

The Corporation of New College Durham

**Minutes of the meeting of the Audit Committee
held on 20 March 2023**

Present:

Joyce Drummond-Hill
Allen Eccles
Linda Wight
Ian Green
Emily Baxter

Apologies:

None

In attendance:

Paul Bradley (Chief Finance Officer)
Bob Metcalf (Executive Director of Finance & Corporate Services)
Adele Dowson (Vice Principal)
Paul Monaghan (Durham County Council – Internal Audit Service)
Lucy Robson/Lynn Chambers – RSM UK Audit LLP (External Audit Service)
Caroline Winter (Head of Governance & Corporation Secretary)

Action

23/19 Chair's introduction

The Chair welcomed everyone to the meeting and reminded members to declare their interests in any item of business to be discussed at the meeting. Allen Eccles declared an interest in Confidential Paper E – External Audit Provision.

23/20 Private discussion with internal and external auditors

In line with best practice and as agreed at previous meetings, the Audit Committee met in private with the internal and external auditors to discuss matters of interest or concern. There were none.

Paul Bradley, Adele Dowson and Bob Metcalf joined the meeting at 10.05am.

23/21 Apologies for absence – none were received.

23/22 Minutes of previous meeting (Paper A)

The minutes of the meeting held on 16 January 2023 were agreed as accurate and signed by the Chair.

23/23 Matters arising

23/07 – the Senior Leadership Team had requested that updates on academic malpractice were drawn to governors' attention in FEQCS/HEQCS meetings in future.

23/07 – Governors considered the Committee Terms of Reference at the end of the previous meeting.

23/08 – more information is now provided as standard on the actions taken by management to implement internal audit recommendations.

23/08 – the Internal Audit Service progress report covers the period to the end of the month preceding the meeting.

23/13 – the Terms of Reference for the Student Management Information System were circulated and approved.

23/15 – the Committee’s discussion on academic malpractice and comments on the Committee terms of reference were raised in the Audit Committee Chair’s meeting with the Corporation Chair.

23/15 – an email is sent annually to all staff drawing attention to the whistleblowing policy.

23/24 Counter Fraud - Data Analysis (Creditors) (Paper B1)

Members reviewed Paper B1, the internal audit review of Counter Fraud (Creditor Payments). The review provided a substantial level of assurance and two medium priority recommendations.

Paul Monaghan reported that the first medium priority finding related to three duplicate payments totalling £2,213, two invoices totalling £2,208 paid to the incorrect supplier, one £5 expense claim being paid in duplicate and four invoice payments where incorrect VAT amounts were entered into the system resulting in a total overpayment of £194. The second medium priority finding was made following a data matching exercise which identified a number of duplicate suppliers and suppliers identified as no longer required, both categories of which should be closed. Paul commented that given the overall scale of the files and payments reviewed the audit work was able to give substantial assurance.

The Chair invited Paul Bradley (Chief Finance Officer) for his observations on the report. Paul commented that whilst it was disappointing for any concerns to arise from an audit, the low level of human error was relatively encouraging given the volume of data and analysis involved in the review. Members noted that the data covered a lengthy period (over four years) and invoices totalling over £100m and agreed this was helpful context. In response to a member’s question, Paul Bradley confirmed there had been an issue with the VAT system which had been investigated and identified.

[REDACTED]

[REDACTED]
[REDACTED]

[REDACTED] Bob Metcalf explained that historical accounts were marked not for use with a view to future deletion as part of a defined review period to ensure compliance with data retention requirements. A process was in place to check account details where a supplier had not been used for 12 months. Members emphasised the importance of good data management in general across the College's different systems and agreed that erroneous payments of approximately £2,000 out of £100m was a positive position.

Members asked about the investigation into the 10 employees with expenses claims exceeding £5,000. Paul Bradley confirmed he had reviewed each instance, all of which related to mileage and expenses claimed by assessors working across the region and were at an expected level.

Members noted the report.

23/25 Treasury Management and Income Arrangements (Paper B2)

Members reviewed Paper B2, the internal audit review of Treasury Management and Income arrangements. The review provided substantial assurance with four medium priority and three best practice recommendations.

The medium priority actions related to the review of insurance policies to ensure appropriate policies were in place, development of cash handling procedures to ensure Payment Card Industry (PCI) compliance, segregation of duties for cash management and banking and review and development of a refund procedure.

Paul Bradley commented that the use of cash remained necessary within the business and that the recommendations would be reviewed and implemented. Availability of two members of staff was not possible at all sites such as the clinics and library and in these cases it may be necessary to accept the risk with a single employee.

In response to a member's question about the level of insurance in light of the amount of cash in the bank, Bob Metcalf advised that the existing policy covered employee theft and that substantial safeguards were in place to prevent this, including the use of nominated accounts established with two signatories. Members asked about the cost of insurance balanced against the level of risk. Bob confirmed that the cost of increasing the indemnity had not been prohibitive and that although the risk was very minor the level of indemnity had been increased to £1m following the audit to provide peace of mind.

