

The Corporation of New College Durham

**Minutes of the meeting of the Audit Committee
held on 11 September 2023**

Present:

Joyce Drummond-Hill
Allen Eccles *via MS Teams*
Emily Baxter

Apologies:

Ian Green
Lynn Chambers, RSM

In attendance:

Paul Bradley (Chief Finance Officer)
Bob Metcalf (Executive Director of Finance & Corporate Services)
Adele Dowson (Vice Principal)
Marie O'Brien (Director of Funding and Curriculum Planning) *to and including 23/60*
Paul Monaghan (Durham County Council – Internal Audit Service)
Lucy Robson – RSM UK Audit LLP (External Audit Service) *via MS Teams*
Caroline Winter (Head of Governance & Corporation Secretary)

Action

23/54 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.

23/55 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 and Marie O'Brien joined the meeting at 10.31am.

23/56 Apologies for absence were received from Ian Green and Lynn Chambers.

It was agreed to treat the following papers as starred items:

- Paper B4 (Internal Audit progress Report) which mirrored some of the content of Paper B5 (Internal Audit Annual Report)
- Paper D (Strategic Risk Register update) as there had been no changes since the previous report was considered at the June meeting.

Members confirmed they did not require any further discussion about either paper.

23/57 Minutes of previous meeting (Paper A)

The minutes of the meeting held on 19 June 2023 were agreed as accurate and signed by the Chair. The confidential minutes of the meeting were considered later in the agenda.

23/58 Matters arising not appearing elsewhere on the agenda

23/39 – The Corporation Secretary confirmed that the changes had been made to the Curriculum Planning Terms of Reference to reflect the Committee’s comments but that the revised version would be circulated for completeness.

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23/40 and 23/41 – Members commented that the request to include the dates that IA recommendations were made and any revisions to due dates had not been actioned and were advised this had not been communicated by the IA representatives attending the meeting. It was agreed that in future the Chair approved minutes would be circulated to all meeting attendees as soon as they were approved.

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23/42 – Prevent was added into the Internal Audit Plan alongside the Safeguarding review and the full plan was revised to reflect the committee’s comments before approval by Corporation in July.

23/59 Personnel and Payroll – New System Development (Paper B1)

Paul Monaghan presented Paper B1, the internal audit review of the development and implementation of phase one of the new personnel and payroll system.

Paul reported that the review concluded that the system had been implemented successfully and that the first payroll was processed in April 2023. Internal auditors had attended 10 project meetings in which they provided feedback and suggestions of internal controls and best practice. No recommendations were made as part of the audit review.

The Chair invited comments from management on the report and asked if the exercise had been useful. It was confirmed that IA representatives had joined the project team and were actively involved, providing advice during project meetings on control improvements in the system. It had also been useful for IA to gain an understanding of the system in advance of the further review scheduled later in the current year. Members emphasised that using the same auditor for the forthcoming audit of the system would not be good practice and Paul confirmed that a different auditor would be assigned to the next review.

Members requested an update on the issue referenced in the report on the calculation of sickness pay by the new system. Bob Metcalf advised there was a mismatch between the occupational policy and the system calculation and that this had been resolved

by amending the policy. Members sought further clarification in relation to the management response and asked about communication of the change to staff. Bob advised that the alternative would be to perform a manual calculation and that the change to the policy was minor in nature and impacted at a low level of value that did not require communication to staff. Management welcomed the review overall which had provided assurance that the new system and processes were operating as intended.

23/60 Curriculum Planning (Paper B2)

Paul Monaghan presented Paper B2, the internal audit review of Curriculum Planning.

Paul reported that the review considered the first two phases of the curriculum planning process in two separate curriculum areas: Sixth Form, English Language Centre, Sport and Uniformed Services; and Health Education, Social Care, Life Science and Early Years. The review provided substantial assurance and no recommendations.

The Chair asked Marie O'Brien (Director of Funding and Curriculum Planning) for her observations on the report. Marie confirmed she was pleased with the outcome of the report having spent a significant amount of time and focus on curriculum planning over the last few years with significant levels of upskilling of staff. The areas selected for review were led by two managers one of which was new to FE and the other new to the College, with neither having previously used the relevant tools and software.

