

**The Corporation of New College Durham**

**Minutes of the Audit and Risk Committee meeting  
held on 20 November 2023**

**Present:**

Joyce Drummond-Hill  
Allen Eccles  
Emily Baxter via MS Teams

**Apologies:**

Ian Green

**In attendance:**

Paul Bradley (Chief Finance Officer)  
Bob Metcalf (Executive Director of Finance & Corporate Services)  
Adele Dowson (Vice Principal)  
Nik Whiting (Executive Director of IT and Corporate Services) *to 23/82*  
Elaine Bonham (Executive Director of HR and Corporate Services) *to 23/82*  
Andy Stephenson (Vice Principal) *for 23/91 and 23/92 only*  
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**

**23/75 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.

The Chair updated the Committee that Corporation had approved the appointment of Allen Eccles as Audit and Risk Committee Chair Designate with immediate effect.

**23/76 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.

Paul Bradley, Adele Dowson, Bob Metcalf, Nik Whiting and Elaine Bonham joined the meeting at 10.11am.

**23/77 Apologies for absence** were received from Ian Green.

Members confirmed they did not require any further discussion about the starred papers C6 and D.

**23/78 Minutes of previous meeting (Paper A1)**

The minutes of the meeting held on 11 September 2023 were reviewed. *Post meeting note: confirmation of the accuracy of the minutes was received from members by email and the minutes will be signed by the Chair.*

**23/79 Matters arising**

23/58 (arising from 23/39) – the Curriculum Planning Terms of Reference were circulated to members after the meeting.

23/58 (arising from 23/40 & 23/41) – the minutes were circulated on 22 September 2023 following approval by the Chair.

23/61 – Follow up review - the date a recommendation was made, the target date for implementation and the date of full implementation (and any changes) would be included in future follow up reports.

23/65 – the final report on Cyber Security was on the current agenda and distinguished between services provide by the College and by JISC.

23/66 – the Regularity Self-Assessment questionnaire responses had been revised to reflect the comments and an updated version circulated as starred paper D on the current agenda.

23/68 – the Risk Management Annual Report was amended as requested prior to circulation to Corporation.

23/69 – the request to increase internal communication of the whistleblowing policy had been raised with the Executive Leadership Team.

**23/80 Network Security Management 2022/2023 (Paper B)**

Nik Whiting presented Paper B, which provided an update on network security management activity over 2022/23.

[Redacted text block]

[Redacted text block]

[Redacted text block]

Members noted the complexity of the environment in trying to maintain the necessary level of system security and were assured by the fact that there had not been any service downtime due to security issues or attacks.

**23/81 Final Report - Cyber Security (Paper C1)**

Paul Monaghan presented Paper C1, the internal audit review of cyber security.

[Redacted]

The Chair invited comments from management on the report and Nik Whiting welcomed the report in providing assurance that the appropriate actions were in place to mitigate what was a significant area of risk for the College.

[Redacted]

The Chair commented that the review had resulted in a good report and members noted the report.

**23/82 Final Report - Health and Safety Arrangements (Paper C2)**

Paul Monaghan presented Paper C2, the internal audit review of Health and Safety arrangements.

Paul advised that the review covered arrangements in the College's central Health and Safety team and five other areas of the College. The review provided a substantial level of assurance and made two medium and two low priority recommendations relating to consistency of risk assessment documentation in terms of storage and review frequency, first aid reporting arrangements for minor incidents, compliance with the education visits policy and ensuring all necessary training was undertaken and recorded.

The Chair invited observations from management on the report and Elaine Bonham advised that the report reinforced the outcome of the Royal Society for the Prevention of Accidents (RoSPA) assessment, highlighting that processes were in place, the level of knowledge of health and safety responsibilities was strong and taken seriously but had also identified there were some areas where processes could be strengthened or further work was needed, for example in relation to the educational visits process, where the central team supported as many visits as possible. The low priority recommendation on health and safety training records was being addressed but it was noted that this related to a small

minority of staff with 98.5% of training completed in a timely manner.

Members highlighted the reference to RAAC concrete and sought assurance that the potential concerns relating to the podiatry buildings had been resolved. Paul Bradley confirmed that independent surveys had been undertaken and confirmed that no RAAC was present in any of the College's buildings.

Members queried the level of assurance in light of the two medium priority recommendations. Paul Monaghan advised that the recommendations were on the borderline between low and medium and related to control weaknesses. In relation to risk assessments, Elaine advised that the assessments were being undertaken, but that the issue was around consistency in format. In relation to incident reports, the instances around formal reporting related to minor issues where experienced staff had taken a common-sense approach to reporting and recording. Actions were in hand to address these findings but Elaine confirmed the risk was low level. In response to a member's question about whether staff recording incidents locally was unnecessary Elaine acknowledged that whilst this could result in duplication of records between departments and the central team, the key issue was staff understanding whether or not an incident required treatment that needed to be administered by a trained first aider, and there were no concerns in this regard.

