



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 NOVEMBER 2021  
AT 10.00 AM REMOTELY VIA MS TEAMS**

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## MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 NOVEMBER 2021 AT 10.00 AM IN REMOTELY VIA MS TEAMS

Present: Kevin Slack (Chair), Hazel Clint, Mike Kapur, Rosslyn Green

In attendance: Iain Baldwin (Estates Director) 34/21-22  
Bernadette Doyle (Executive HR Director) 33/21-22  
Richard Eaton (CFO)  
Michael Ford (Corporate Services)  
Roberta Hall (Interim Head of HE) 31/21-22  
Kate Martin (Deputy Principal) – 31/21-22  
Heather Simcox (Deputy CEO)  
Heather Withington (OFS Compliance and Policy Officer) 31/21-22  
Jonathan Creed (ICCA – Internal Auditors)  
Sam Lifford (BDO – External Auditors)  
Hamid Ghafoor (BDO – External Auditors)  
Karen Boriwondo (BDO – External Auditors)

Rose Matthews (Clerk)

Prior to commencing formal business, Governors met in private with the representatives from ICCA and BDO.

### PART ONE - GENERAL MINUTES

#### 26/21-22 APOLOGIES FOR ABSENCE

There were no apologies for absence.

#### 27/21-22 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.

#### 28/21-22 MINUTES OF THE PREVIOUS MEETING

**RESOLVED:** The minutes of the meeting held on 21 September 2021 were formally approved.

#### 29/21-22 MATTERS ARISING

01/21-22 Mike Kapur's term had been extended until the end of December 2021.

07/21-22 The Chair had raised the mock funding audit and lack of assurance with regard to the reconciliation statements with Corporation.

Action Date

Name: Rose Matthews  
Area: Audit Committee

Date: 29/11/21  
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The Executive Director of HR had joined the meeting to report on the new HR system.

12/21-22 Michael Ford had reviewed the risk register and would present later in the meeting.

**30/21-22 ANNUAL REPORT ON RISK MANAGEMENT**

The Annual Report on Risk Management was shared. It was noted this covered the activity in 2020-21.

It provided an overview of key risks, along with key actions identified for 2021-22 which fed into the Internal Auditors Annual Report.

**31/21-22 HIGHER EDUCATION RISK REPORT**

Roberta Hall, Interim Head of HE and Heather Withington, OFS Compliance and Policy Officer, joined the meeting to present their report on higher education risk.

There were no red risks identified, and four risks had been drawn out for focus, these related to OFS compliance, access and participation and sustainability and performance.

It was noted that due to good recruitment in professional construction and engineering at enrolment, this action had been mitigated down.

The Deputy Principal, Interim Head of HE and OFS Compliance and Policy Officer left the meeting.

**32/21-22 STRATEGIC RISK MANAGEMENT REPORT AND RISK REGISTER REVIEW**

In light of feedback from the last meeting the Risk Register had undergone a significant revision with focus on risks that were likely to destabilise the organisation.

Consideration had been given to the wider sector, employer engagement, changes with the White Paper and wider government policy.

The review was to ensure mitigations showed what the organisation were doing to address the risks. A column had been added to monitor KPIs against each risk.

It was hoped to have a risk framework in place by January.

Michael had also met with Mike Kapur outside of the meeting to discuss in further detail.

Hazel Clint pointed the Register only looked at likelihood and not severity and asked if both needed to be included in the review. It was explained that likelihood and impact were assessed at the start and also upon conclusion. However, these were not included due to a previous request to remove by the Committee.

The Committee discussed the implications around this and discussed if the Group had a disaster recovery plan in place. The Group had a Business Continuity Plan. It was agreed to maintain simplicity and add an assurance statement to the KPI column.

Due to the increased threat level, updated Prevent training had been delivered to the Leadership Team by the DFE Co-ordinator and the Run, Hide Tell training was being rolled out, along with a number of tutorials to students. It was noted a Prevent Risk Register was in place.

### **33/21-22 PEOPLE REPORT**

The Executive HR Director joined the meeting following discussions at the previous meeting in relation to the audit of HR and Payroll.

The actions from the audit had been superseded with I-Trent and the aims and recommendations continued to the new system, Select.

The other action related to reviewing the roles of the I-Trent user profiles to ensure users only had access to the elements they needed to perform their duties. This remained the same for the new system.

