

The Corporation of New College Durham

**Minutes of the Audit and Risk Committee meeting
held on 17 June 2024**

Present:

Joyce Drummond-Hill

Allen Eccles

Ian Green

Jonathan Hamill

Apologies:

Emily Baxter

Adele Dowson

Lynn Chambers

In attendance:

Paul Bradley (Chief Finance Officer)

Bob Metcalf (Executive Director of Finance & Corporate Services)

Peter Morrison (Vice Principal)

John Horsman - Durham County Council (Internal Audit Service to 31.7.24)

Lucy Robson – RSM UK Audit LLP (External Audit Service)

Susan Brook - Wylie & Bisset (Internal Audit Service from 1.8.24)

Caroline Winter (Head of Governance & Corporation Secretary)

Action

24/15 Chair's introduction and starred items

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. No interests were declared.

Following a request from the Committee Chair, members confirmed their agreement to Allen Eccles, the Chair Designate, acting as meeting Chair due to the number of agenda items which were forward focused.

Members noted that this was the last Audit and Risk Committee meeting for Joyce Drummond-Hill as her term of office was due to expire on 31 July 2024. Members thanked Joyce for her contribution both as a member of the Committee and as its Chair for the last three years.

24/16 Audit and Risk Committee private discussion with auditors

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

Paul Bradley, Bob Metcalf, Peter Morrison and Susan Brook joined the meeting at 10.05am.

24/17 Apologies for absence were received from Emily Baxter, Adele Dowson and Lynn Chambers.

Members agreed to re-order the agenda to consider the Internal Audit Plan 2024/25 as the first substantive item following consideration of the minutes.

Members confirmed they did not require any further discussion about the starred agenda items (Papers F, I1 and I2).

24/18 Minutes of previous meeting (Paper A)

The minutes of the meeting held on 26 February 2024 were agreed as accurate and signed by the Chair.

24/19 Matters arising

24/08 – the Terms of Reference for the review of Personnel and Payroll were amended as requested.

24/10 – the remaining final internal audit reports would be circulated to the Committee as soon as they were finalised.

24/11 – Report from RMG – Paul Bradley updated on members' queries from the previous meeting relating to amendments to the risk register. In response to a member's question, Paul advised that the Go North East bus strike had been added to the register as a separate and ongoing risk due to the curriculum team's concern that whilst the strike was over, there had been a direct impact on both the student attendance rate and achievement levels, with the potential to affect end of year achievement rates. Members requested that the wording of the risk was reviewed to clarify that the risk related to the impact of the strike.

24/20 Internal Audit Plan 2024/25 (Paper D)

Susan Brook (Wylie & Bisset (WB)) presented the draft Internal Audit Plan for 2024/25, advising that the draft plan was based on the College's risk register, previous internal audit reports and a discussion with the Chief Finance Officer. Members reviewed the plan noting the proposed audit team, the areas proposed for review in 2024/25, the proposed timetable, the wider 3-year plan, the grading structure, key performance indicators, training topics and assurance map. Susan advised that the plan provided a framework for the work programme but would remain agile, noting that there may be other areas the Committee wanted to prioritise. The plan would be fully reviewed on at least an annual basis. Susan explained a number of additional areas had also been identified in the plan for further consideration depending on the Committee's views. Members noted that 6-8 weeks in advance of each audit the objectives would be confirmed with management and that the Committee would be advised of any substantive changes proposed. Members queried this approach and Susan confirmed that the Committee's approval would be sought on any proposed changes.

Members asked about the flexibility of the plan and commented that information on when areas were last reviewed would have been useful to place the plan in the context of the audit universe. A number of areas rated high on the risk register were not included in the plan such as visa processes and procedures, fraud and mental health and it was unclear how areas had been prioritised for review. Members queried the number of days allocated to Treasury Management and also noted the potential for overlap with external audit in relation to the proposed audits covering compliance with the College Financial Handbook (CFH) and apprenticeship income. It was acknowledged that the audit scopes would assist in providing clarification on any possible duplication. Susan explained that the CFH set out new requirements for colleges from 1 August 2024 and WB would always seek to undertake work on governance, risk management and value for money processes at an early stage to gain assurance over the College's corporate governance. Full compliance with the CFH would also provide assurance in relation to the risk of fraud, however the plan had identified fraud theft and bribery as an area for consideration and this could be swapped into the plan if required. WB were increasingly carrying out work on the mental health of staff and students and whilst the area of student attendance and behaviour would touch on this in relation to students, a full audit on mental health and wellbeing could be considered. Susan emphasised that the plan was based on an initial review of the risk register and WB's knowledge of the FE sector. Paul Bradley acknowledged the potential for assurance gained from a review of compliance against the CFH and acknowledging the potential for overlap with the external audit work commented that it may not require the number of days currently allocated. Members observed that procurement was not proposed for review until 2025/26 despite the new legislation coming into force later this year. Paul advised that procurement was last reviewed approximately 18 months ago and that there may be a benefit in reviewing this in 2024/25.