Members noted the report.

*Nik Whiting and Elaine Bonham left the meeting.*

**23/83 Proposed Terms of Reference for internal audit review of Capital / Asset Management (Paper C3)**

Members reviewed the proposed terms of reference for the internal audit review of capital and asset management.

Members sought clarification on the specific areas covered by the review in light of the potential for the review to encompass an extensive scope of all capital activity. It was also noted that the external auditors had reviewed a significant element of capital spend and there was likely to be some overlap with this work.

Paul Bradley advised that the internal processes for approval and oversight of capital spend during the year had not been reviewed recently and would benefit from review alongside curriculum capital. It was agreed to review the scope to ensure a clear articulation of the areas to be covered by the audit and circulate this to the Committee. Members queried whether this would require the 6 days that had been allocated for the review and it was agreed to reassess when the terms of reference were revised, to consider whether the days should be redeployed to another element of the internal audit work programme.

**PM /  
PB**

Members noted that the review was scheduled for Term 2 which ensured there was time to circulate and agree revised terms of reference.

**Corp  
Sec**

**23/84 Proposed Terms of Reference for internal audit review of Safeguarding and Prevent arrangements (Paper C4)**

Members reviewed the proposed terms of reference for the internal audit review of safeguarding and Prevent arrangements and made the following comments. The risks detailed in the terms of reference were reverse controls and actions to manage the risk rather than an articulation of the actual risk, which was that a student may suffer harm. Members emphasised that this needed to be at the forefront of the auditors' minds in undertaking the review. Members observed that the scope was focused on staff and whilst the student dimension would be captured within existing policies and procedures, this should be reflected by adding an additional bullet into the scope. Members asked about arrangements for other individuals that were on site and using the College's services, partners and sub-contractors and sought clarity on the College's responsibilities when students were off site. Members requested that the scope was revised to include these areas, after which a reassessment of the number of days allocated would also be needed. It was noted that there may be potential to reallocate some days from the capital/asset management review.

**PM**

**PM**

Subject to these additions, the terms of reference were approved.  
*Post meeting note: The Chair requested that the revised terms of reference were circulated following amendment.*

**Corp  
Sec**

**23/85 Internal Audit Progress Report to 13 November 2023 (Paper C5)**

Paul Monaghan presented Paper C5, the internal audit (IA) progress report.

Members noted that two audit reports had been completed during the period, both of which had provided substantial assurance. There had been one amendment to the agreed IA plan following the request to undertake the National Battery Training and Skills Academy grant review. Members reviewed the response to audit recommendations and noted that since the follow-up audit, a further six actions had been raised. Four of these actions had not been implemented and two had proposed revised implementation dates.

Members reviewed the performance indicators and agreed that the report presented a positive picture of progress. Members sought clarification on the impact the additional grant review would have on the overall number of days allocated. Paul Bradley advised this review was a funding requirement and would be in addition to the agreed days. The Chair reminded members it had previously been agreed to record grant reviews separately as they were not

assurance reviews. It was noted that target dates and any revisions were now included in the report and would support follow-up activity. Members requested that the original date remained in the report to assist and it was agreed this would be included in the follow-up report later in the year.

PM

**23/86 Final Report – Sub-contracting Grant (Paper C6)**

Members received Paper C6, the final report on the sub-contracting grant. The audit work confirmed that appropriate systems and controls were in place to manage sub-contractors.

An observation was made that the report was very brief, but it was acknowledged that the ESFA had responded and was satisfied with the content.

**23/87 Regularity self-assessment questionnaire 2022/23 (Paper D)**

Members received Paper D, the revised regularity self-assessment questionnaire. It was noted that the revised version as circulated included responses to all of the comments provided by the external auditors.

**23/88 Review Financial Statements Auditors' Management Letter for 2022/23 (Paper E)**

Lucy Robson of RSM UK Audit LLP (RSM) presented Paper D, the Auditors' Management Letter for the year ended 31 July 2023. Lucy advised that a number of updates were needed to the circulated version of the report and that a final version would be provided when complete.

Lucy summarised the areas that were outstanding and confirmed that this was consistent with the process in previous years. Two issues in particular however were highlighted. The first related to a query on the sub-contracting threshold as the College had contracted slightly above the 25% threshold. This had been raised with the ESFA and a response was awaited. RSM had requested sight of the response to understand any penalty and resulting funding implications. The second key area to be resolved involved a new requirement to submit declarations where sub-contractors were used with Mayoral Combined Authority funding. This was being followed up with the Tees Valley MCA as they had not requested declarations from the College, despite the requirement being a condition of their funding agreement. It was noted that this declaration was required to be prepared and submitted prior to Corporation approval of the accounts.

