

The Corporation of New College Durham

**Minutes of the Audit and Risk Committee meeting
held on 26 February 2024**

Present:

Joyce Drummond-Hill
Allen Eccles
Emily Baxter

Apologies:

Ian Green
Paul Bradley
Lynn Chambers

In attendance:

Karl Fairley (Deputy Chief Executive)
Bob Metcalf (Executive Director of Finance & Corporate Services)
Adele Dowson (Vice Principal) *from 24/11*
Colleen Peters (Vice Principal) *to and including 24/06*
Paul Monaghan (Durham County Council – Internal Audit Service)
Lucy Robson – RSM UK Audit LLP (External Audit Service)
Caroline Winter (Head of Governance & Corporation Secretary)

Action

24/01 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. No interests were declared.

24/02 Audit Committee private discussion with 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.

Karl Fairley, Bob Metcalf, and Colleen Peters joined the meeting at 10.07am.

24/03 Apologies for absence were received from Ian Green, Paul Bradley and Lynn Chambers (RSM).

24/04 Minutes of previous meeting

The minutes of the meeting (including confidential minutes) held on 20 November 2023 were agreed as accurate and signed by the Chair.

24/05 Matters arising

23/83 – Terms of Reference – Capital/Asset Management - The Terms of Reference were updated in line with discussions at the Committee and approved by email on 2 February.

23/84 – Terms of Reference - Safeguarding and Prevent - the terms of reference were revised following the Committee's comments and approved by email on 2 February.

23/85 – IA Progress Report - original dates were included in the progress report and would be verified in the actions follow up audit in Term 3.

23/89 – Annual Accounts - all actions were implemented and included in the revised Statement of Accounts approved by Corporation in December 2023. The wording on the Statement from the Audit Committee was confirmed as being taken from the Casterbridge model accounts, and was amended prior to Corporation approval to reflect the Committee's opinion as 'reasonable assurance'.

23/90 – Audit & Risk Committee Annual Report - the requested amendments were made to the Committee's Annual Report prior to consideration by Corporation.

23/91 - Report from College Risk Management Group - the next risk register review would consider the key risks under the HE partnership arrangements.

24/06 External Funding Update (Paper B)

Colleen Peters presented Paper B, which outlined the audits undertaken and respective outcomes on external funding projects during 2023.

Members noted the breadth and different types of audits outlined in the report, which were carried out by the Education and Skills Funding Agency (ESFA), the Department of Work and Pensions (DWP) and the College's internal quality department. Colleen advised that the report would close off many of the ESF projects the College had been delivering since 2015/16 and that new audit requirements for new sources of funding were starting to be introduced and would be included in next year's report. Colleen advised that the College had built up significant expertise over the years in relation to audit requirements and implementing any actions.

Members noted the 100% conformance on the quarterly article 125 ESFA audits and that there had been an increase in the number of on the spot verifications (OTSV) compared with previous years, which could present practical challenges in collating the necessary information at short notice. Members asked how arrangements were managed in the context of sub-contractors to ensure the information was available for OTSVs. Colleen confirmed that there was a clear understanding of contractual requirements due to the nature of the funding sources involved and that rigorous due diligence was in place in working with sub-contractors. ESFA compliance visits took place on all sub-contractor arrangements

but did not cause any problems due to the length of experience in dealing with these audits on many current contracts.

Members asked about understanding of and preparation for the audit requirements of new funding sources and Colleen confirmed that experience on previous Combined Authority contracts ensured the College was well-versed in working across difference contract requirements. The new DfE Bootcamps contract was an area of focus to ensure the College was ready to meet the requirements of mobilisation visits and staff were being trained appropriately. A large amount of support was available to ensure niche providers were up to speed and no problems were anticipated. It was also noted that two visits had taken place in relation to the new requirements for the UK Shared Prosperity Fund.

Members commented it was unusual to report outstanding actions in relation to the audits covered by the report and sought further detail. Colleen explained these were instances where a sub-contractor had learners progressing through their work so that access to documentation was not available at the time of the audit. This was followed up with the sub-contractor so that the information could be provided to the auditors as soon as possible.

Colleen emphasised the learning curve over the next year to meet the incoming requirements but assured members that this was in hand. Members commended Colleen for the comprehensive work on these audits and noted the significant volume of audits that continue to take place, the operational and management time undertaken to support the process and the consistent year on year successful outcomes.

Colleen Peters left the meeting.

24/07 Final Report – National Battery Training and Skills Academy Grant (Paper C1)

Members reviewed Paper C1, the audit of the National Battery Training and Skills Academy grant from Innovate UK. Members noted that the audit covered £30,481 of funding during the first quarter and that all expenditure complied with the terms and conditions of the grant.

In response to a member's question, Bob Metcalf confirmed that as a condition of funding the first claim grant claim must be submitted with an audit report and that a further audit would be required in 12 months at the end of the grant.

Members noted the report.

24/08 Proposed Terms of Reference - Personnel and Payroll (Paper C2)

Paul Monaghan presented Paper C2, the proposed terms of reference for the internal audit review of personnel and payroll. Members noted this would be the first assurance review carried out on the new system following implementation and Paul drew attention to paragraph 6 of the paper which detailed the key areas of focus for the review. Members raised a number of points of clarification and Paul confirmed that expenses were included, that ghost employees would be covered as the review was focused on accuracy of payments, tax was out of scope and that 'business continuity' in the context of the review covered the arrangements in the event of the system being inoperative. Members requested that the evaluation considered whether the system was effective/operating as intended.

Members requested that the terms of reference were amended to reflect these points and agreed that subject to making the changes the terms of reference were approved without the need for re-circulation.