Members were satisfied with the response and the Executive HR Director left the meeting.

### **34/21-22 STREAMLINED ENERGY AND CARBON (SECR) ANNUAL REPORT**

The Director of Estates presented the SECR Annual Report which is required to be published by 31 March 2022.

Members were pleased to note due to the Salix works at Broomfield, coal consumption had reduced, which would show through in next year's reporting figures. The report covered vehicle and fleet management, alongside the upgrades in building fabric as part of the FE Data Conditions Survey.

Members questioned when the Salix works would be completed, which was March 2022.

The Chair asked what the future arrangements were with regards to e-vehicles and charging points. Whilst the

College were conscious of the initiative to reduce carbon, the current leasing arrangements did not extend to hiring electric vehicles due a significant cost differential. EV charge points also brought about a number of issues, including reducing existing parking spaces to accommodate EVs, preferential parking for Evs to charge and extending charging arrangements.

Mike Kapur noted COP26 had recently taken place and asked if the Group needed a target. The Director said internal KPIs had been set - but were operational. Strategically they could be converted, but once the work at Broomfield had been completed the Group would be in a much better position.

Mike continued that if the Group could not reduce, it may have to look at offset measures. The Group were already part of the Derbyshire Plant 1m trees and involved in the Queen's Canopy.

The organisation was actively engaged with the local authority who had their own challenging target and this could lead to some optimising from their thinking and a potential opportunity to access further funding.

The Director of Estates left the meeting.

### **35/21-22 ANNUAL INTERNAL AUDIT REPORT**

Jonathan Creed, of Internal Auditors, ICCA presented the Annual Internal Audit Report, which summarised the internal audit work undertaken over the year.

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.

The Group's governance and risk management arrangements, or systems of internal control continued to operate adequately and effectively.

No high priority recommendations were raised, with five substantial assurance opinions issued.

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

The Committee had approved 42 days to support the Audit plan with 38 days undertaken. The proposed Fraud Prevention, Detection and Intervention was not undertaken – this related to training which was curtailed due to Covid-19 and rolled forward to 2021-22.

Mike Kapur asked if the Group were to design an internal plan which provided substantial assurance, what would that look like and cost.

Jonathan said the Group's plan was aligned with that of the FE sector, which are quite low compared with public services. A plan would be 3-4 times larger and he questioned if that would provide value for money and would put the Group out of kilter with the rest of the sector. Jonathan agreed to give the question some thought and discuss outside of the meeting with management.

JC

15/03/22

**36/21-22 FINANCIAL STATEMENTS**

- **DCG**
- **MACKWORTH BUSINESS SERVICES**
- **DCG SERVICES LTD**

The CFO presented the draft Financial Statements for discussion ahead of the External Auditor presentation.

The final decision from the ESFA on the clawback had not yet been received. Detailed discussions had taken place with the Auditors in relation to Lennartz which was nearing its conclusion.

Due to the AEB clawback, cashflow and operating activity for 2020-21 looks good, however the CFO had raised with the ESFA and the bank that, depending on the outcome of the AEB business case, if funds earned in 2020-21 were paid back in 2021-22 this would impact the Group's operating cashflow. The response to the business cases was expected on 15 November, but this has been delayed. Materially there would be no changes as everything has been based on the worst-case scenario of all the cash being paid back to the ESFA.

Hamid Ghafoor, of External Auditors, BDO said that in relation to the Lennartz provision, they agreed with management that the provision should be released. In terms of the AEB clawback, they were awaiting the conclusion and would need to make an assessment with management in terms of what provision should be included and if it should remain as it is.

Other areas related to changes around verification of income, more work was still required on funding and learner records – which goes into far more detail than in previous years. Further work was also required on pensions, with both management and the auditors awaiting the final report from the local authority.

**37/21-22     AUDIT COMMITTEE ANNUAL REPORT 2020-21**

The Clerk presented the final Audit Committee Annual Report, the draft of which had been presented at the previous meeting in September.

The main updates to the report included paragraphs relating to the introduction of the Finance and Resources Committee, the Strategy Committee for 2021-22 to drive the Strategic Review, more robust reporting in terms of board evaluation mechanisms, governor and governance professional training and development and the Committee's assessment of auditor performance.

