THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

MEETING OF AUDIT AND RISK COMMITTEE – 12.03.2018 (College Board Room)

CONFIRMED MINUTES

PRESENT: A Malcolm (CG and Chairman), J Autherson (EM), A Coleman-Cooke (CG).
R Anderson (CG as of 21.03.2019) – observing.

AUDITORS: R Barnett (RSM), J Morgan (KPMG).

OFFICERS: Z Foster (Clerk), C Kipling (VP – Finance and Registry).

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

1. Private discussion with RSM prior to business of Audit and Risk agenda
C Kipling and J Morgan (KPMG) left the meeting for this item.

RSM considered that things were going well. The progress paper detailed a positive relationship and excellent audits thus far.

Governors discussed the IT Security Business continuity Matters Arising item and it was agreed that a way forward would be through the Internal Audit process (Autumn Term).

2. Apologies received
P Church (RSM), R Fleming (KPMG), S Green (EM), L Holdsworth (CG), I Wright (CG).

R Anderson was welcomed to the Committee (observer capacity for this meeting only).

3. Minutes of 04.12.2018
The minutes were approved and signed.

4. Matters Arising not on the Agenda
Most outstanding items were on the agenda.

Item 5 from 04.12.2019 was being addressed as per Item 1 above.

5. IT Security Plan Update – A Wond
A Wond updated the Committee on queries they had in relation to the Disaster Recovery programme from 04.12.2018:
- Costs had not been as high as anticipated originally (£28K rather than £37K)
- There had been a number of options re the base and A Wond outlined the reasons for choosing Middlesbrough Council (these included cost, proximity and a superb, purpose built facility)
- That cloud based options were also being used more (including Office 365)
- With regards a possible cyber threat to the Council mitigation would be through the fact that the College had its own dedicated fibre therefore was an isolated network
- Server equipment was in place with some copies over already.

Governors asked about access and A Wond confirmed that Middlesbrough Council controlled access but the College had access to the facility. Furthermore, it was College equipment stored on their rack.

Governors also queried some of the logistics including the risk of flooding etc. A Wond reassured the Committee that this was mitigated due to being further away from the river and being on a metre high
platform. Overall, the College was very pleased with the resource and governors agreed that it seemed to be a good solution.

A Wond updated the Committee on the report and Action Log including:

- Item 5 – Penetration Testing – the Cyber Essential Certification had been completed in January 2019 and was particularly useful for external bids where it was increasingly a requirement. The certification would be repeated annually. There was a greater level of assurance with this system than the JISC penetration testing (which was also more expensive). Governors asked if there had been any unexpected issues. There had been a few obsolete servers and some low risk software issues.

- Item 11-12 – Disaster Recovery – A Wond confirmed that full population would be within the next couple of months. However, he also reminded the Committee that there was also an incremental benefit thereby increasing resilience over time. There was a priority, risk assessed order of key services. It was anticipated that most of the action log would be completed by the June meeting of this Committee

- Item 16 – scenario testing would develop once the systems had been fully implemented at the centre.

6. Exception Report – C Kipling

There had been five new recommendations with one still to be completed in relation to HE. C Kipling outlined the recommendation and informed the Committee that J Chance and P Stone were working on that ahead of the May 2019 deadline.

External Audit recommendations had also been added as requested by the Committee at the end of the report.

Governors discussed the Subcontracting exceptional payment (July 2018) and after confirmation of processes by C Kipling were satisfied with the systems in place.

7. Internal Audits 2018-2019

7.1 Internal Audit Key Financial Controls: Cashflow Forecasting 4.18.19 – R Barnett (RSM)

R Barnett went through the report for the Committee. Overall, the auditors had awarded substantial assurance which was pleasing (all four audits had been substantial so far). They were satisfied that the college was in a good, strong position on cashflow which was essential in the current climate.

Governors queried how the squeeze in the middle of last year had affected cashflow assurance? C Kipling outlined that the key is the timing of cashflow and that there was flexibility within the revolving credit facility. Furthermore, this was monitored every week flexing and re-forecasting as necessary (this was particularly the case for the apprenticeship funding). She also confirmed that the main reductions were for Apprenticeships and European Social Fund income levels.

Committee discussion included: consideration of forecasting covenants and ensuring sufficient headroom; excellent dialogue with Santander.

7.2 Internal Audit Progress Report March 2019 – R Barnett (RSM)

R Barnett presented the report including:

- that there were five audits to be completed including Mock Funding which RSM considered considerable value as a number of issues were coming out for Colleges particularly in relation to the complexities surrounding Apprenticeships funding
- KPIs had all been hit
- Page 45 of the report summarized the three reviews to date
- Audits were on track and it was expected that the outstanding audits would be completed by the next meeting of the Committee on 11th June 2019.
8. Risk Management Update – C Kipling

The update was as determined by the SLT at its Risk Management meeting of 29th January 2019 and as shared at the Governing Body Development Day on 7th February. The minutes of the SLT meeting were attached for Committee assurance and information on the high level discussion and detail.