PM

24/09 Proposed Terms of Reference - Actions Follow Up (Paper C3)

Members reviewed Paper C3, the proposed terms of reference for the follow up review of audit actions. Members noted the review would cover actions raised since August 2023 and would be carried out in July 2024.

Members suggested that the low number of actions would enable the review to consider implementation activity in a greater level of detail than may have been the case in previous follow up audits. Members discussed whether the audit was advice and consultancy or assurance and Paul Monaghan advised that the review would not provide an assurance opinion although it would feed into the overall annual opinion.

Members approved the terms of reference as drafted.

Paul updated that the terms of referenced for the remaining Term 3 audit on HE partnerships were currently being developed.

24/10 Internal Audit Progress Report (to 31 January 2024) (Paper C4)

Paul Monaghan presented Paper C4, the Internal Audit (IA) progress report. Members noted that all audits were planned to be completed in line with schedule in Appendix 1 of the report and that Term 2 and Term 3 activity was on track. One report had been issued in the period (grant review) and considered earlier on the agenda. Management had confirmed all six actions had been implemented and members noted the detail provided in the report.

Members discussed the timing of the final meeting of the year and likely volume of business and it was agreed to circulate final audit reports from Terms 2 and 3 as soon as they were available. Questions could be raised informally by email with time allocated for discussion at the June meeting to deal with any outstanding issues, but it was hoped this approach would reduce the necessary discussion time and assist in managing the meeting business.

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

Adele Dowson joined the meeting at 10.34am.

24/11 Report from College Risk Management Group (Paper D)

Karl Fairley presented Paper D, the report from the College Risk Management Group (RMG).

Members reviewed the latest risk profile and noted an additional risk had been added as the College was continuing to deal with the impact of the Go North East bus strike. Karl advised that the key issues were the impact on attendance, potential impact on achievement data later in the year and the financial impact in relation to the cost of bus passes and alternative transport. Karl updated on the major capital projects advising that the project risk register for the works to Promotion House would be shared with the Committee when available and that the work on the Artificial Grass Pitch was due to commence following confirmation of planning permission.

Members reviewed the emerging risks and noted that it was proposed to add staff and student mental health to the strategic risk register in light of the ongoing impact and that this was also recognised as a national issue. Members were updated on emerging risks in relation to: import rules impacting on purchasing and procurement which were being monitored closely, the cost of living crisis with the country in a technical recession and the impact seen on students' behaviour and uptake of free school meals, economic risks and potential industrial action, education reform including the recent announcement of additional teaching hours for English and maths and the continued and significant rise in student numbers, which was presenting a resources challenge and particularly in relation to staffing and utilising space.

Members discussed the risks relating to the bus strikes in detail and received assurance that the position was being addressed from a commercial perspective. Members asked about the impact from an educational and attainment perspective and how effective the response measures had been. It was noted that significant efforts that had been made and were ongoing to ensure students could engage in education. The experience had been comparable to a mini-lockdown and created a particular challenge in relation to courses with a vocational element. The impact and response had varied across different curriculum areas and recovery of lost

learning plans reflected this. Considerations included: prioritising areas with a high level of practical input required, timing of assessments, work to re-sequence programmes and revise schemes of learning, ongoing mental health, anxiety and behaviour issues and weekly meetings focusing on 'at risk' learners to ensure no students slipped through the net. Curriculum teams had provided assurance that retention levels remained high and that prediction points indicated that learners would achieve. A member confirmed that the range of interventions to support students had also been discussed in detail by the Further Education Quality Curriculum and Students Committee when considering the latest predicted achievement data. Members commented that the College's response appeared to be as much as was possible in the circumstances and discussed whether a separate risk was required in relation to the bus strikes or whether this was a factor exacerbating existing risks given the interdependencies of a range of issues. Members were advised of the variance in predicted achievement data before and after Christmas and that the bus strike was the only variable over that period. The additional work to return to and maintain previous levels of achievement was also emphasised. Karl explained that the creation of a separate risk was intended to provide assurance that the College was aware of the issues and trying to address them but agreed to raise the point for consideration with Paul Bradley on his return.

KF

Members asked for further detail in relation to staff mental health as a strategic risk and Karl advised that in reporting sickness data to the Finance and Resources Committee, mental health was the highest cause of staff absence. Karl updated on the wide range of interventions to support staff including onsite counselling, a focus on removing the stigma of mental health issues and the recently established forum for male staff to discuss mental health. Members were also advised of the supportive approach to long term absence through which staff received full pay and had access to off-site counselling where required, which was viewed as an investment of resources in supporting people back to work balanced against the cost of sick pay and agency costs in backfilling for staff absence. Karl emphasised that this contrasted with a very robust policy in place on short term absence.

Members commented on the report narrative in relation to Ukraine and queried whether the College was still receiving new students from Ukraine. It was confirmed that the provision was still growing although at a lower level than in previous years and the approach to working with these learners had been remodelled. Members queried whether this remained an emerging risk or a full risk that was now being managed. It was agreed to ask Paul Bradley to review whether this remained an emerging risk and to update the associated narrative.

KF

Members noted the current risk profile, the risk action plan for 2023/24 and the notes of the RMG held on 16 February 2024.

24/12 Written Resolutions passed since the last meeting (Paper E)

Members noted that two written resolutions had been passed since the previous meeting:

- Approval of the terms of reference for the review of Safeguarding and Prevent arrangements (passed on 2 February 2024)
- Approval of the terms of reference for the review of Capital / Asset Management (passed on 2 February 2024)

24/13 Any other business

Members noted that this was the last meeting for Paul Monaghan on behalf of the internal audit service due to his forthcoming retirement. The Chair thanked Paul on behalf of the Committee for the progress made over the years of the contract.

24/14 Date of Next Meeting – 17 June 2024

Signed.....Date.....