

CHAIR APPROVED

The Corporation of New College Durham

**Minutes of the Audit and Risk Committee
meeting held on 16 June 2025**

Present:

Allen Eccles
Emily Baxter

Jonathan Hamill
Kathryn McCloghrie

Apologies:

Bob Metcalf

In attendance:

Paul Bradley (Chief Finance Officer)
Adele Dowson (Vice Principal)
Stephen Pringle - WBG (Internal Audit Service)
Angela Ingham – Azets (External Audit Service)
Marc Breeze – Azets (External Audit Service)
Caroline Winter (Head of Governance & Corporation Secretary)

Action

25/14 Chair's introduction

The Chair welcomed everyone to the meeting and noted that Angela Ingham and Marc Breeze from Azets, the newly appointed external auditors were attending their first meeting of the Committee.

Members were reminded to declare their interests in any item of business to be discussed at the meeting. No interests were declared.

25/15 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.

Jane Naylor joined the meeting at 4.07pm

The Committee agreed to re-order the agenda due to the delayed arrival of some of the management attendees and deal with the internal audit service reports first.

25/16 Apologies for absence were received from Bob Metcalf.

25/17 Final Report – Procurement (Paper C1)

Stephen Pringle presented Paper C1, the internal audit review of Procurement.

Paul Bradley and Adele Dowson joined the meeting at 4.13pm.

The review considered the College's procurement strategy and policy, adherence to procedures, staff training, contracts and monitoring of supplier performance. The overall conclusion of the report was a strong level of assurance, with one low graded recommendation and eight identified areas of good practice. Stephen highlighted the benchmarking section of the report and advised that the number of recommendations for this type of review were lower than other colleges for this area of review. The key theme emerging from audits of other colleges was a failure to follow or strictly apply the relevant procurement rules. Stephen advised that the low grade recommendation related to the updating of the Procurement Policy but that the draft policy was in the process of being finalised. Stephen concluded that overall this was a very good review with a number of good practice points and better than average benchmarking performance.

The Chair invited observations on the report from Jane Naylor, the Head of Procurement. Jane advised that the audit had been very detailed, taking a week to pull the relevant information together for the auditors to review. In relation to the low grade recommendation, it was anticipated that the Procurement Policy would receive approval from the College's Senior Leadership Team in the meeting held earlier that day. Jane also advised in relation to the report observations that the policy had been amended to define 'strategic contracts' as contracts with a value of £30,000 and above.

Members sought clarification on whether the reclassification of the College into the public sector had required a change to the College's procurement rules. Jane confirmed that the College had always been subject to the public sector procurement rules so no additional changes had been required beyond reflecting updates to the regulations.

Members sought reassurance that the College remained legally compliant in its activities in light of the outstanding approval of the procurement policy. Jane confirmed that despite the delay in finalising the policy the College at all times had been compliant with legislative requirements. Stephen confirmed that this was the case and was the reason that the recommendation itself had been classed as low grade. Any areas of non-compliance would have resulted in a higher grade recommendation.

Members asked about the frequency of using telephone quotes and how the detail of what was agreed was recorded. Jane confirmed that where telephone quotes were used there would always be a document attached to requisitions to enable the team to check that prices matched the detail in the order.

Members commended the report, highlighting the number of good practice recommendations and thanked Jane for her attendance.

Jane Naylor left the meeting at 4.20pm.

25/18 Final Report – Follow up review (Paper C2)

Stephen Pringle presented Paper C2, the review of follow up actions from previous internal audit reviews.

Stephen advised that 11 recommendations had been fully implemented. One low grade recommendation relating to the review and update of the Higher Education Strategy 2021-26 had not been implemented and a new implementation date had been set for March 2026.

Members discussed the current context relating to HE partnerships and acknowledged that the HE team were keen for greater certainty of the operating environment before implementing the recommendation. Members emphasised however that this was one of the greatest areas of risk for the College and suggested that the Committee's schedule included follow up activity over the next six to nine months. Paul Bradley confirmed that the level of risk was reflected in the report from the College Risk Management Group to be considered later on the agenda and that an audit on HE partnerships had been included in the Internal Audit Plan for 2025/26.

Part of this item is recorded under confidential minute 25/18a.

Members asked about the level of evidence considered to provide comfort that recommendations had been implemented. Stephen advised that for each recommendation the original action would be repeated e.g. sample testing, requesting a copy of an updated policy/procedure and where recommendations came from a previous auditor, WBG would undertake their own testing. In response to a further question Stephen confirmed that testing went beyond checking that the action had been implemented but also that it was effective in addressing the issue raised.

25/19 Internal Audit Progress Report (Paper C3)

Stephen Pringle presented Paper C3, the Internal Audit Progress Report. Stephen advised that all reviews had been completed with the exception of the funding review of apprenticeships, which would be completed in the coming weeks and reported to the September meeting of the Committee.

