

The Corporation of New College Durham

Minutes of the meeting of the Audit and Risk Committee meeting held virtually via Microsoft Teams on 25 November 2024

Present:

Allen Eccles
Jonathan Hamill
Kathryn McCloghrie

Apologies:

Emily Baxter

In attendance:

Paul Bradley (Chief Finance Officer)
Bob Metcalf (Executive Director of Finance & Corporate Services)
Elaine Bonham (Executive Director HR and Corporate Services) - *part*
Lucy Robson – RSM UK Audit LLP (External Audit Service)
Stephen Pringle - WBG (Internal Audit Service)
Caroline Winter (Head of Governance & Corporation Secretary)

Action

24/57 Chair's introduction

The Chair welcomed everyone to the meeting and noted that Kathryn McCloghrie had been formally appointed to the Committee since attending the previous meeting as an observer.

Members were reminded to declare their interests in any item of business to be discussed at the meeting. No interests were declared in any of the agenda items. Jonathan Hamill advised the Committee of a business interest arising from use of Muckles Solicitors, who also acted for the College on certain matters. It was agreed to note the declaration for transparency purposes but that this did not present any conflict.

24/58 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 and gain further audit assurance.

A member sought clarification in relation to the classification of 'significant' risks referenced in the audit findings report. It was confirmed that this was based on audit planning activity due to the nature of certain risks rather than in response to any findings in the report.

Paul Bradley, Bob Metcalf and Elaine Bonham joined the meeting at 4.11pm.

The Chair advised the Committee that Ian Green had resigned from Corporation. The Committee agreed to place their thanks on record for Ian's involvement over the last two and a half years.

Members confirmed that they did not require any further discussion about the starred agenda item Paper G.

The Chair advised members of an additional confidential item updating on the re-tendering of the external audit service and it was proposed to consider this at the end of the meeting.

24/59 Apologies for absence were received from Emily Baxter.

24/60 Minutes of previous meeting

The minutes of the meeting held on 16 September 2024 (including confidential minutes) were agreed as an accurate record.

24/61 Matters arising

24/37 – the sources of assurance would be updated in both the IA plan and assurance map and re-circulated to the committee before Christmas. **PB**

24/40 – the outstanding action from the SMIS audit had been implemented and tested.

24/41a – the outcome of the further audit in relation to NA College expenditure was awaited, after which the DfE would make a determination. Provision had been made in the final accounts for potential clawback.

24/44a – the report had been submitted to the DfE and no further queries had been received.

24/62 Report from College Risk Management Group (including Action Plan for 2024/25 (Paper B))

Paul Bradley presented Paper B, the report from the Risk Management Group (RMG). Members reviewed the latest risk profile and Paul advised that a number of risks had been re-scored and a risk covering mental health and wellbeing of students and staff had been added.

Members considered the areas of emerging risk and discussed the relationship with existing risks on the strategic register. In response to a question about the continued inclusion of Brexit, Paul advised that the College was still encountering issues with procurement of goods from abroad but that this would probably lessen in future. Members asked about student recruitment and noted that the risks of both higher and lower numbers were monitored due to impact on curriculum planning. Members asked about risks relating to energy costs and Paul confirmed that whilst

the College currently had a fixed deal, this would become a strategic risk towards the end of the agreed period.

Members queried the deadline for reporting carbon emissions and it was agreed the date would be checked and confirmed. Members commented on the significant challenge this requirement would present and emphasised the need for early preparation.

PB

Members noted the current risk profile, the risk action plan for 2024/25 and the notes of the RMG held on 1 October 2024.

24/63 Final Report – Use of Agency Staff (Paper C1)

Stephen Pringle presented Paper C1, the internal audit review of the use of agency staff.

Stephen summarised the purpose and objectives of the review as detailed in the report and advised that the overall conclusion of the review was a strong level of assurance. There were two low graded recommendations relating to documentation of staff appraisals and the timely return of signed employment contracts.

The Chair invited observations on the report from Elaine Bonham, Executive Director, HR and Corporate Services. Elaine advised that the context for inclusion of the use of agency staff in the strategic risk register was the significant increase due to ongoing recruitment challenges in particular areas. The report had not identified any issues that were unknown to HR and provided welcome assurance of the robust processes in place for recruitment as well as the challenge applied by the Executive Directors in approving agency staff. Actions were being implemented to focus on addressing the two recommendations.

