



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 19 SEPTEMBER  
2023 AT 10.00 AM – REMOTELY VIA MS TEAMS**

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**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 19 SEPTEMBER 2023 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), Heather Kelly (DCEO), Michael Ford (Corporate Services), Claire Love (FD) Cheryl Tacchi (DPO), Ian McCormick (ITD) – minute no 05/23-24)  
 Jonathan Creed (ICCA – Internal Auditors)  
 Gareth Jones (RSM – External Auditors)  
 Rose Matthews (Clerk)

**PART ONE - GENERAL MINUTES**

**01/23-24 WELCOME, APOLOGIES FOR ABSENCE AND INTRODUCTIONS**

Andrew Dymond, the new Chair of Audit Committee welcomed all to the meeting.

Introductions were carried out with Claire Love, the College’s new Director of Finance.

There were no apologies for absence.

**02/23-24 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.

**03/23-24 FRAUD AND IRREGULARITY**

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

**04/23-24 MINUTES OF THE PREVIOUS MEETING**

**RESOLVED: The minutes of the meeting held on 20 June 2023 were formally approved.**

It was confirmed in the report on cyber security (the next agenda item) that the College had cyber security insurance in place.

44/22-23 Earlier Management Accounts for periods 2 and 3 had been introduced and would alert members earlier to activity. It was noted a report had already been submitted to the Board in relation to funding allocations.

Action	Date
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The Chair asked how things were looking in terms of the budget. The CFO explained there were always risks around enrolment – 16-19 and adults. It was too soon to say, but there was strong performance in ESOL who were working hard to over recruit. This would be reported to the next FRC.

In terms of challenges, additional funding had been allocated and an offer had been made to the Colleges' unions for a pay award and the rest would be worked through to see if any new pressures were emerging. It was too early to assess from the adult budget – which serially underperformed. They did enrol throughout the year and had a challenging target. It was still at risk at this stage as adult had proved hard to make any growth.

**The Chair raised a question around the new funding and whether this posed a risk (as it was being used almost entirely to support a higher wage offer, which would be an annual cost increase).** The CFO's response was that she believed the funding to be an annual increase and as such this would not have a negative impact on future budgetary compliance.

66/22-23 Gareth Jones of External Auditors, RSM had revisited the budgets in light of conversations from the last meeting. The new reporting requirements had not reduced the hours, but as a valued client RSM agreed to make a gesture of a 1% reduction which was offered to the College. The Committee thanked Gareth and agreed to take up the offer.

68/22-23 The risk register had been revised and this item would be covered in the Risk Report.

#### **05/22-24 CYBER SECURITY CHECKLIST**

The Director of IT shared his assurance report in relation to the ESFA's Cyber Security Checklist.

The College did meet a high standard for cyber security, had achieved benchmark accreditation and provided assurance all measures were robust.

The report positively addressed the five questions for education providers. It was noted the landscape was ever evolving and as such no guarantee could ever be provided, but constant training and vigilance were the best defence.

The biggest risk to the organisation was people, with regular phishing simulations carried out. The team will continue to promote and raise awareness.

**Members understood policies and procedures were in place, but noted the DPO report referenced some data being lost and they questioned if the College were**

**comfortable doing everything they could.** The College could get external companies in with a high level of expertise but this would come at a significant cost. The College did as much as they could with the resources they had available. Such discussions had been held at the Data Protection Group. It was a difficult decision whether to continue to support through training or restrict access. The College were trying to find the right balancing act, but had to take a stance if the organisation was being put at risk.

**SE asked if the five strategic questions were managed on the risk register.** The Corporate Risk Register presented to the Committee was part of a much larger document. – with only the highest risks shared at Board level. Each area had their own risk register and these are covered on the IT risk register, which is reviewed by the SLT. There is an overarching risk around cyber security on the register presented to the Board.

**Questions were also asked about risk assessing new systems and how they were monitored.** New systems had to integrate with the sign on system of the College. Some systems had a legacy where people who had left the College still had access. These had been created outside of an automated process and were monitored by the IT Service Desk relying on the area's manager to notify if access is required or needs revoking.

When considering new systems risk assessment were carried out which considered a range of factors such as accessibility, etc.

The Director of IT left the meeting.