Members noted the report confirmed the final materiality position and reviewed the risk areas discussed at the planning stage and detailed in the report. In relation to income recognition and potential clawback, the ESFA had confirmed there would be no action in relation to additional delivery hours and the only

outstanding issue was the sub-contracting threshold. Members asked about the potential implications of the ESFA response on sub-contracting and whether additional monitoring should be undertaken by the College to enable appropriate action in future. It was anticipated that there would be a discussion with the ESFA to consider how the position could be prevented in future. The College had expected to be under the threshold and were impacted by a number of short courses at the end of the financial year that had been added to the data. Lucy confirmed RSM had other clients with a similar issue and were not minded to advise that some of this income was at risk. Further internal advice would be taken in the event of any change to this position.

Members reviewed the remaining risk areas including management override of internal controls, defined benefit pension scheme noting the assessment of the pension asset, the going concern assessment including plans to use reserves for capital investment and confirmation of ongoing support to Westfirst, increased regularity considerations following public sector reclassification, sub-contracting/partnership working and capital works.

Members asked for further details of the single action form used in waiver of the procurement process and received assurance that a robust process was in place to determine these requests. Lucy confirmed that the number of instances the process was used was low in comparison with other institutions and welcomed that this was the subject of an annual report to governors.

Members noted the reference in the report to the duplicate supplier payment made incorrectly, which had been the subject of a separate briefing to the Committee, and received a further update on the actions to pursue repayment.

Lynn Chambers, RSM, updated members on the recommendations on controls arising from the audit work. In response to a member's question about tracking implementation it was confirmed that an annual update would be provided on the matters raised in the previous year's report and any changes made to the financial regulations would reference where these related to an external audit recommendation.

There was no update to the fees in the original audit plan and in response to a member's question about the new ISO standards, Lucy confirmed this had required a deeper dive into all areas of the audit and no new risks had been identified as a result.

Members reviewed the position on accounting misstatements and the detailed findings of the funding testing work. In considering the recommendations relating to the individual learner record (ILR) members questioned whether the College needed to implement any additional controls to ensure issues were identified before audit work. It was confirmed that the issues raised were largely minor in nature and monthly processes were already in place to verify data

between the relevant teams, however recommended actions to further strengthen processes were welcomed. Lucy advised that the funding audit was a scaled down version of an ESFA review and would act as a mitigation to ensure any issues were addressed. Members commented that the position would be clearer on whether any further action was required when the management responses had been provided. It was confirmed these had been received and would be reflected in the amended document. Lucy confirmed that whilst there were a number of issues outstanding, these were being addressed and there were no delays to the original timetable.

The Chair thanked RSM for the presentation and noted the report.

### **23/89 Draft Annual Accounts for 2022/23 (Paper F)**

Bob Metcalf presented Paper F, the draft annual accounts for 2022/23. Bob reported that a rigorous audit of the financial statements was nearing completion.

Members were briefed on the final surplus, which was a significant increase on the budgeted position, and noted that there were a number of reasons for the increase. Budget planning was based on a worst case position at the start of year and a number of changes during the year impacted the final figures.

Part of this item is recorded confidentially under minute 23/89a.

Members noted the cash position remained strong which was positive in the context of the going concern assessment and the financial health score gave a provisional rating of outstanding.

Bob advised that some of the narrative in the document would be revised following feedback from RSM and members discussed the length of the report and the potential to streamline the document next year. Whilst the scope of activity across the College was greater than many other colleges so that section headings would need to be retained, it was agreed that the level of detail could be reviewed and shortened in future.

Members queried the risks detailed in the statement of internal control and asked whether the two separate sections considering risk were necessary. Members commented that some of the issues included were controls rather than strategic risks and it was agreed that these should be reviewed to remove duplication.

**PB**

Members noted the wording of the Statement from the Audit Committee and queried the overlap with the Audit Committee Opinion drawn from its Annual Report. The Committee's opinion was framed as reasonable assurance rather than in absolute terms. The Head of Governance suggested the 'statement' wording was likely to be the text from the Casterbridge model

accounts and confirmed this would be clarified to enable agreement of the final wording.

**Corp  
Sec**

Members noted the financial results and the draft financial statements as presented.

**23/90 Draft Audit Committee Annual Report for 2022/23 (Paper G)**

Joyce Drummond-Hill presented Paper G, the draft Audit Committee annual report for 2022/23.

Members requested that the report confirmed that the auditor's management letter had been circulated to the Committee and assurance given that the control weaknesses identified would be addressed by management and monitored during the year. Members considered the review of work over the year and requested that the discussions on fraud, whistleblowing and academic malpractice were reflected in the report as part of the Committee's remit around risk management.