Stephen advised members that the Internal Audit Annual Report would be provided for the September meeting and there would not be a separate progress report.

Members noted the report.

25/20 Internal Audit Plan 2025/26 (Paper C4)

Stephen Pringle presented the draft Internal Audit (IA) Plan for 2025/26, reminding members that a 3-year strategic IA plan had

been prepared on WBG's appointment as the College's internal audit service last year. The plan was based on previous internal audit coverage, the strategic risk register, the College's strategic aims and plans, all of which were drawn together in an audit needs assessment to be revisited each year. A meeting was also held with Paul Bradley to discuss areas proposed for inclusion in the draft plan for 2025/26. Members reviewed the plan noting the areas proposed for review in 2025/26, the proposed timetable, the key performance indicators which Stephen confirmed would remain the same as the current year, potential training topics WBG could offer and also the audit universe, which reflected reviews to date and those proposed for 2025/26.

Members asked whether the review scopes were based on input from the College or from wider knowledge across the FE sector. Stephen explained that the aim was to ensure each audit was bespoke to the College, however the IAS had a library of audits on which to draw and this enabled consideration of key issues and risk areas seen elsewhere that may not have been considered by the College.

Members discussed the absence of a further review covering IT systems in the next two years and noted that GDPR was marked in the plan as an area for consideration. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Paul Bradley agreed that a further internal audit review of cyber security should be included in the programme and suggested including this in 2026/27. Paul updated the Committee on a recent business continuity exercise undertaken by the Senior Leadership Team (SLT) and advised that plans were being made to run a similar disaster recovery exercise responding to a cyber attack, the outcome of which would be reported to the Committee. Members considered whether the internal assurance from the SLT exercise would provide a sufficient level of comfort and recognised that the insurer running the exercise would offer a different perspective and potentially fill a gap. Paul Bradley reminded the Committee that assurance would also be provided through the Cyber Essentials Plus audit which was reported as part of the annual report to the Committee from the Executive Director of ICT and Corporate Services. It was agreed to add the feedback from the forthcoming SLT exercise into the Committee's Schedule of Business which was to be considered later on the agenda and to prioritise a further cyber security internal audit review at the start of the 2026/27 work programme.

CW/PB

SP/PB

Members revisited the reference in the plan to GDPR as an area for consideration in the programme and requested that any future review included Subject Access Requests within scope. It was also agreed to explore the potential for training on this area and

members noted that a training session was being planned for September in relation to fraud awareness.

Members queried the timing of the proposed review of HE partnerships and suggested that bringing this forward would enable lessons to be learned in advance of the College considering any new partner arrangements. A discussion followed on the number of days allocated to the review of Treasury Management given the small number of institutions involved, the relatively straightforward arrangements and relatively low level of risk. Members suggested reducing the number of days for the review and re-allocating them to a wider scope for the HE partnerships audit. Stephen explained that the proposed plan was a draft for the Committee's discussion and confirmed that the Treasury Management review scope could be reduced and with additional days the HE partnership scope increased. Paul Bradley highlighted that WBG had previously conducted a review of due diligence arrangements relating to the London School of Commerce partnership and that there would be merit in reviewing the audit scope to inform the planned review.

The Chair summarised the Committee's proposed changes to the 2025/26 plan:

SP/PB

- The review of HE partnerships would be brought forward in the 2025/26 timetable to provide assurance in advance of any new partnership proposals and incorporate consideration of the following:
 - the effectiveness of the current controls operated by the College's HE Partnerships Team
 - the consideration and incorporation of lessons learned into due diligence arrangements for future partnership proposals
- The days allocated to the review of Treasury Management would be reduced and reallocated to the review of HE partnerships, with both review scopes amended in accordance with the committee's discussions

Members confirmed their agreement to the earlier proposal to include a further review of cyber security at the start of the work programme for 2026/27 and that there was no requirement to consider a revised iteration of the plan ahead of Corporation.

Members agreed, subject to the changes discussed, to recommend the Operational Plan for 2025/26 to Corporation for approval.

25/21 Minutes of previous meeting (Paper A1)

The minutes of the meeting held on 17 March 2025 were agreed as accurate.

25/22 Matters arising not appearing elsewhere on the agenda

25/06 – the latest Risk Management Group report confirmed whether references to ‘recruitment’ related to staff or students.

25/06 – the wording of the risk relating to the external governance review was revised to reflect the committee’s comments.

25/07 – a paper was considered at the March Corporation meeting which provided a breakdown of the College’s external funding portfolio and a briefing on the key funding streams was provided to governors as part of the recent College Finances training. Members confirmed that the detail provided assisted with understanding the external funding position and addressed the query raised.

