THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

MEETING OF AUDIT & RISK COMMITTEE – 18.09.2018 (College Board Room)

CONFIRMED MINUTES

PRESENT: A Malcolm (CG and Chairman)
A Coleman-Cooke (CG)
Stuart Green (EM)
F Hayes (EM)

AUDITORS: P Church (RSM)
J Morgan (KPMG)

OFFICERS: Z Foster (Clerk), C Harrison (Interim 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
RSM thanked the College for their appointment. Apologies from R Barnett were noted.

Governors asked:
• Whether all required information had been provided promptly to RSM from the previous internal auditors? It was confirmed that this was the case and that there was an element of follow-up with them, particularly as they would be required to provide the final Internal Audit Annual Report for 2018/2019.

2. Apologies received
J Autherson (EM), L Holdsworth (CG), I Wright (CG).

3. Minutes of 12.06.2018
The minutes of 12.06.2018 were approved.

The attached and updated Terms of Reference for the Committee were noted.

4. Matters Arising not on the Agenda
Matters arising were noted – agenda item 9.2 being the only matter outstanding scheduled for the March 2019 meeting.

5. Audit Matters
5.1 IT Security Plan Update
The VP – Finance and Registry outlined the good progress that had been made.
Within the Action Log attention was drawn to:
• Item 5 – Penetration Testing - the external consultant employed targets had slipped, negotiations had been undertaken and actions were being undertaken in October.
• Item 16 – Disaster Recovery – this was ongoing and recommended to be deferred, due to the imminent adoption of the Middlesbrough Council Data Centre.
It was agreed that the extension of both dates were approved, as appropriate reasons had been outlined and much positive progress had been made.

5.2 Exception Report
The VP - Finance & Registry presented the Exception Report, where four new recommendations had been added in relation to one Internal Audit Report on subcontracting controls. She added that all of the recommendations in yellow on the report were now complete.

Drawing attention to the blue recommendations, the Vice Principal informed the Committee that due diligence had been completed for all subcontractors, with contracts now having been issued.

Governors’ questions included:
- A query around the deadlines with regards the final four items. The VP – Finance & Registry explained that these had been extended out as the final return was October. They would be complete ahead of the next meeting.
- That the Non IT Major incident date had expired. The VP explained that a further external meeting would need to be set with the Regional CTSA, as the earlier one had been cancelled. **Action – C Kipling to return to Audit and Risk Committee for approval to extend this date as required.**

6. Internal Auditor (RSM)
P Church, from RSM, spoke to the report going through the sections in detail. He advised the Committee that Rob Barnett, as Head of Internal Audit, would always be available to deal with any questions or comments should they occur.

Some discussion took place with regards to elements of this, including: consideration of the Risk Register, previous internal audit reports and other assurance providers, sector development, how the plan was developed and with whom, emerging risks such as Data Protection and Apprenticeship Levy, ESFA Assurance Review and changes with funding.

Governors’ questions:
- With regards to teaching and learning assessment, governors would need to know progress being made towards ‘outstanding’ – would this be in the 3-year plan? RSM did not do mock Ofsteds but could look at plans and feedback within the internal audit remit. Should an external expert be used for this purpose, RSM could audit their report.
- With regards to financial health, would this be scheduled for the first year? Yes, as part of the financial forecast stress testing audit planned for November 2018. Red Risks – Strategic Planning – this would come back through cyclically but would form part of the previous internal audit and be part of the annual discussion if there were remains of red risk within this.
- Safeguarding was considered in Year 3 of the plan – is this soon enough? This had been discussed with the Principal and there was confidence in the established procedure.
- Independence and Ethics stated that the Internal Audit Service should report to the Principal/Chief Executive – the Committee felt that this this should be to the Audit & Risk Committee, which the Internal Audit team agreed. **Action by RSM - to amend this to specify reporting to the Audit and Risk Committee.**
After consideration of the key issues, and with the amendment within the Ethics section, it was agreed to recommend that the Internal Audit Strategy 2018/2019-2022/2023 be approved by the Governing Body at its meeting of 18 October 2018.

7. FINANCIAL STATEMENTS AND REGULATORY AUDITOR (KPMG)

7.1 Financial Statements 2017/2018 Update (verbal)
J Morgan (KPMG) and the VP - Finance and Registry gave a verbal update on the statements, including pensions evaluation balance sheet information (slight overall liability increase). The focus for Year End was on financial health and this would be finalised in due course, but looks positive. Brexit was also a consideration for the future.

7.2 Regularity Audit 2017/2018
The VP - Finance and Registry presented this refreshed Regulatory Audit 2017/18. She informed the Committee that the Register of Interest update was currently taking place. The update on any whistleblowing allegations (under the Public Interest Disclosure part of the Governance update) would be going to Governors on 18 October 2018. There had been no significant changes from the previous process otherwise.

Governors’ questions included:
• There had previously been a learners’ issue with regards to checking details/records for the SSI fund? Records had been checked since and regulations had been significantly tightened up thereafter. The ESFA Funding Audit last September had been clean.
• Management Accounting information – a verbal presentation would be given as part of the Governors’ Strategy Planning Day on 27th September. The formal management accounts were presented bi-monthly to Corporate Services and the Governing Body (albeit not to other external members not sitting on Corporate Services). This could be received if requested after Governing Body meetings and some of the updates could be shared where relevant. The Committee were reassured that there was sufficient challenge in relation to the management accounts.