**Corp  
Sec**

Members discussed areas of priority for the Committee in 2023/24 and agreed to focus on appointment of a new Internal Audit Service provider and embedding the Committee's focus on risk alongside the core audit role.

After careful reflection on the information and assurance received, the Committee confirmed the opinion that it was able to provide reasonable assurance that Corporation's audit arrangements, its framework of governance, risk management and control are adequate and effective.

**23/91 Report from College Risk Management Group (including Action Plan for 2023/24 (Paper H))**

Paul Bradley presented Paper H, the report from the College Risk Management Group (RMG). Members reviewed the latest risk profile and noted the changes since the previous review including additions of a high priority risk linked to the increased use of external agency staff and a medium priority risk relating to the College's widening of its Higher Education partnership activity. It was also anticipated that a separate risk relating to a potential new HE partnership would be added in future.

*Andy Stephenson joined the meeting.*

Members reviewed the full strategic risk register and the areas of emerging risk, noting that the current bus strikes would be likely to appear in the next iteration of the areas of emerging risk due to the current impact on attendance and potential impact on student achievement in future. The cost impact of providing alternative transport was also highlighted. Members observed that the risks related to the bus strike were similar to those resulting from the pandemic, with mental health a particular concern.

Members welcomed the inclusion of HE partnership activity on the risk register and emphasised the need to be aware of the College's accountability under these arrangements for other areas of risk within the top ten high risk areas. Members were updated on an example from a safeguarding perspective, in which the Designated Safeguarding Leads group had invited a sub-contractor to the DSL meeting. It was suggested that further consideration was given to reflecting this partnership dimension in the register.

**PB**

Members noted the current risk profile, the risk action plan for 2023/24 and the notes of the RMG held on 29 September 2023.

### **23/92 Academic Fraud – Annual Report for 2022/23 (Paper I)**

Andy Stephenson presented Paper I, which was a new annual update to the Committee outlining the work and activity that had taken place to prevent and respond to cases of Academic fraud/malpractice in 2022/23.

Members were briefed on changes to the Academic Integrity Policy in response to the ongoing developments in the external landscape relating to artificial intelligence (AI) and noted that an AI steering group had also been established.

*Emily Baxter left the meeting at 12pm. The Head of Governance advised that the meeting was no longer quorate, however there were no items for decision on the remaining section of the agenda.*

Members commented that there appeared to be a relatively low number of cases of academic malpractice and sought assurance that the information presented the true position. Andy confirmed that the tendency in FE was for a low volume of cases and suggested this could be due to the nature of assessment, which did not offer the same scope for attempted fraud as HE, which had a higher potential. Exams and presentations removed the opportunity for fraud which tended to exist in written work in HE, however the importance of continued monitoring was emphasised.

The College approach was to promote the responsible use of AI as its use could not be detected by current software. It was acknowledged that the culture was evolving in the use of AI and that the DfE itself was seeking to integrate AI into the work of teachers. Members noted that the FE and HE committees would also be updated on academic malpractice cases and members noted the College position for 2022/23.

### **23/93 Any other business - none**

### **23/94 Date of Next Meeting – 26 February 2024**

*Lucy Robson, Lynn Chambers, Paul Monaghan, Bob Metcalf and Adele Dowson left the meeting.*

**23/95 Confidential minutes of the meeting held on 11 September 2023 (Paper J)**

As the meeting was no longer quorate it was agreed to email Committee members to seek their confirmation as to the accuracy of both the confidential and non-confidential minutes, after which they would be signed by the Chair.

*Post meeting note: confirmation of the accuracy of the minutes was received from members by email and the minutes will be signed by the Chair.*

**23/96 Confidential Item - Internal Audit provision (verbal update)**

Paul Bradley updated members on progress with the internal audit service procurement. The Committee's comments had been incorporated into the revised tender document circulated to members, which was ready to issue.

The deadline for tenders was 20 December 2023 and responses would be reviewed in the new year. It was proposed to hold supplier presentations on 27 February 2024 and confirm the contract award on 29 February 2024. Members asked about the transition period and it was confirmed that the current IAS provider contract ended on 31 July 2024 and the intention was to onboard the new provider between March and July and work with them to refine the IA plan during that time, to commence on 1 August 2024.

Members discussed the information that could be shared with bidders and agreed more detail would be provided during planning activity following appointment. In response to a member's question about committee involvement in the process, Paul confirmed that the evaluation panel would be the Chief Finance Officer, Head of Procurement and Head of Governance and Corporation Secretary and that committee members would be invited to attend the supplier presentations.

Members thanked Paul for the update.

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