**06/23-24 INTERNAL ASSURANCE: NON-IT DISASTER RECOVERY AND BUSINESS CONTINUITY**

Jonathan Creed of Internal Auditors, ICCA presented the Non-IT Disaster Recovery and Business Continuity Report

The scope of the report was to with advisory observations in relation to the College's non-IT disaster recovery and business continuity/ emergency planning procedures.

The report offered two advisory recommendations.

**07/23-24 INTERNAL ASSURANCE: ESFA MOCK FUNDING AUDIT**

The Head of Internal Audit shared and discussed the ESFA Mock Funding Audit.

The objective of the report was to provide an independent assurance opinion that the control framework in operation in respect of the ESFA funding supports compliance with the relevant agencies requirements as defined within the ESFA funding rules for 2022/23.

The report provided a reasonable assurance opinion with three medium, one low and one advisory recommendation.

**The Chair pointed out the report provided reasonable assurance but questioned the action relating to work experience which was a low priority.** It was noted there were different funding rules for adult and AEB

**The Chair noted there were a few recommendations and he asked how confident the team were that these would be achievable.** The CFO said she had discussed with the team and everyone was confident in terms of the timeframes they were working towards. She talked through the actions undertaken to date.

**The Chair asked if the restructuring currently taking place would affect these actions.** The CFO explained the areas it affected and any impact had been considered in the written responses.

**08/23-24 INTERNAL ASSURANCE: FOLLOW UP REPORT**

Jonathan Creed presented the follow up report, which aimed to provide independent assurance that progress with implementing previously agreed recommendations was satisfactory in the context of ensuring there were no significant risk to the College.

The report offered a substantial level of assurance.

Eight recommendations had been fully implemented. Of the remaining two, one had an implementation date of September and one should be concluded through the autumn Corporation meeting cycle.

**09/23-24 INTERNAL ASSURANCE: INTERNAL AUDIT ANNUAL REPORT 2022-23**

Jonathan went on to talk through the Internal Audit Annual Report covering the year 2022-23.

Based on the work undertaken and management implementation of the previous audit recommendations, the internal auditors provided reasonable assurance the systems of internal control were operating adequately and effectively as were the Group's governance and risk management arrangements.

No high priority recommendations were raised, with three substantial assurance and two reasonable assurance opinions issued.

No additional work had been undertaken and no conflicts of interest identified.

The Committee had approved 45 days to support the Audit plan with 41 days undertaken. The proposed Fraud Prevention, Detection and Intervention Audit was deferred to the 2023-23 academic year. This was due to delays in reviewing the College's response to fraud during lockdown and the appointment of a new Finance Director. The Finance Director has now undertaken a full review and the College are keen to embed the policy before the internal audit review in 2023-24.

**10/23-24 INTERNAL AUDIT PLAN AND STRATEGY**

The draft Internal Audit Plan and Strategy had been presented at the last meeting. A final version was presented for completeness following the deferral of the Fraud Prevention, Detection and Intervention Audit.

**The Chair questioned sub-contracting and asked if there was a risk in relation to financial viability of sub-contractors and suggested it would be useful to pull out.** Jonathan Creed explained the report was a mandatory due diligence and that formed part of the mandatory testing of sub-contracting.

**11/23-24 EXTERNAL AUDIT**

Gareth Jones of External Auditors, RSM, provided a verbal update.

The external auditors had commenced planning this week and were currently on site. They had received an excellent response to delivery of information ahead of the visit.

The funding audit in relation to income would be separate but there were no issues at present other than a few minor admin errors. With regards to the financial statements audit they were not expecting any changes at this stage.

One point of note for members was the defined benefit pension scheme. Last year it was recalled there was a swing from large to smaller liability, it was thought this would swing back, but it has not happened due to high interest rates. This was likely to be in an asset position and there was a little more complexity to how this would be recorded. The Auditors were taking some technical advice on how this would be recorded.

**The Chair questioned if the admin errors were procedural or just someone not doing their job on one occasion. Gareth said some learners that were on the register were beyond their planned end date, but there may be reasons for that.**

**Kevin Slack questioned the College's potential RI position and bank covenants and asked if that led to any concern around going concern.**

Gareth noted the College had the cash to repay the loan and they were comfortable that could be the case, but they would want to scrutinise the cash forecast position.

Gareth went on to say that if the College retained the loan, it could be the covenant that could affect going concern rather than the cash scenario.

