THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE
MEETING OF AUDIT AND RISK COMMITTEE – 17.06.2019 (Room 3.015)
CONFIRMED MINUTES

PRESENT: A Coleman-Cooke (CG and Acting Chair), R Anderson (CG), J Autherson (EM), L Holdsworth (CG), I Wright (CG).

AUDITORS: P Church (RSM), C Partridge and S Raw (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 KPMG prior to business of Audit and Risk agenda
C Kipling and P Church (RSM) left the meeting for this item.

KPMG updated governors on progress which was as expected with no concerns.

2. Apologies received
R Barnett (RSM), S Green (EM).

3. Minutes of 12.03.2019
The minutes were approved and signed.

4. Matters Arising not on the Agenda
RSM confirmed that IT Security Audit would be addressed within the Internal Audit Plan 2019-2020 (Item 7.7.)

HE Sector guidance (KPMG) - there was a brief discussion about the appropriateness of the advice in light of it being university specific but it was considered that there may be some pertinent points for FE. Action by C Partridge to send the guidance through for circulation as soon as possible.

The additional information with regards to Maths and English was attached to the Matters Arising document as requested.

5. Audit Matters
5.1 IT Security Action Plan Update
The IT Security Action Plan Update was received. It was noted that Item 12 (Disaster Recovery) remained open which was the last piece of the whole review for the IT Team.

Discussion considered IT capacity and security and the substantial plans which had been developed; and GDPR related IT security which had been audited by RSM last year pre and post GDPR.

5.2 Exception Report – C Kipling
No additional recommendations had been added. The HE strategy would go to Corporate Services for approval; KPMG exception tracker had year-end related actions. From March – June there had been four further audits from RSM and recommendations would be added to the Exception Report for action.
5.3 ESFA Financial Statements Letter – C Kipling
The letter gave confirmation of the financial health position as of 31 July 2018 of the ratified grade of ‘satisfactory’. C Kipling also explained the debt charge graph and updated the Committee on recent discussion with the local ESFA team on this matter.

The Committee debated and questioned aspects of the letter and report including: forecasting for the coming year (‘good’) even without the potential sale of Prissick; and an explanation of the cash reserves graph.

C Partridge alerted the Committee on possible changes regarding ratios going forward. C Kipling would keep governors suitably informed.

5.4 Post 16 Audit Code of Practice 2018-2019 – C Kipling
This was received by the Committee.

5.5 Regulatory Audit Self Assessment Update – C Kipling
C Kipling gave a brief overview drawing attention to the strengthening of wording in light of the Insolvency Regime and that there had been no other significant changes.

5.6 Cycle of Business 2019-2020 – Z Foster
Z Foster gave an overview of the cycle of business for the forthcoming year which largely replicated the current year.

After discussion and confirmation from KPMG that this was standard practice for the sector, it was agreed that this proved a useful annual aide memoire for the Committee.

The Cycle of Business was approved by the Committee.

6. Financial Statements and Regulatory Audit
6.1 External Audit Strategy to 31 July 2019 – KPMG
This was presented to the Committee by C Partridge who drew attention to materiality and significant risk areas (p105 of the document).

Governors’ discussion and questions included: Brexit risks and uncertainties; pension valuation risks; apprenticeships (particularly in relation to British Steel where a positive update was given by C Kipling); land sale timing and any potential tax liabilities associated with that; Financial Heath measures.

Action by C Partridge to check any potential tax liabilities associated with land sale.

The Committee agreed to recommend to the Governing Body at its meeting of 15 July 2019 the External Audit Strategy to 31 July 2019 (incorporating the 2018/2019 Financial Statements and the 2018/2019 Regularity Audit) and the External Audit fee as detailed in the report.

7. Internal Audits 2018-2019
7.1 Apprenticeship Recruitment – P Church (RSM)
P Church went through the report for the Committee. Overall, the auditors had awarded substantial assurance with 1 medium recommendation.

Governors’ discussion and questioning focussed on the non-levy element for the College and implications if recruitment was exceeded particularly in the light of no further information on additional funding nationally. C Kipling confirmed that this was very closely monitored and tracked and governors would be kept informed via the early meetings in the Autumn Term (Audit and Risk and Governing Body). Monitoring and tracking of apprentices where progress was poor was also discussed and C Kipling went through the detailed processes involved in such circumstances.
7.2 Post 1 May 2017 Apprenticeship Funding Assurance Review – P Church (RSM)
This was in accordance with ESFA monitoring. 30 files had been considered which had resulted in 9 exceptions (2 High which were sector led, 6 medium and 1 low).