In response to a member's request for further details, Susan advised that the review of the use of external agency staff would consider efficiency in the use of agency staff, to prevent the use of agency staff at a significant cost to the College when there may be a more economical solution available. The review would challenge why and when agency staff were being used, identify where there was a reliance on agency use and what measures were in place to prevent this. Members felt that a focus on the risks of recruitment and retention may be a greater priority in alignment with the risk register, but with an emphasis on the related use of agency staff. Onboarding of agency staff to understand the time taken for them to be effective in their role should be considered as well as the resilience of existing staff and their departments as a factor in determining when agency support was required.

Members discussed the regular references to the impact of mental health in board discussions and queried whether there was scope

to provide assurance on this area. Reviewing the areas included in the plan it was noted that a review of HR was included in year two and that this would include links to mental health and wellbeing. Members considered the inclusion of health and safety in 2024/25 and noted that whilst this had been reviewed in the current year, the audit would have a different emphasis, focusing on an estates perspective rather than the work of the Health and Safety Team. Paul advised that the impact of any incidents in this area would be high and whilst the concerns around mental health were significant this was less tangible. Members asked if the board received other reports covering the areas mentioned in the plan e.g. PAT testing and Paul confirmed that this would be covered within the estates updates to the Finance and Resources Committee. It was agreed to prioritise a review encompassing mental health in whatever form was most appropriate to assist the board.

**SB /
PB**

The Chair Designate summarised the Committee's conclusions on the remaining areas in the 2024/25 plan:

- The review of procurement would be brought forward to 2024/25 in place of compliance with the CFH as a higher priority and considering the overlap with external audit work on the CFH
- Cyber security should be reviewed as planned
- The review of use of external agency should focus on recruitment, retention and resilience of staffing to give an understanding of the root cause of the requirement for agency staff
- The Funding review on apprenticeships should progress as planned

**SB /
PB**

Paul reminded the Committee that WB would not take up post as the internal audit service until 1 August 2024 and thanked them for their work to provide a draft plan for the Committee's consideration.

Members discussed the assurance map referenced in the plan and commented that whilst details of other sources of assurance were likely to be included within the information on controls elsewhere in the plan, it would also be useful to include a column detailing this in the table. Susan advised that the map was provided to assist understanding of how the reviews had been identified and was based on information provided by the College, rather than being a review of the board's assurance framework. It was agreed that details of the other sources of assurance would be provided for the next meeting.

**SB /
PB**

Members agreed, subject to the changes discussed, to recommend the Operational Plan for 2024/25 to Corporation for approval.

John Horsman presented Paper B1, the internal audit review of Capital/Asset Management.

John reported that the review provided substantial assurance and talked through the summary of findings as detailed in the report, highlighting the two low priority recommendations, relating to business case completeness and referencing within the minutes of the College Capital Finance Group to enable progress tracking.

Members were reminded that the context for the Committee requesting this review was the College's significant capital programme, which included three major building projects, and were pleased to note the substantial assurance provided.

In response to a member's question on whether the depreciation policy in relation to ICT assets was appropriate it was noted that the IA approach taken was consistent with other client organisations and that for NCD, this may vary in practice depending on the individual piece of equipment and whether this used a virtual desktop environment.

Members noted the report.

24/22 Final Report – Personnel and Payroll (Paper B2)

John Horsman presented Paper B2, the internal audit review of Personnel and Payroll. Members noted that as John had been the auditor for the first review of the personnel and payroll system the previous year, this review had been undertaken by a different auditor at Durham County Council (DCC).

John reported that the review provided substantial assurance with one medium priority recommendation relating to the sickness absence self-certification process and three low priority recommendations relating to supply pool starter/checklist forms, business continuity planning and a systems issue in overtime payments.