**Members recommended the Audit Committee Annual Report for 2020-21 to the Corporation at its meeting on 13 December 2021.**

**CHAIR**

**13/12/21**

**38/21-22     POLICY REVIEW**

Only policies which have undergone substantial changes will be presented to the Committee. The Risk Management Policy had been reviewed with no changes proposed.

**Corporation members joined the meeting at 11.30 am to receive the External Auditors present the Audit Completions Report.**

Present: Kevin Slack (Chair), Hazel Clint, Mike Kapur, Rosslyn Green

Members in attendance: Phil Dover, Stuart Ellis, Martyn Marples

In attendance: Richard Eaton (CFO)  
Michael Ford (Corporate Services)  
Heather Simcox (Deputy CEO)  
Sam Lifford (BDO – External Auditors)  
Hamid Ghafoor (BDO – External Auditors)  
Karen Boriwondo (BDO – External Auditors)

Rose Matthews (Clerk)

- 39/21-22 FINANCIAL STATEMENTS AND EXTERNAL AUDIT –**
- **AUDIT COMPLETION REPORT/ MANAGEMENT LETTER**
  - **REPRESENTATION LETTER AND GROUP ACCOUNTS**
  - **REPRESENTATION LETTER AND MBS ACCOUNTS**
  - **REPRESENTATION LETTER AND DCG SERVICES ACCOUNTS**
  - **REGULARITY SELF-ASSESSMENT**

The CFO talked through the Financial Statements for the Group.

Income and expenditure showed a deficit, but one of the key metrics was the EBITDA, which was one of the key measures used by the ESFA. EBITDA was at 5% and that excludes the business case submission to the ESFA – the outcome of which was awaited.

Covid had impacted the year with adult income down. The operating cashflow was positive in 2020-21 – largely linked to the AEB clawback, but as it has to be paid back in 2021-22 this negatively affects the position. The CFO has already raised with the bank and the ESFA due to the timing.

There were no significant adjustments with period 12 accounts, minor material adjustments had been carried out and the audit was substantially complete.

The Lennartz provision had been released due to a change in HMRC policy and dilapidations had been provided for with regard to one of the Group's leased buildings.

The Audit Committee Chair commented that despite the operating deficit, in light of Covid, the Group had come



out quite well. From a cash point of view the Group was strong.

Hamid Ghafoor, Partner at BDO, explained went on to share the External Audit Completions Report. He confirmed the audit was substantially complete, but there were a few issues that needed to be finalised, which related to the LGPS pension adjustment and finalising income assurance.

He was still waiting the final forecast from us, but didn't expect an issue. BDO needed to review the information the Group provided to ensure it was appropriately reviewed and stress tested.

Overall, a vast amount of work had been carried out for the audit, materiality was in line with their planning and he talked about the unadjusted audit and scope of the audit from regulatory standards and there were no significant changes to the planned audit approach.

Group materiality was based on revenue and there were no issues around financial reporting.

The Financial Statements were going through the casting process and would then be returned.

Key audit risks were highlighted. Work on going concern was still ongoing with just a few points to finalise.

Testing had been completed on revenue recognition with just the funding testing to take place with regard to the ESFA clawback.

Pension liability, Lennartz and unadjusted audit differences were shared.

Overall, Hamid said it would be a clean audit for the Group.

MBS – material uncertainty was highlighted due to MBS being a dormant. However, overall a clean opinion.

DCG Services had no audit differences identified.

The Chair of FRC questioned when the Group were likely to hear back on AEB clawback. It was noted a decision had been expected on 15/11. He said it was hoped the decision would be received in sufficient time, as not to delay the financial statements. The statements assumed the clawback would all be paid.

The Deputy CEO asked the Auditors, in the absence of hearing back on the clawback, were they suggesting a different judgement call would be made. Hamid said that was doubtful, it would be a judgement call from the

Group's perspective in terms of what had already been done.

Rosslyn Green questioned the MBS reserves and if these would be gift aided. Previous discussions around MBS were recounted. Discussions had taken place by the MBS Board in terms of closing it, but at the time consideration was given to potential subsequent litigation and agreed to retain as it was. There is the potential to move some of the cash to DCG. Further discussion will be held at MBS Board meeting.

*The meeting finished at 12.15 pm*

Signed: \_\_\_\_\_ Date: \_\_\_\_\_