



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 18 JUNE 2024 AT 10.00 AM, IN THE BOARD ROOM, THE ROUNDHOUSE, DCG**

WELCOME, APOLOGIES FOR ABSENCE AND INTRODUCTIONS .....	2
DECLARATIONS OF INTEREST, CONFIRMATION OF ELIGIBILITY AND QUORUM.....	2
FRAUD AND IRREGULARITY .....	2
MINUTES OF THE PREVIOUS MEETING.....	2
STRATEGIC RISK MANAGEMENT REPORT.....	2
INTERNAL ASSURANCE: HR AND PAYROLL REPORT .....	4
INTERNAL ASSURANCE: KEY FINANCIAL CONTROLS.....	5
INTERNAL AUDIT PLAN AND STRATEGY .....	6
EXTERNAL ASSURANCE: OFS ILR DATA AUDIT REPORT AND ACTION PLAN ..	7
EXTERNAL AUDIT PLAN.....	8



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 18 JUNE 2024 AT 10.00 AM, IN THE BOARD ROOM, THE ROUNDHOUSE, DCG**

Present: Andrew Dymond (Chair), Stuart Ellis, Kevin Slack, Rosslyn Green

In attendance: Jo Clifford (CFO), Michael Ford (Corporate Services), Claire Love (FD), Cheryl Tacchi (DPO), Rob Bamford (DSL) – agenda item 57/23-24 only  
Jonathan Creed (ICCA – Internal Auditors)  
Gareth Jones and Mark Matley (RSM – External Auditors)  
Rose Matthews (Clerk)

**PART ONE - GENERAL MINUTES**

**53/23-24 WELCOME, APOLOGIES FOR ABSENCE AND INTRODUCTIONS**

Rob Bamford was welcomed to the meeting.

There were no apologies for absence.

**54/23-24 DECLARATIONS OF INTEREST, CONFIRMATION OF ELIGIBILITY AND QUORUM**

All members were eligible and the meeting was confirmed to be quorate. There were no new declarations.

**55/23-24 FRAUD AND IRREGULARITY**

There were no instances of fraud or irregularity to report to date for the year.

**56/23-24 MINUTES OF THE PREVIOUS MEETING**

**RESOLVED: The minutes of the meeting held on 12 March 2024 were formally approved.**

**57/23-24 MATTERS ARISING**

44/23-24 The External Auditors had circulated details of the governance webinar on the Financial Handbook.

**58/23-24 STRATEGIC RISK MANAGEMENT REPORT**

Michael Ford (MF) presented the latest Risk Management Report and updated Register.

There were 25 risks under review on the Corporate Risk Register, with three rated as high. These related to failure

Action

Date

to attract high calibre personnel, inflationary pressures, and failure to achieve financial targets.

The ONS reclassification risk had been mitigated down through control measures.

Ongoing litigation was summarised. There was no significant issues relating to health and safety or Prevent referrals. Headline safeguarding was shared with members.

**Stuart Ellis (SE) pointed out there had been a discussion about safeguarding at the last meeting. Whilst it wasn't his area of expertise, he noted the numbers had increased by 5% and felt it was not right to not raise it.**

The DSL pointed out he had raised this at the last meeting and the increase should be taken as a positive reporting culture. He said the key thing Members should take is what was being done about the disclosures. Disclosure trends were analysed and reported to the Safeguarding Committee (which Sue Bradley as the Safeguarding Lead Governor attended). Trends related to self-harm and suicidal tendencies which was reflected nationally. A lot of work was carried out by the Safeguarding Team and those involved in the Mental Health Steering Group.

Since last year there had been a change in the team and provision with dedicated safeguarding teams on each site, which is why the College have seen a result – as they are in a better position to identify and enable students to document and action concerns.

The DCEO also added that student numbers had increased, and as such the College would expect safeguarding numbers to increase. The College also had over 250 looked after children – which was high.

The DSL said they ran regular focus groups and told to assume there was a safeguarding issue with everyone, these have focussed on single sex groups, harassment, neglect, etc., disclosures were often raised following these – creating an environment encouraging people to raise concerns.

**SE said the Audit Committee could take assurance there was a process and background analysis to support the report.**

**The Chair of Audit asked if the College cohort mirrored Derby and the surrounding area.** The DSL sat on the City Board to understand emerging themes and the Director of Public Health also attended that meeting. Regionally and nationally the key theme was mental health and wellbeing.

Attendance of students was also analysed to indicate any safeguarding concerns and welfare checks built in.