Members discussed the findings and commented that the College's approach was reasonable in the context of the current market and the overall recruitment and retention risk, which remained high. Elaine confirmed that the position was being closely monitored with regular updates to the Senior Leadership Team. Recruitment challenges continued but tended to be focused in particular specialist areas where the necessary expertise had not been available within the supply pool. The College had increased the establishment where appropriate and continued to operate a core and peripheral workforce that could be flexed as required and avoid large scale redundancies.

Members noted the report.

Elaine Bonham left the meeting at 4.28pm.

24/64 Internal Audit Progress Report (to 31 October 2024) (Paper C2)

Stephen Pringle presented Paper C2, the Internal Audit Progress Report. Members noted that the audit of cyber security had been

postponed to January 2025 and would be reported to the March meeting, however the remainder of the plan was on track. In response to a member's question it was confirmed that management had requested the cyber security review be moved due to staff availability during the initial dates proposed.

Members commented that the report provided a useful overview of the status of each review and requested that the internal audit service (IAS) and management reviewed the timetable to confirm the dates for the remaining reviews were suitable. Members also requested that the IAS maintain awareness of the updated risk register to inform their work.

**SP /
PB**

Members noted the report.

24/65 Review Financial Statements Auditors' Management Letter for 2023/24 (Paper D)

Lucy Robson presented Paper D, the audit findings report for the year ended 31 July 2024. Lucy advised that the report would be updated with the final position for circulation to Corporation and shared with the ESFA at the closure of the process.

Lucy confirmed that the audit work was substantially complete and RSM were expecting to issue an unmodified opinion on the financial statements for the College and its subsidiary, and also on the regularity report. The financial statements had been received in full with comments currently being worked through so that final checks and updates would be complete before Corporation. There were no contentious issues and all matters had been discussed with management. Lucy summarised the outstanding issues to be finalised over the following week and confirmed that the College was in a good position.

Members noted the final materiality position and Lucy highlighted the unadjusted misstatements detailed in the report. Lucy advised that the only material item related to reallocation of a pension creditor, but confirmed this had no significance on the main findings of the report. It was also noted that the final position on R14 income was considered to be a relatively small impact and would be left as unadjusted in the financial statements.

Members reviewed the key and significant risk areas discussed at the audit planning stage. In relation to income recognition the review did not highlight any material misstatements but made two control recommendations. A difference in calculation of HE income was noted however there were no concerns around the management approach to calculation of this income and it was agreed this was not material and no adjustment was required. Supporting evidence was provided and work completed in relation to management override of controls with no significant issues identified.

In relation to non-routine transactions Lucy explained the provision for the NA College position in the financial statements, but it was noted the amount of clawback was still to be determined by the DfE. The position was expected to be resolved in the 2024/25 financial year and any write off would require DfE approval. In response to a member's question about an update from the DfE prior to signature of the accounts, Bob Metcalf updated on the ongoing audit of NAC expenditure but advised that this would not determine clawback, which would be based on project delivery and agreed with the DfE.

Lucy explained the findings relating to defined benefit pension and the treatment in recent years in the financial statements. Following detailed consideration of the position Lucy confirmed the RSM approach was consistent with local authority pension schemes and that any associated gain as a result is not recorded in the financial statements. In response to a member's question about tax implications Lucy confirmed that the College was not liable for corporation tax and so there was no impact.

Lucy highlighted the Corporation's responsibility to consider the going concern position and advised that RSM's review had considered the same information available to the Corporation and the Finance and Resources Committee, reviewing the assumptions made, challenging income projections and considering the capital outflow. Lucy confirmed the College was in a healthy cash position with no borrowings and RSM were content with the going concern assessment. It was noted that a letter confirming support to Westfirst Limited would need to be provided when the accounts were considered by Corporation in light of the small balance owed.

No issues of concern were identified from the regularity work undertaken and the NAC position had been noted with no further approvals required. Lucy confirmed she had held separate discussions with the Corporation Chair and the Accounting Officer and no instances of non-compliance had been noted. Lucy reminded members that the requirements on regularity were summarised in the new College Financial Handbook and it was agreed to provide a copy to new Committee members.