Members welcomed the substantial level of assurance but expressed surprise at the lack of recommendations in an area of activity that was fundamental to the College's operation each year. Marie advised that there were improvements to be made to the time to generate reports and that some manual tasks still part of the process were planned for review, but that overall the review reflected the outcome of two years of work including a substantial level of senior management time, which had not previously been the case. Whilst the knowledge previously existed, the process had not been subject to the same level of scrutiny.

Members asked about the impact of the change in the Early Years Level 2 qualification in light of the removal of the licence to practice element. It was noted that the change was made in response to both the requirements of the sector as well as the FE qualification reforms, and that a shift in the sector had resulted in the current demand for the licence to practice now being at Level 3. Removing this from the Level 2 programme resulted in a shorter course, freeing up students' time to support their study of maths and English and provided a stepping stone to Level 3, where the licence to practice was included.

Members considered the need to follow up on the outcomes of the planning process at phases one and two and agreed to consider a review of phases three and four of curriculum planning as part of a future IA work programme so that the full process had been reviewed. Members noted the report.

Marie O'Brien left the meeting at 10.47am.

23/61 Follow up review (Paper B3)

Paul Monaghan presented Paper B3, the review of follow up actions arising from previous internal audit reviews.

The review covered recommendations made by Wylie & Bisset LLP the previous internal audit provider and also the current provider Durham County Council up to May 2023. Paul confirmed that all actions had been fully implemented.

Members expressed disappointment that the dates that recommendations were made, implemented and any revisions to target dates for implementation had not been included in the report. It was felt that this limited the Committee's ability to discharge its responsibility for monitoring timely implementation. Paul advised that the follow up review detailed the position at that point in time and that it may not always be possible to state the specific date a recommendation was fully implemented, however it was requested that future follow up reports detailed the date a recommendation was made, the target date for implementation and the date of full implementation.

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Members asked if any of the recommendations had caused concern or difficulty in implementation. Paul Bradley advised that there hadn't not been any particular concerns but cited one example on the Learner Journey audit where timing of implementation would have been dependent on the introduction of new systems ProMonitor and Power BI. The auditor had requested evidence that actions had been completed for all recommendations and there were no issues or instances where there was a delay in providing this information.

Members noted the report.

23/62 Internal Audit Progress Report (1 March 2023 to 31 May 2023) (Paper B4)

Members reviewed Paper B4, the Internal Audit Progress Report and noted the contents of the report.

23/63 Internal Audit Annual Report (Paper B5)

Paul Monaghan presented Paper B5, the Annual Internal Audit Report and Option 2022/23.

The report provided the annual internal audit opinion on the overall adequacy and effectiveness of the governance, risk and control framework (the control environment); a summary of the audit work carried out from which the opinion was derived; and details of the quality assurance arrangements in place during 2022/2023 to ensure conformance with the relevant standards.

Members noted that the report concluded that ‘there was a ‘Moderate’ opinion provided on the adequacy and effectiveness of New College Durham’s governance, risk management and internal control arrangements for 2022/23’.

It was noted that the opinion had moved from substantial to moderate assurance since the previous year’s annual report and a discussion followed on the rationale for the current assessment. Paul Monaghan advised that four medium priority recommendations had been made in 2021/22 and that this had increased to 11 in 2022/23. Five assurance reviews had been undertaken in 2022/23 with four providing a substantial level of assurance and one a moderate level, however Paul indicated that within the four reviews assessed as providing substantial assurance, the judgment for two of these was on the borderline between substantial and moderate due to the recommendations made. The combination of these factors led to the overall opinion of moderate assurance for 2022/23.

Members reviewed the definitions at each level of assurance opinion and sought clarification on the reference to ‘minor’ risk which was included at the substantial but not moderate level. Paul confirmed that there was an expectation that medium priority recommendations would not be viewed as minor and would be addressed by management. Members were also reminded that it had been agreed that for audits undertaken in 2023/24, ‘low priority’ recommendations would replace ‘best practice’ recommendations.

