew Malcolm, Mr Ashley Coleman-Cooke, Mr Iain Wight and Mr Stuart Green / Mr John Autherson, with the Vice Principal - Finance & Registry and Clerk to the Corporation supporting the process.

The Vice Principal - Finance & Registry would amend the Tender Documentation, and ensure that all of the time-scales are adhered to.

The Clerk to the Corporation was requested to confirm the date and time of the Interview Panel meeting, and he would also ensure that the Chairman of the Audit & Risk Committee is kept abreast of the process, including those firms who are shortlisted.

ITEM 10 - MEMBERS DISCUSSION

None held as there were no further issues to raise.
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<td>18/011</td>
<td><strong>ITEM 11 - DATE OF NEXT MEETINGS 2017 / 2018</strong></td>
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<td></td>
<td>• Tuesday 12 June 2018 at 1.00 pm <em>(Interview Panel)</em></td>
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<td>• Tuesday 12 June 2018 at 4.15 pm <em>(Committee Meeting)</em></td>
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<td>18/012</td>
<td><strong>ITEM 12 - ANY OTHER URGENT BUSINESS</strong></td>
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The meeting closed at 6.15 pm.