The Committee discussed and queried aspects of the review including: where the problems were originating; sector equivalences; potential financial consequences; and reasons for some exceptions

C Kipling informed Committee that many of the recommendations had already been addressed with actions in place to ensure the remainder were completed by 31 August.

7.3 Careers Guidance – P Church (RSM)
P Church presented the findings. Overall, the auditors had awarded substantial assurance with one medium action.

The Committee discussed: realistic timeframes; quality of work placements; learner data; and new standards.

7.4 Recommendations Follow Up – P Church (RSM)
P Church confirmed that good progress had been made with the seven management actions (1 High and 6 Medium) all being implemented and no further actions raised.

7.5 Internal Audit Benchmarking Report – P Church (RSM)
The Benchmarking report for 2017-2018 was received for information.

Governors were informed that the KPMG Benchmarking report would be imminent and form part of the September meeting. Action by KPMG to provide this asap.

Governors discussed: ensuring appropriate levels of challenge and links to the Audit Plan 2019-20. C Kipling confirmed that in-depth areas of concern to the College were chosen by Z Lewis and herself in order to give assurance levels.

7.6 Internal Audit Progress Report – P Church (RSM)
It was confirmed that the plan had been delivered and all reports presented.

7.7 Internal Audit Plan 2019-2020 – C Kipling
This had been developed by C Kipling and Z Lewis. This included: IT review; HR Recruitment and Selection and Safeguarding and Prevent as outlined in the Strategic Risk Register. The remainder were core which included: Governance (which would include interviewing governors), HE, Estates and ESFA Mock Funding Audit.

Committee discussion and questions included: the benefits of auditing HE (in light of Auger particularly), Estates and IT at this point; the complexities of the Apprenticeship agenda; the focus on the new CIF regime (Ofsted); areas outwith Internal Audit (including Health and Safety); Financial Health progress and financials more widely which C Kipling confirmed were constantly tested and reported to Corporate Services; Stakeholder engagement and activities which have been used; External Policy risk/shift. It was agreed that a balanced plan had been presented.

The Committee agreed to recommend the Internal Audit Plan 2019-2020 to the Governing Body at its meeting of 15 July 2019

8. Risk Management Matters
8.1 Risk Management Update – C Kipling
C Kipling updated the Committee on the Strategic Register which was reviewed termly by the SLT Risk Management Group including: reasoning for the downgrading of Financial Health to amber; the upward movement of Student Services and the new Inspection Framework. No red risks were currently reported.
Governors' discussion and questions included: clarification of the core allocation in light of FE Week article; confirmation that the revised risk management system was working well; and detailed consideration of the curriculum dashboard including Health and Care, Sport and Travel and Maths and English.

A further and full discussion took place regarding the points system. It was agreed that 15 should be red going forward. It was acknowledged that this would not change the current Risk Register.

The Committee recommended a review of the dashboard (considering risk appetite, justifications, consistency and impact) by the SLT Risk Management Group at its next meeting to come back to a future Committee meeting. Action by C Kipling and SLT Risk Management Team (in the first instance) at its November meeting.

8.2 Risk Management Plan 2019-2020 including revised Risk Management Policy – C Kipling/Z Foster
This annual update was received by Governors and was fully discussed.

The Committee agreed to recommend to the Governing Body at its meeting of 15 July 2019 the Risk Management Plan 2019-2020 (including the revised Risk Management Policy)

9. Contract Matters – C Kipling
Both sets of auditors (both KPMG and RSM) left for this item (declared interest)
9.1 Appointment of Financial Statements and Regularity Auditor
After interview earlier on 17 June 2019, those not present at interviews were appraised of the detail and outcomes of interviews and scoring.

Clarification was given with regards to breakpoints (12 and 24 months) and that resignations from either party was possible.

It was unanimously agreed to recommend for approval at the Full Governing Body on 15th July 2019:
- 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 to Mazars.

10. Members Discussion – no issues raised

11. Date of Next Meetings Academic Year 2019-2020
11.1 Tuesday 17 September 2019 at 4.15pm
11.2 Tuesday 3 December 2019 at 4.15pm
11.3 Tuesday 17 March 2020 at 4.15pm
11.4 Tuesday 9 June 2020 at 4.15pm

12. Any other Urgent Business - none taken

The meeting closed at 6.30pm