CW

Members noted the findings in relation to sub-contracting and partnership work and the detailed review of documentation relating to capital works due to the significant level of activity in the last couple of years, noting that no issues were identified. Members discussed depreciation timelines and queried whether the policies had been reviewed and remained appropriate. Lucy confirmed that the College's approach was consistent with what was seen elsewhere and Bob Metcalf explained the approach in respect of IT equipment and furniture and the aim to 'sweat the assets' appropriately. The potential to change specific categories in-year was noted but Lucy confirmed that the College was consistently applying the policy at the current time.

Members reviewed the remaining sections of the report covering management judgements and accounting estimates and recommendations on controls, noting that management responses were expected before circulation of the report to Corporation. Lucy confirmed the representation letters required from the Board and confirmed that RSM were aware of the recent whistleblowing investigation in respect of one of the HE partners, which had been concluded. In response to a member's question about the Land Registry discrepancy identified, Paul confirmed that this would be resolved as soon as possible.

The Chair thanked all involved for their work on the audit commenting that this was a substantial undertaking for both the auditors and management. Members noted the report.

24/66 Draft Annual Accounts for 2023/24 (Paper E)

Bob Metcalf presented Paper E, the draft annual accounts for 2023/24.

Members were briefed on the final surplus and Bob explained the reasons for the increase on the start of year position, highlighting the lack of certainty on contracts that were subject to a bidding process, the agreement of new HE partnerships which commenced during the year, the significant Bootcamp funding awarded during the year, ESF project change requests and additional Office for Student funding, none of which had been guaranteed when the budget was set. Bob emphasised the importance of the monthly financial monitoring reports which kept members up to date on these changes as they occurred, and explained that the cash position was also higher than expected due to the College holding DfE funding in its account on behalf of the North East Institute of Technology (NEIoT), which would be recovered in future. Members noted that the financial health score indicated a provisional rating of Outstanding, which was subject to formal confirmation.

In response to a member's question about interest on the additional NEIoT funding Bob confirmed there was no requirement to make any provision for interest accrued as lead partner, with the College also bearing the risk and audit costs of the arrangement. Members commented that the monthly financial monitoring reports demonstrated the latest developments and overall financial position and acknowledged the reasons for the difference between the projected and final surplus.

In response to a member's observation it was agreed to amend the section on attendance at committee meetings to provide clarity where members had joined the committee part way through the year.

**CW /
BM**

Members noted the financial results and the draft Financial Statements as presented.

24/67 Draft Audit and Risk Committee Annual Report for 2023/24 (Paper F)

Allen Eccles presented Paper F, the draft Audit and Risk Committee Annual Report for 2023/34, which summarised the work of the Committee over the year and its overall opinion.

Members discussed potential priorities for the year ahead and agreed that maintaining a focus on risk management and developing the Committee's practice in this respect would continue to be a priority. Members discussed whether more consideration of opportunities as well as risks would be of benefit, citing Westfirst Limited and the New College Durham Academies Trust as potential examples. It was felt that this linked to the monitoring of emerging risks and members suggested that consideration of an approach to reviewing opportunities could be explored by the College's Risk Management Group.

PB

Members discussed the report in the context of recent membership changes to the Committee and it was agreed that whilst there had been continuity of membership during the year, that the report should reflect the current position, detailing the actions taken, information shared, and support provided to manage the transition to the new membership. It was also agreed to seek views on the report and the Committee's opinion from a longer-serving member unable to attend the current meeting.

CW

CW

After reflection on the on the information and assurance provided and subject to the actions agreed, the Committee endorsed the report and opinion for presentation to Corporation.

24/68 External Audit – FE Emerging Issues (Paper G)

Members received and noted the briefing document.

24/69 Any other business

The Chair confirmed there was an additional confidential item for discussion.

Lucy Robson and Stephen Pringle left the meeting.

Confidential Item – External Audit provision (verbal update)

Paul Bradley updated members on progress with the external audit service procurement. Allen Eccles declared an interest at this point as an employee of an audit firm. The Committee agreed that given that his employer was not bidding for the work the risk of conflict was low and could therefore be managed with Allen participating in the discussion.

Paul confirmed that tender submissions had been received and a shortlist of three providers identified. It was agreed that committee members should be involved in the supplier presentations recognising this would be dependent on availability. Paul confirmed it was expected to hold the presentations within the next two weeks and members would be advised of the date as soon as possible.

24/70 Date of Next Meeting – 17 March 2025