The Chair Designate commended the work of the IAS on the review and asked Paul Bradley for his observations on the report. Paul advised that the self-certification process had been amended to require managers to monitor and chase up documentation where this had not been completed. Commenting on the report overall, it was encouraging to note the substantial assurance on the new system which had been in place just over a year and that where there had been issues these had been resolved. Members discussed the business continuity finding and noted that there was a need to develop a plan specific to NCD. Members felt this finding was a higher priority than the low rating assigned in the report due to half of the College's expenditure being processed through the system. Members emphasised that having a robust plan in place to deal with the scenario when the supplier is unavailable should be prioritised. John clarified that the service provider's business

continuity plan included mitigation arrangements and that the issue was clarifying the communications arrangements in the event of system failure with the supplier being located off-site. Members suggested treating this recommendation as medium rather than low priority and noted that implementation of the management response would be tracked as part of follow-up work.

**DCC /
PB**

In response to a member's question about affordability and minimum wage compliance in relation to the College's flexible benefit car scheme, Paul confirmed that both the College as a responsible employer and the scheme operator carried out these checks. It was also noted that the College baseline was the living wage rather than the minimum wage.

Members noted the report.

24/23 Internal Audit Progress Report (to 31 May 2024) (Paper B3)

John Horsman presented Paper B3, the internal audit progress report covering the period up to 31 May 2024.

Members reviewed progress against the internal audit plan and noted that all outstanding work was in progress. John confirmed that the audits of HE Partnerships and Safeguarding and Prevent would be completed within the Service Level Agreement period ending on 31 July 2024 and a DCC representative would attend the September meeting when the reports would be considered. It was confirmed that the final reports would be circulated to the Committee as soon as they were completed rather than waiting for circulation of the September meeting papers.

John advised that there was one action outstanding in relation to the payroll report however this was expected to be implemented within the agreed timescales. Members noted the performance against KPIs and John updated that there were still some post-audit satisfaction surveys to be returned.

Members noted the progress in delivering the internal audit plan for 2023/24.

24/24 External Audit Plan 2024/25 (for 2023/24 financial year) (Lucy Robson) (Paper C)

Lucy Robson presented Paper C, the External Audit Plan.

Lucy advised that the plan was based on an initial discussion with management, RSM's knowledge of the FE sector and that more detailed planning work would take place over the summer, after which the plan would be reissued if needed to accommodate any changes.

Lucy drew members' attention to the key contact details in the plan should any member of the Committee wish to contact the audit

team outside of meetings, and reminded members that as part of the audit she would also have separate discussions with the Corporation Chair and the Accounting Officer to make enquiries in respect of fraud and regularity issues.

Members noted the plan included the following: the use of funding specialists in relation to funding body income, the need to make enquiries of both incoming and outgoing internal auditors, regularity work focusing on compliance with the post-16 audit code of practice, ESFA requirements and the relevant guidance published post-reclassification, the approach to materiality, the overall audit timeline and approach to key audit risks based on a sliding scale as introduced in recent years. Members reviewed the key risk areas identified and Lucy highlighted the three areas of income testing and advised in relation to the defined benefit pension scheme that assets were being reported again this year, however the key issue would be to ensure sound budgeting for pension contributions as part of financial forecasting. In response to a member's question on where sub-contracting and partnership income was covered within the risks, Lucy confirmed that these would sit within the HE income risk. There would be a focus on proportionality in terms of income received and related spend and ensuring the College retained control and oversight of HE partnership arrangements. The ongoing internal audit review of HE partnerships was also noted in this context. Lucy updated on a discussion with management relating to the audit timeline and document version control and advised that an approach had been agreed to prevent reliance on the final ILR data and avoid late testing this year.

Lucy drew members' attention to the increase in fees and advised that this was due to the growth and complexity of the College's activities and primarily related to various forms of income generation, the number of capital projects, internal requirements of RSM, inflationary increases and the degree of variance in previous years between budgeted and actual hours. A benchmarking exercise had been undertaken against other colleges' fees and it was felt the fee remained relatively low in the current climate. The Chair Designate confirmed that the fee increase was noted and understood. Lucy advised that this was the fifth year of RSM undertaking the external audit and that there were no issues to highlight regarding auditor independence.

Lucy advised that the latest RSM Emerging Issues document had been circulated providing an overview of changes impacting on the sector and members requested that this was shared with the wider Corporation membership for information.

**Corp
Sec**

Members noted the External Audit Plan.

24/25 NCD Assurance Map (Paper E)

Paul Bradley presented Paper E, the College assurance map.