**The Committee Chair questioned the OFS Audit and how that was reflected in the risk register.** Risk 16 related to data in DCG systems and would be covered by preventative controls. This would also feature on the operational HE Risk Register. A further monitoring mechanism is the Internal and External Audit Recommendations Monitoring Report which has been widened to include external audit recommendations.

**The Committee noted a staff allegation that was under investigation.** Whilst the detail could not be shared with the committee, Members questioned if it was a theme and sought assurance the College's processes had been followed – which they had.

**RG questioned some of the dates on the Internal and External Audit Recommendations Report in relation to apprenticeships.** It was noted the dates would be refreshed once the new Apprenticeship Manager was recruited.

**RESOLVED: The Committee accepted the risk register, discussed in detail, sufficiently challenged ahead of presentation at the Corporation.**

The DSL left the meeting.

**59/23-24 INTERNAL ASSURANCE: HR AND PAYROLL REPORT**

Jonathan Creed presented the report on HR and Payroll.

The scope was to provide assurance the College had adequate and effective systems, controls and processes in place to support the accuracy of its payroll.

The report provided a substantial audit conclusion, with adequate design and one low recommendation.

**Members discussed the report, staff had adapted to make the system work with lots of manual work arounds. The Chair said the risk related to how the system was rushed in.** The CFO advised a full review had been undertaken in relation to the system and the next steps had been evaluated. The College have a person who is familiar with the system, and there has been a process to reach its current point where it is ran and controlled. Work is continuing to improve and develop and it was decided to continue with it for its lifecycle and then revisit the market to review developments.

**The Chair asked the Internal Auditor if he had seen this system in other colleges.** They did see more of I-Trent (the system DCG used prior), but also did see Select. These systems were not built for the complexities of

MF

24/09/24

colleges.

**SE said the CFO had answered most of his questions, but he asked if it was delivering what they committed to when the agreement was signed, or were they under delivering?** The CFO confirmed that contractually they had delivered what they had promised. The College's expectations were higher from sales pitches.

**SE asked how long the College were tied into the contract.** It was until 2026, consideration had been given to the contract and it had been agreed to continue until the contract concluded.

**SE said his expectation is that lessons learned have been documented and that challenge is made on requirements when the contract comes up again to ensure it is fit for purpose. It was agreed this would be an action for the future.**

**KS asked if the modern way of working from home presented any challenges and the risks if anyone left the organisation.** The CFO explained there were two members of staff and acknowledge the weaknesses of in-house payroll was a 'light' team – but that two was not unusual in colleges. There was an overlap with Finance and HR and it was how those work arounds were addressed.

**Rosslyn Green asked what happened in an emergency** – This is where the policy and procedures were critical. Software suppliers could run a replicated payroll in such circumstances but it may not be accurate for that month.

**The Chair said it was how that department interacted with others, for example are people removed from systems when they leave? Risks around passwords etc.** This had been reviewed in the Data Protection Reports previously presented and would be picked up in the IT audit.

**RESOLVED: The Committee accepted HR and Payroll Report.**

**60/23-24 INTERNAL ASSURANCE: KEY FINANCIAL CONTROLS**

Internal Auditors, ICCA presented the Key Financial Controls Report.

The scope was to provide assurance the College has effective and efficient controls governing its fundamental financial systems for those areas under review.

The report provided a substantial audit conclusion, with no formal recommendations.

The benefits of recruiting vacancies in a timely manner and

selecting an integrated financial software system were highlighted.

**Members discussed the recruitment challenges and the timescale for recruitment of a new system.** The CFO advised she was speaking with other colleges who had implemented new systems to see what was available.

**The Chair asked if there were any blockers to appointing a new system in terms of Managing Public Money.** The CFO confirmed there were not.

**RESOLVED: The Committee accepted the report.**

**61/23-24 INTERNAL AUDIT PLAN AND STRATEGY**

Jonathan Creed, of the Internal Auditors, ICCA presented the draft Internal Audit Plan for 2024-25 and updated Strategy 2025-26.

The key areas based on risk based covered apprenticeships funding, strategic planning and IT security. Non-risk based related to OFS Funding Audit Action Plan and Key Financial Controls – purchase ledger – linking to the new Procurement Act and additional constraints under Managing Public Money.

The plan also allowed a contingency of five days providing scope should there be any variances to the plan throughout the year. Members were reminded of their right to keep the plan under review should the risk profile or operating environment change.

**RG questioned the red risks on the Risk Register and whether the purpose of the internal audit function was to test the mitigations were correct or if the College did not have correct procedures in place to mitigate the red risks.** The CFO explained the purpose was to gain assurance around the risks. The Internal Auditor, JC, said it was whether the Committee felt the reports provided a level of assurance to give grounds to reduce the residual risk.