The highest risk of financials was discussed by the Committee with reference specifically to risks around Apprenticeship funding, core learner demographics, devolution and the Adult Education budget.

Governors queried the Safeguarding training and it was confirmed that the Prevent Duty was met. It was queried as to how many governors had not been Prevent trained. Z Foster confirmed that only new governors this year had not been trained and it was anticipated that they would complete the training as soon as Canvas was available on-line. Additionally, there was a wider Prevent Action Plan which J Steel reported on to Governors and Prevent training and refresher training was mandatory for all staff.

A review within Prevent nationally was discussed by the Committee as this may impact on future additional training requirements.

8.1 – Deep Dive into Curriculum Register

- A Malcolm outlined the process of ‘deep dive’ of risk at each meeting
- C Kipling explained the new layout for Committee members which was divided into quality outcomes, funding streams and rag rated according to the likelihood of meeting SAR Grade 2, the corporate dashboard considered income contribution, class sizes etc. and she detailed what the percentages of the contribution were linked to in terms of rag rate. She detailed the A Level situation to exemplify this in action.

Governors discussed the A Level situation in some detail including consideration of staffing and delivery costs, new A Level providers in recent years (including schools) thereby an increasingly competitive market from 2012, careful monitoring of applications on a weekly basis; the improving picture for applications, demographic considerations and the positive impact of new strategies such as the ‘Mix it up’ offer of A Levels and vocational.

Sport and Health and Care were new areas of concern in relation to this and the Committee had a full discussion about possible reasons.
- Health and Safety was tied into the full Health and Safety register and this was ‘amber’.

Committee queries included:
- The building issue – C Kipling confirmed that the fire stopping works were in progress
- Whether Maths and English should be a separate column. C Kipling explained that both were considered as part of the Departments (and was pertinent to the rag rating attributed to each Department) and this had been debated at some length at SLT.

Governors discussed how they could best be informed in relation to this area though it was confirmed by A Coleman Cooke (Chair of Standards) that Standards Committee considered this in detail through a number of its reports and that assurances should be given in relation to the quality of teaching and improved confidence in supporting this area through a number of strategies.

Governors agreed that an extract from an appropriate Standards report would be provided to the A&R Committee to give them the assurances they were seeking. Action by SLT Risk Management group – to provide an appropriate extract from a Standards report for the next meeting on 11th June 2019.
- Why was Brexit not a key risk on the register? C Kipling informed Committee that SLT had openly not considered Brexit due to the huge level of uncertainty across the board. There had been no advice via the Funding agencies or more generally at national or local level, and this
had been previously debated by Governors. Brexit could be considered within the Strategic Planning Risk in relation to finances more widely. The external auditors confirmed that the main risk they had come across had been for Higher Education and international students and that this was difficult to contingency plan for. It was generally considered that the education sector was standing back and waiting to see what would happen. **Action by KPMG – to give the Committee the HE Sector wide guidance it had.**

It was acknowledged by the Committee that there would be risk associated with interfacing with employers (apprenticeships etc.) and wider government policy. It was generally considered that the effects were of a secondary nature in relation to FE at this stage. Committee debated whether there should be some scenario planning on a generalist basis to inform any required emergency planning. **Action by C Kipling and SLT Risk Management group – to consider Brexit again in light of possible increased knowledge at its next meeting on 14 May 2019.**

9. **Contract Extension Financial Statements Auditor Update – C Kipling**

*Both sets of auditors (both KPMG and RSM) left for this item (declared interest)*

C Kipling reminded the Committee of the situation with regards the Financial Statements Auditor (currently KPMG) and of decisions reached at the Audit and Risk Committee in June 2018 where it was agreed to extend the current contract for 1 year (taking KPMG up to the 2018-19 year end) prior to a re-consideration during 2019.

**There were two options:**
- To extend KPMG’s contract for a further 12 months
- Commence an External Audit tender process as per the draft timeline documented

A full discussion took place which included: the need to rotate auditors as considered good practice; the national perception of KPMG; how the current auditors had performed in the last year end cycle; the lack of rotation in the current team over recent years.

**It was agreed to recommend for approval** at the Full Governing Body on 21st March 2019:
- the decision to enter into a tender exercise to award a new three-year audit contract from 1 August 2019 to undertake the 2019 / 2020 year-end financial statements and regulatory audit with an option to extend for a further two periods of 12 months.

**Action by Z Foster to elicit the opinion of absent Committee members in relation to the above approval ahead of the recommendation going to Governors on 21 March 2019.**

**Action by C Kipling (supported by Z Foster) - Subject to approval at Full Governing Body on 21s March to organize the process as discussed ideally for 11 June 2019**

10. **Members Discussion** – no issues raised

11. **Date of Next Meetings 2019**
- Tuesday 11 June 2019 at 4.15 pm (with External Audit presentations taking place before the formal meeting commences)

12. **Any other Urgent Business** - none taken

The meeting closed at 5.50 pm.