Members reviewed the best practice recommendations and queried whether some of the process issues identified such as the

variance in till balances were actually control weaknesses. Members noted that while the financial risk to the College in the current variance example was minimal, there was a potential reputational issue and a need for processes to protect staff and students operating with cash. It was noted that the Committee had previously discussed the definitions of best practice and low priority recommendations and it had been agreed that these would be reviewed ahead of the following year's work programme.

Members noted the report.

23/26 Internal Audit Progress Report (1 November 2022 to 28 February 2023) (Paper B3)

Paul Monaghan presented the internal audit progress report covering the period 1 November 2022 to 28 February 2023.

Members reviewed the performance against the internal audit plan to date. It was noted that two audit reports and one grant certification had been issued during the period. All recommendations raised by the internal audit service had been implemented and details provided in Appendix 3 of the report. Members noted the summary of performance against the agreed indicators in Appendix 2.

The Chair thanked Paul for adjusting the report to cover the period to the end of the month preceding the meeting as requested at the January meeting, so that the Committee was able to consider the latest position.

Members expressed disappointment that the terms of reference for the remaining audits would need to be agreed outside of the meetings and it was agreed that the meeting dates and schedule of business for 2023/24 would be aligned to avoid this next year.

**PM /
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Members noted the report.

23/27 Review of outstanding internal audit recommendations (Paper B3 – Appendix 3)

Members reviewed the actions raised by the previous internal audit provider and commented on the positive position compared with the previous year.

Members requested that RAG ratings were added to the table and that presentation of the information was reviewed to ensure this was readable in future. Members commented that information provided should confirm how recommendations had been implemented rather than extending into further work beyond meeting the recommendation.

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23/28 Report from College Risk Management Group (Paper C)

Paul Bradley presented Paper C, the report from the College Risk Management Group (RMG).

Members reviewed the latest risk profile and noted there were 5 high risks, 27 medium risks and 8 low risks. The risk around recruiting, training and retaining an experienced board had been reassessed as high risk due to the timing of critical board appointments however it was expected that this would be reduced as the board made further appointments in forthcoming meetings. Two medium risks had been added relating to the new HR/Payroll system and THE Hub capital development. The risk relating to an adverse Ofsted inspection had been reassessed as low following the recent inspection. The Student Management Information System (SMIS) had also been reassessed as low risk following completion of implementation and was due to be further reviewed with the expectation it would be removed from the risk register. The risk relating to response and recovery from Covid-19 had been removed as a strategic risk.

Members reviewed the areas of emerging risk and Paul highlighted the new areas added relating to ONS reclassification, FE Reform and some minor changes to environmental and legal risks currently being monitored. Members reviewed the minutes of the RMG and the Risk Management Action Plan.

Members highlighted the developments in relation to the New College Durham Academy Trust (NCDAT) and queried whether this should be included on the register. Paul confirmed that the current risk relating to NCDAT was focused on potential Ofsted judgements and the risk of rebrokering and agreed that the risk relating to Trust expansion should be recorded.

PB

Members queried the risk score relating to Board recruitment and it was noted that this had also been raised in the RMG and would be reviewed.

**Corp
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In response to a member's question on progress on The Hub, Paul advised that the project was 6-8 weeks behind schedule but there was slack in the programme that would enable the College to assist in bringing progress back on schedule. It was still anticipated that the building would be ready at the beginning of August. Paul confirmed that controls on expenditure were working well and this was subject to agreement by the College.

Members asked why the HR/Payroll system had been added to the register when implementation had been ongoing for some time. Paul confirmed that this had been the first review following initial consideration in September and that a parallel run on the old and new systems was scheduled for March to ensure everything was working, after which it was expected to be removed. In the

meantime, its inclusion on the register was due to the size and scale of the system's impact.

Lucy Robson queried the context of the risk on Board recruitment and it was noted that the risk had been reassessed following discussions on succession planning at the end of the summer however circumstances had changed and it was anticipated that key appointments would be made in the coming months.

A member queried how outstanding audit actions related to the risk register and how risk actions were monitored and it was suggested a separate discussion to talk through the College's risk arrangements could be arranged. Members asked about the risks in relation to student numbers and course development and noted that a prudent approach had been taken pending confirmation of student numbers in September. It was noted that a different approach to curriculum planning had been taken this year and the outcome of the process was currently being considered by the Senior Leadership Team. Members noted the link to the emerging risk on FE Reform.

**PB /
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Members noted the report.

23/29 Written Resolutions passed since the last meeting (Paper D)

Members noted that one Written Resolution had been passed since the previous meeting, to approve the Terms of Reference for the Student Management Information System (SMIS) internal audit review.

23/30 Any other business

None.

23/31 Date of Next Meeting – 19 June 2023

Lucy Robson, Paul Monaghan and Adele Robson left the meeting.

23/32 Confidential Item – External Audit provision (Paper E)

This item is confidentially minuted under minute 23/32a.

Signed.....**Date**.....