Discussions also related to recruitment and retention, but it was noted that even with the best strategy in place, there were limitations with the sector.

**The Chair asked if the Internal Auditors had experience in their team for the OFS Review.** JC of ICCA said yes to a degree, but acknowledged there was very limited relevant experience generally across the sector. The FE audit methodology was published, but one did not exist for OFS Audits. The auditors were able to review the action plan and provide assurance it was addressing the points.

**RECOMMEND:** Members recommended the Internal Audit Plan and Strategy to the Corporation for approval.

62/23-24 **EXTERNAL ASSURANCE: OFS ILR DATA AUDIT REPORT AND ACTION PLAN**

The CFO presented a report on the OFS ILR Data Audit, the outcome of which provided limited assurance. The report was accompanied by a letter from the OFS, along with an action plan that had been accepted by the OFS. The OFS had also asked for an excel file to be re-submitted which would be completed by the end of the week.

Some weaknesses were identified relating to how qualifications on entry were collected and higher apprenticeship funding.

Underneath the action plan presented, was an operational plan which would be monitored by an operational working group to implement all actions.

The risk had been escalated on the Corporate Risk register and monitored through SLT and the recommendations tracker provided at this meeting.

Recommendations had been made at the prior audit which had been de-escalated on the risk register.

**Kevin Slack (KS) asked if the College had been surprised by the outcome.** The CFO had not been in post at the time, but when she revisited the last audit report was able to see items outstanding.

**KS asked if there were any consequences.** It was unknown at this stage. The possible consequences were discussed.

**SE asked if the action were progressing. Particularly those required by 6 June.** The action plan had been submitted and was on track with a resubmission due next week.

**SE asked if the issue from the last audit was that there had not been an action plan.** None of the people involved in the previous audit remained at the College and although the actions had been closed, it had been thought they had been followed up.

**RG asked if it was a case the OFS generally issue that opinion or was it because it was an area the College did not specialist in.** The Internal Auditor, JC said OFS was a different audit to its predecessor HEFCE and a lot of colleges struggled with HE returns. Little was known as to how many were audited at this level.

**KS asked if it was adding to the College's costs and if the benefit of it strategically needed consideration.**

The DCEO explained Engineering and construction were a local need and the College had a good track record with outcomes. It was meeting local business needs and degree apprenticeships did have employers asking for them. The College had narrowed its provision, although there was a big infrastructure.

**The Chair asked if it was material.** The External Auditors confirmed it was not. It may affect irregularity, but there was no accusation of anything being spent incorrectly.

**RESOLVED: The Committee accepted the OFS Report, the Action Plan and would continue to monitor through the Internal and External Recommendations Monitoring Report.**

**63/23-24 EXTERNAL AUDIT PLAN**

Gareth Jones of External Auditors RSM presented the External Audit Plan.

There had been a lot less change this year. The new Audit Manager, Mark, had met with the Director of Finance to agree the key dates and talked through the developments in the year.

Members attention was drawn to the risk around income recognition and funding streams, the defined benefit pension scheme, going concern and the subsidiaries.

The CFO explained the College had received a letter from the ESFA confirming last year's financial health grade as good. They had done a full review and requested the standard wording with regards to Managing Public Money that had been put in the previous return be included in the narrative of the Financial Statements in the future.

GJ, the External Auditor said a few years ago the DFE did not want the full wording from the sample Casterbridge accounts using and most colleges received one such letter.

**The Chair questioned if materiality would be the same as last year.** As it was a percentage of expenditure it would be around 2-3%.

**Members questioned the risks and if any had moved from last year.** The only difference was the presentation of the accounts.

There were no major concerns at this stage. **KS asked the CFO if there was anything to raise.** Potential claims on holiday pay calculations, no other approvals at the current stage – nothing novel or contentious. Terms



around additional borrowing was something the Auditors mentioned may be a question, but the CFO confirmed she had already discussed with the bank.

**KS also questioned the covenants and this was discussed.**

GJ highlighted the Economic Crime and Transparency Act and recommended if not already, that policies with regards to that are refreshed. The same also applied to the Procurement Act. **The CFO had reached out to RSMs consulting team about the changes and it was noted the RSM webinars had been helpful.**

**RESOLVED: Members accepted the External Audit Plan.**

All DCG officers left the meeting.

Prior to the confidential session, Governors met in private with the representatives from ICCA and RSM.

Finished at 11.30 am