In response to a member’s question on management’s view of the change in overall opinion, Paul Bradley commented that an assessment of substantial assurance would be unusual across the entire control environment when it was only possible to test four or five areas over the year. The Chair reminded members that she had challenged the substantial assessment the previous year on the same basis. It was agreed that whilst it was important to understand the reasons for the change, a moderate opinion was a positive outcome in the current context. Lucy Robson advised that whilst she had also queried the assessment, external audit had sight of the IA reports during the year and understood the position as explained. Lucy also noted that the report had been helpful in identifying a small number of issues that would feed into the external audit planning process for the coming year.

Members agreed to recommend the report to Corporation.

23/64 Terms of Reference – Health and Safety arrangements (Paper B6)

Members reviewed the proposed terms of reference for the internal audit review of Health and Safety arrangements.

In response to a member’s question about the rationale for selecting the areas proposed for sample testing it was confirmed that these were identified in a discussion between the IA service and the College’s Health and Safety Manager as key areas of risk with Health and Life Sciences added at the request of management. Members commented that it would be helpful to provide a clear rationale to explain why an area had been included e.g. level of risk, volume of students, revenue factors and it was noted that the areas chosen were where there were teaching workshops, laboratories, practical facilities or where learners were off-site undertaking activity in addition to their curriculum work.

Members suggested some changes to how the risks were articulated to provide a clearer understanding of the controls in place to manage them, but it was recognised that IA had drawn the description of risks from the College’s risk register. It was agreed to maintain the Terms of Reference as drafted. Members asked whether the emerging risk around RAAC concrete would be covered by the audit and it was confirmed that this would fall within the Estates and Facilities element of the review.

Members approved the Terms of Reference.

23/65 Terms of Reference – Cyber Security (Paper B7)

Members reviewed the proposed terms of reference for the internal audit review of Cyber Security.

It was noted that the review was the second of three areas of cyber security to be reviewed by internal audit [REDACTED]

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Members approved the Terms of Reference.

23/66 Regularity self-assessment questionnaire 2022/23 (Paper C)

Bob Metcalf presented Paper C, the Regularity Self-Assessment Questionnaire (RSAQ).

Members noted that the RSAQ was published annually by the ESFA to provide clarity of the accountability framework, key requirements and the evidence that may need to be provided to the

external auditor. It was noted that the completed questionnaire was provided for the Committee's review in advance of being signed by the Principal as Accounting Officer and the Chair of Governors.

Bob advised that there were a number of changes to the questionnaire this year to reflect the additional requirements of 'Managing Public Money' following reclassification of colleges into the public sector.

Lucy Robson advised that the external audit service would be requesting additional information on some of the areas in the questionnaire however this would be discussed initially with management outside of the meeting.

Members reviewed the questionnaire and sought clarity in relation to the response on senior pay. Bob confirmed that the threshold referenced in the questionnaire to seek approval in relation to senior pay related to guidance implemented with effect from May 2023 and that there were no roles within the College to which this would relate as senior pay was compliant with the relevant guidance in place at the time the College's pay levels were set. It was agreed that the wording of the response should be expanded to clarify the position. Lucy Robson advised that she would be requesting a similar further expansion of some of the responses to provide greater clarity in some areas of the questionnaire. Members also requested that the document was fully reviewed to ensure that the formatting ensured that the responses provided matched up to the questions in the document so that it was clear that the response satisfied the question.

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It was agreed that a revised version taking the Committee's feedback into account would be produced for signature by the Principal and Chair and circulated to the November meeting of the Committee.

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23/67 Strategic Risk Register – update (Paper D)

Members reviewed Paper D, the Risk Register update and noted there had been no changes to the register since the Committee's last review in June 2023.

23/68 Risk Management Annual Report 2022/23 and Key Risks (Paper E)

Paul Bradley presented Paper E, the Risk Management Annual Report 2022/23.

Members noted there were currently 41 risks in the Strategic Risk Register and reviewed the Top 10 risks.

Members reviewed the emerging risks noting that the emergence of RAAC concrete was a key change. Paul advised that there was no risk to the main campus but surveys were being conducted on

the two offsite podiatry clinics, one of which was owned by the College, the other by a landlord.