The CFO was hopeful that the College would get through without a covenant breach for the year end 2022-23. The RI budget would need further work, but as they go through the next 12 months the loan would get smaller. Further updates would be provided throughout the year to the Board. There is no impact from the pension position so that did not help.

**12/23-24 ESFA REGULARITY SELF ASSESSMENT REPORT**  
• **ESFA REGULARITY SELF ASSESSMENT**

The Finance Director presented the Regularity Self-Assessment which had been expanded this year to include the requirements around Managing Public Money and the ONS reclassification.

This would form part of the external audit review that would be taking place this week.

There was a caveat, although the College had clear processes and procedures in place, there was not yet a formal guide for colleges in terms of Managing Public Money and the Financial Handbook for Colleges was due out later next year.

The External Auditor questioned about letters of comfort for the subsidiaries. The CFO explained that had been declared on the MPM returns and she had spoken with the ESFA Territorial Manager who was OK with that. She would get confirmation in writing and include on the document.

**Rosslyn Green noted the evidence and references were non-specific and asked if that was acceptable.**

The External Auditor said the third column detailed compliance and the evidence column was for reference points which might be used. He was happy with its present format.

**13/23-24 STRATEGIC RISK MANAGEMENT REPORT**

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

There were 28 risks under review on the Corporate Risk Register, with five rated as high. These related to achievement of AEB, failure to attract high calibre personnel, inflationary pressures, industrial action, and the

effect of the ONS announcement and failure to achieve 16-18 targets.

There were no significant issues relating to health and safety, safeguarding and no referrals to prevent as it was early in the academic year.

**Kevin Slack asked if a vote had been taken with regards to potential strike action.** UCU had announced a national dispute and the ballot was still open. The CFO and Director of HR had met with the unions yesterday and put forward the proposed pay award.

**The Chair questioned the litigation at Broomfield and asked if there was an indicative value.** MF said they were waiting information from the claimant's solicitor.

**Questions were also asked about the reliance on sub-contractors or third parties. Insolvencies were rising and from an Audit Committee perspective, where was risk sitting and what was being done, particularly around the building work for the IoT.**

The CFO responded that in terms of building projects, credit checks were carried out on sub-contractors and this continued with Experian credit monitoring. This featured on the Estates Risk Register and was monitored regularly.

The Chair noted some registers sat with other committees and suggested it might be useful to have a synopsis on those. MF explained he will have reviewed all risk registers by half-term and will have an overview for the next meeting.

The presentation of the register was discussed and the Audit Chair had accepted the risks on behalf of the committee.

MF

28/11/23

**14/23-24 REVIEW OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS**

The Internal and External Recommendations Monitoring Report was shared.

7% of actions were complete, with 93% ongoing. The reports received at this meeting would be added to the report.

The sign off dates coincided with the SLT Risk meeting and not the ICCA publication date.

**15/23-24 POLICY REVIEW: COUNTER FRAUD AND IRREGULARITY POLICY**

The Director of Finance shared the Counter Fraud and Irregularity Policy which had been updated to reflect the latest best practice, including a Fraud Strategy.



This incorporated the latest guidance from the JACOP, MPM and latest good practice guides that support DCG's arrangements for preventing, countering, and dealing with fraud.

**The Committee Chair reinforced that regular training should be encouraged to ensure relevance.**

**RECOMMEND: The Audit Committee recommended the Counter Fraud and Irregularity Policy to the Corporation for approval at its meeting on 23 October 2023.**

Chair

23/10/23

**16/23-24 AUDIT COMMITTEE SELF-ASSESSMENT 2023-23**

The Clerk to the Corporation presented the Audit Committee Self-Assessment results for 2022-23.

There had been a 75% completion rate carried out via MS Forms. All questions were responded to positively with no additional points raised.

**17/23-24 AUDIT COMMITTEE TERMS OF REFERENCE REVIEW**

The Clerk to the Corporation had carried out an annual review of the Audit Committee Terms of Reference. Minor changes had been made to align with the Post-16 Audit Code of Practice, with an additional paragraph included to reflect the governance expectations of public sector organisations.

**RECOMMEND: The Audit Committee recommended the Audit Committee Terms of Reference to the Corporation for approval at its meeting on 23 October 2023.**

Chair

23/10/23

All DCG officers left the meeting.

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

*The meeting finished at 11.30 am*