It was agreed to circulate the management accounts to the external members of the A&R Committee, as they had a keen interest. Action by C Kipling/Z Foster

It was agreed to recommend that the 2017/2018 Regulatory Audit Questionnaire be approved by the Governing Body at its meeting of 18th October 2018.

The VP - Finance and Registry spoke to this item of external and internal indicators, which were monitored annually and which the report highlighted any concerns.

It was noted that within the second bullet within the recommendations (p99) the year was incorrect and should be 2018-19.

Governors’ questions:
• Why the Annual Benchmarking Data report from the internal auditors had not been delivered? It was explained that they could only carry this exercise out on their existing sector clients which was only a small cohort and therefore would not be meaningful for benchmarking purposes. KPMG have a wider client base and did provide a more meaningful benchmarking report.
• Client base of RSM with regards benchmarking going forward? Action by RSM - to provide a benchmarking report for their larger client base for the sector.
Following discussion, it was agreed to recommend the following be approved by the Governing Body on 18th October 2018:

- The outcome of the 2017/2018 Performance Indicators for the Internal Auditor (ICCA Education Training & Skills) and the Financial Statements / Regularity Auditor (KPMG) are received for information, and approved for their accuracy as detailed in Appendices 1 & 2 of this item.
- The Audit & Risk Committee confirms the re-appointment of the Financial Statements / Regularity Auditor (KPMG) for a period of one year commencing 1 August 2018 (to 31 July 2019) – this will include the audit of the 2018/2019 Financial Statements/accounts.
- The Audit & Risk Committee approves the 2018/2019 Performance Indicators for the Internal Auditor (RSM) as detailed in Appendix 3.

9. Risk Management Update

The VP - Finance and Registry presented the update, drawing attention to the 2018/19 Risk Management Policy updating deadline for the Committee and dates of the forthcoming Risk Management meetings. A reminder was given in respect of a ‘deep dive’ into a key area to increase the Committee’s understanding of key risk management areas.

Governors were then led in a detailed discussion regarding the 16-18 funding position.

**Provision Type Risk Register overview**

This documented the key income streams and how they were monitored. The Committee considered the 16-18 provision type as the ‘deep dive’ for this purpose and the Vice Principal went through the detail of this, including financial performance, applications, sector developments and the Risk Management Group and its activities.

Governors discussed their role with regards the register – that of monitoring, questioning the red highlights and any missed data. They agreed to choose another area to ‘deep dive’ into next time, as the process had been useful.

**Governors questions:**

- In terms of sector development, was this positive or negative? STEM was red due to the downturn of oil and gas, and employer engagement. There would be further information on the current year after enrolment was complete.
- 16-18 financials? There was a savings plans in place to counter that.
- Where did HE feature in the Directorate Risk Register? This activity was spread within the directorate areas as teachers delivered both FE and HE teaching; therefore, there was not a separate pool of staffing and their budget targets and income include HE across directorate areas.
- Updating of HE strategy? This was within Corporate Services.

A discussion of the recommendation took place and the Committee were content to leave HE spread across directorate areas at the moment. HE strategy would be reported at the Governing Body meetings later in the month, most particularly within Standards and there was a separate risk register as part of the overall strategy. It was agreed that the HE Risk Register should be put in the Risk Registers list on the portal. *Action by C Kipling/Z Foster – to put the information on the portal*
The Committee noted the Risk Management arrangements for 2018/2019, along with the key risks identified by the Risk Management Group as detailed in Appendix 1.

10. Dates of Next Meetings 2018-19
- Tuesday 4 December 2018 at 4.15 pm
- Tuesday 12 March 2019 at 4.15 pm
- Tuesday 11 June 2019 at 4.15 pm

A brief discussion took place about the timing of future meetings to ensure the necessary quorum was maintained and it was agreed that this would be kept under review.

The Chair of the Committee thanked F Hayes for his services to the Audit and Risk Committee and wished him well in the future.

11. Members’ Discussion
No issues raised.

12. Any other Urgent Business
None.

**ACTIONS TO BE COMPLETED**

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<thead>
<tr>
<th>ITEM</th>
<th>ACTION</th>
<th>BY WHOM</th>
<th>DEADLINE</th>
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<tbody>
<tr>
<td>5.2</td>
<td>Return to Audit and Risk Committee for an agreement to extend this date</td>
<td>C Kipling</td>
<td>Next meeting – 04.12.2018</td>
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<tr>
<td>6.1</td>
<td>Amend the Audit Strategy document to specify reporting to the Audit and Risk Committee</td>
<td>RSM</td>
<td>Asap</td>
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<tr>
<td>7.2</td>
<td>Circulate the management accounts to the external members of the A&amp;R Committee as they had a keen interest</td>
<td>C Kipling/Z Foster</td>
<td>As soon as practical</td>
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<td>8</td>
<td>Provide a benchmarking report for their larger client base for the sector</td>
<td>RSM</td>
<td>As appropriate within the cycle</td>
</tr>
<tr>
<td>9</td>
<td>To put the HE Risk Register in the Risk Registers list on the portal</td>
<td>C Kipling/Z Foster</td>
<td>Asap</td>
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The meeting closed at 5.30 pm.