Members considered the classification of issues as emerging risks and suggested that some of these should be moved into the risk register where there had been an explanation of the risk, impact, probability and there were actions/mitigations in relation to current issues that were being addressed. Members felt there was a distinction between these areas e.g. capital projects, HE Partnerships, the Academies Trust and RAAC on the one hand and other issues identified in the context of horizon-scanning.

Members requested that as an annual report the narrative should be expanded to reflect developments over the course of the year for example highlighting issues that had emerged or changes to the profile of a particular risk that was no longer in the Top 10. It was agreed to add a section to the report before submission to Corporation.

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Members agreed to recommend the report to Corporation subject to inclusion of the additional information.

23/69 Annual Report on fraud attempts and whistleblowing 2022/23 (Paper F)

Paul Bradley presented Paper F, which updated on fraud attempts made against the College and public interest disclosures during 2022/23.

Paul outlined the College context and fraud landscape in the FE sector, advising that risk of fraud remained high on the strategic risk register. Paul highlighted the proactive work undertaken through the internal audit review of counter fraud activity which delivered a substantial assurance opinion with one medium priority and one best practice recommendation. Paul confirmed that there had been no recorded fraud attempts during the last year.

In relation to whistleblowing, the report summarised the arrangements in place to support public interest disclosures and Paul confirmed that there had been no reports made to the designated officers over the last year. Members expressed concern that there had been no reports during the year and questioned whether there was a widespread awareness of the policy and procedure among staff. The Corporation Secretary advised that the policy and procedure document was published on the external website and the staff intranet and was cross-referenced in the Financial Regulations. An email to all staff was issued on an annual basis highlighting the policy and linking to its location on the intranet. Members asked if further consideration could be given to increasing internal communication of the policy.

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Members were also concerned at a lack of knowledge of fraud attempts and discussed whether it would be possible to quantify

some element of the phishing email attempts referenced in the report in relation to the capital build. Paul advised that the value of the invoices was not known but that he had raised the general issue with the ESFA counter fraud team to explore what else could be done to provide greater assurance. Members concluded that communication to staff should also be more prominent in relation to fraud.

Members asked that the report reflected the fraud position before and after the controls outlined, so that it was made clear there had been a number of attempts but that none had been successful due to the controls in place. It was noted that accumulating information on near misses would be useful in feeding into the risk and assurance arrangements.

PB

Members noted the report.

23/70 Any other business – None.

23/71 Date of Next Meeting – 20 November 2023

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

23/72 Confidential Minutes of the meeting held on 19 June 2023 (Paper G)

The confidential minutes of the meeting held on 19 June 2023 were agreed as accurate and signed by the Chair.

23/73 Confidential Item – Internal Audit Service – update (Paper H)

This item is recorded confidentially under confidential minute 23/73a.

Paul Bradley left the meeting.

23/74 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:

- One member felt that there needed to be more focus on outputs than process, but the overall view was that the Committee was generally effective.
- Whilst the Committee had increased its focus on risk over the last year, including in regular discussion with the Corporation Chair, there remained a need to increase consideration of risk at Board level. Members felt a dedicated board session to focus on risk would improve the position and encourage the Board to consider risk in the context of its strategic ambitions. A discussion on the

approach to emerging risks would also be helpful. It was felt that there would be benefits from both internally and externally facilitated sessions.

- Members felt there was also scope to enhance the Committee's own approach to risk, including greater challenge of the strategic risk register and audit universe and revisiting risk at the end of an audit to determine whether the risks articulated at the outset of a review had been mitigated.
- Members reflected on the useful discussions during the year on safeguarding and academic malpractice and agreed that these sessions had worked well in increasing the Committee's understanding of key areas of activity and providing additional assurance that complemented the core IA work programme. Members felt it would be useful to continue this approach in future with a focus for example on the top three to five areas of risk, but emphasised the need to discuss this with management to ensure there was also added value from their perspective.
- Members considered succession planning moving forwards and agreed there was a need to broaden membership to ensure a mix of skills among committee members.
- Members reflected on how the Committee had added value over the year and highlighted in particular the improvements to audit terms of reference and reports to Corporation as a result of members' input and feedback.
- Members commented that it would be useful to receive feedback from management on the Committee's activity and contribution.

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