25/08 – members were updated on the business continuity exercises referenced earlier in the meeting and noted the proposal for an exercise focused on the response to a cyber attack, after which a further review on cyber security would be included in the 2026/27 IA plan.

25/08 – information on the themes found in similar audits in other colleges was now included in the benchmarking section of the final internal audit reports.

25/23 Report from College Risk Management Group (Paper B)

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

Members reviewed the latest risk profile and Paul updated on changes to the Risk Register since the previous meeting. A number of the changes to current risks related to uncertainty of future funding and Paul updated that the DfE were under heavy criticism within the sector for the timing of funding announcements. It was proposed to review the high risk in relation to future funding after Corporation approval of the 2026/27 budget with the potential that this could be reduced to a lower category, however Paul emphasised that as some contracts were for only 12 months the College could be in a similar position next year. Members noted the two high priority risks relating to HE partnerships and the re-scoring of the Artificial Grass Pitch and Car Park project to low risk due to it being substantially complete.

Paul drew members’ attention to the emerging risks in the report and in response to a question on the outcome of the disaster recovery desktop exercise and future plans, Paul confirmed that lessons had been learned in relation to communications, managing the different roles in the organisation’s response and the importance of consistent messaging to manage the response of students and parents in the event of an incident. Further exercises would be conducted with cyber security being the next area of

priority. Members asked about whether the police participated in the exercise and Paul confirmed that whilst there were no external participants, the insurer running the session interjected with their likely perspective at different points in the exercise.

In response to a member's question on reflecting the risk around succession planning for the Senior Leadership Team, Paul explained that development of the risk relating to loss of key staff and failure to recruit had been focused on delivery of the curriculum. It was agreed to re-word the risk to include the SLT and to add the oversight of succession planning undertaken by the Search and Governance Committee to the controls.

PB

Part of this item is recorded under confidential minute 25/23a.

Members noted the current risk profile, the risk action plan for 2024/25 and the notes of the RMG held on 4 June 2025.

25/24 External Audit Plan (for 2024/25 financial year) (Paper D)

Marc Breeze presented Paper D, the External Audit Plan.

Marc summarised the arrangements for the audit as detailed in the plan including: the audit scope and that the general approach would be a wholly substantive approach and risk-based audit, with a greater level of work in areas considered a higher level of risk based on information from the sector or discussions with management, the approach to materiality based on statistical modelling of the College's revenue, the reporting of deficiencies in internal controls, the separate regularity reporting in compliance with the DfE Auditor Framework, risk assessment in respect of the Local Government Pension Scheme (LGPS), changes to the financial reporting framework and review of the going concern assessment.

Members reviewed the significant risk areas and Marc confirmed that management override of controls would feature in all audits rather than being specific to NCD, and clarified that the reference to 'cut off' in the plan was defined as ensuring that income was included in the correct period due to the lagged funding arrangements within the college sector. Marc confirmed the intention to rely on R13 ILR data subject to no adjustments being required when R14 is published. In terms of other identified risks to be considered during the audit Marc highlighted the valuation of the Local Government Pension Scheme, regulatory and propriety risks following reclassification of colleges into the public sector, capital expenditure, potential funding refunds relating to OBC students and review of opening balances to establish the starting position as new external auditors. Marc confirmed arrangements for the regularity assurance engagement and in response to a member's question clarified that Azets would perform a limited rather than reasonable assurance engagement in this area.

Marc drew members' attention to the details of the Audit team and timetable set out in the plan and confirmed that the audit would be complete before the November meeting of the Committee. Members noted the confirmation on auditor independence and objectivity and Marc advised that the engagement letter required by the DfE in respect of the regularity assessment would be provided for signature and circulation to the Committee as soon as possible. In response to a member's question about the proposed liability cap being discussed with the DfE, Paul confirmed there were no concerns to raise with the committee.

The Chair thanked Marc for a very clear report and presentation and members noted the External Audit Plan.

25/25 Provisional Schedule of Business for 2025/26 (Paper E)

Members endorsed the Committee's provisional Schedule of Business for 2025/26, subject to the inclusion of the report on cyber incident desk top exercise.

25/26 Any other business - none

25/27 Date of Next Meeting – 22 September 2025

Stephen Pringle, Angela Ingham and Marc Breeze left the meeting 5.36pm.

25/28 Confidential minutes of the meeting held on 17 March 2025 (Paper A2)

The confidential minutes of the meeting held on 17 March 2025 were agreed as accurate.

Members noted the following update on the minutes:

- 25/13 – the report to Corporation recommending the appointment of the external audit service provider had been revised to reflect members' comments on the quality of the bids.

25/29 Meeting evaluation (Verbal update)

The Head of Governance and Corporation Secretary explained the 'light touch' approach to this year's annual Committee Effectiveness Review due to the extensive governor and SLT participation in the external governance review in recent months.