Paul advised that the document had been updated to reflect current arrangements and provide the Committee with information on other sources of assurance.

Members sought clarification on the strength of the assurance provided through the various mechanisms included and Paul advised that the reports worked through the organisation so that the higher the level within the structure, the greater the weighting of assurance. Members commented that the document would help to inform the internal audit plan and that it would also be useful to chart the assurance map against the risk register. Members asked that other key areas of external assurance were included such as Ofsted and those referenced in the annual report to the Committee on external funding audits i.e. DfE, ESFA etc.

PB

24/26 Fraud Response Plan (Paper F)

Members received Paper F, the Fraud Response Plan which included a small number of minor updates.

Members approved the Fraud Response Plan.

24/27 Report from College Risk Management Group (Paper G)

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

Members reviewed the updated risk position and noted that the comments from the Committee's previous meeting were now reflected in the plan. Risks had been rescored with a number reassessed as low risk. Members noted there were 6 high risks, 23 medium risks and 13 low risks.

Members reviewed the areas of emerging risk and Paul highlighted that industrial action had been averted with the last Trade Union to accept the pay award having confirmed its agreement. It was noted however that pay discussions would soon recommence for the 2024/25 academic year. Members noted that the forthcoming general election was likely to impact on everything on the risk register but with particular reference to standards in education and finance.

Paul updated on the potential for a bus strike involving a different local bus company and members emphasised the need to monitor the position and utilise any learning from the Go North East strike the previous autumn.

Paul briefed members on an emerging risk relating to one North East Institute of Technology (NEIoT) partner currently facing financial difficulties. Members noted the financial risk of clawback from the College as the accountable body for the NEIoT as well as the reputational risk. In response to a member's question about the College's response Paul updated on discussions that were

ongoing with its external auditors, the DfE, the College's legal advisers and the partner involved. Members noted potential mitigation in respect of the level of clawback which related to other NEIoT partner activity and also that the relevant grant was currently being reviewed by the internal auditors, which would potentially provide some assurance.

Members emphasised the need to brief Corporation on the issue and Paul confirmed that the Finance and Resources Committee would be updated at its meeting later in the week and Corporation would be updated in July.

24/28 Provisional Schedule of Business for 2024/25 (Paper H)

Members endorsed the Committee's provisional Schedule of Business for 2024/25. Members agreed to change the meeting start time to 4pm and noted that the Corporation Secretary would contact members outside of the meeting to establish the most suitable day of the week for future meetings.

**Corp
Sec**

24/29 Written Resolutions passed since the last meeting (Paper I)

Members noted that the following Written Resolutions had been passed since the previous meeting:

- Approval of Terms of Reference for the Internal Audit of HE Partnerships (passed on 15 April 2024)
- Agreement to recommend that Corporation approve the appointment of the Internal Audit Service (passed on 15 April 2024).

24/30 Any other business - none

24/31 Date of Next Meeting – TBC September 2024

Bob Metcalf, Peter Morrison, John Horsman and Lucy Robson left the meeting.

24/32 Confidential item – Internal Audit Service

This item is recorded confidentially under minute 24/32a.

24/33 Annual review of Committee's effectiveness and working practices

Members were asked to complete a questionnaire in advance of the meeting. In addition to reviewing the summary of responses the following areas were discussed:

- The Committee had a key role in maintaining oversight across all of the College's business.
- Members had probed on risk more over the last year and had appreciated the discussions with members of the management team, for example in relation to their perspective on academic fraud and safeguarding.

- The importance of keeping the risks of key corporation decisions and activity under review was emphasised.
- Members felt that undertaking some dedicated training on risk management would be beneficial to the Committee as well as the wider Corporation membership. A session led by internal and external auditors could focus on general principles and then lead into a session led by Paul Bradley explaining how this translated locally, including how the risk register is put together and works at NCD. It was suggested that a training requirement could be included in the external audit tender, which would be issued in the next academic year.
- Members valued the inclusion of emerging risks in the RMG reports and felt these were often the most interesting discussions.
- Members highlighted the importance of considering the links between internal audit assurance and the College risk register, which it was felt would enable a more insightful conversation about the IA plan.
- Members suggested that moving the RMG reports nearer the start of the agenda would be helpful in providing context for the Committee's discussions.
- Members observed that the Committee had developed significantly over recent years and particularly in relation to its consideration of risk. Members should consider reviewing the Committee's name and its Terms of Reference to emphasise the focus on risk.

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