



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 NOVEMBER 2019
AT 10.00 AM IN THE BOARD ROOM, THE ROUNDHOUSE**

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MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON TUESDAY 26 NOVEMBER 2019 AT 10.00 AM IN THE BOARD ROOM, THE ROUNDHOUSE

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

In attendance: Richard Eaton (CFO)
Michael Ford (DPO)
Heather Simcox (Deputy CEO)
Jonathan Creed (ICCA – Internal Auditors)
Kyla Bellingall (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

23/19-20 APOLOGIES FOR ABSENCE

There were no apologies for absence.

24/19-20 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.

25/19-20 MINUTES OF THE PREVIOUS MEETING

RESOLVED: The minutes of the meeting held on 24 September 2019 were formally approved and signed as a true and accurate record.

26/19-20 MATTERS ARISING

06/19-20 A paragraph had been included in the report with regard to the two internal audit reviews that did not take place within the academic year to indicate why.

08/19-20 A sentence had been included in the internal and external audit recommendations report with the Group's response actions.

11/19-20 The Clerk had circulated the benchmarks set by the FE Commissioner in 2015 to Committee members.

Action Date

12/19-20 The Clerk had provided a covering report for the Audit Committee Annual Report.

15/19-20 The policies featured on the agenda for this meeting.

27/19-20 INTERNAL ASSURANCE REPORT
• **HR AND PAYROLL**

Jonathan Creed, of Internal Auditors ICCA, provided a verbal response. The field work had been completed last week and a written report would be presented at the next meeting.

There were some minor points relating to expense submissions, however the main findings related to segregation of duties within Payroll and HR, with more people than anticipated with end to end access.

It was noted roles and responsibilities were being reviewed as part of the key principles of ISO27001. It was made clear this was not a reflection on the employees involved. It was also noted Payroll had previously sat within the Finance Department.

RE

10/03/20

28/19-20 2018-19 FINANCIAL STATEMENTS AND EXTERNAL AUDIT

- **MANAGEMENT LETTER**
- **REPRESENTATION LETTER AND GROUP ACCOUNTS**
- **REPRESENTATIONS LETTER AND MBS ACCOUNTS**
- **REPRESENTATIONS LETTER AND DCG SERVICES ACCOUNTS**
- **REGULARITY SELF-ASSESSMENT**

Kyla Bellingall, of External Auditors BDO, presented the External Audit Completions Report.

The financial statements were substantially complete, with a few outstanding matters. The post balance sheet events was awaited and a copy of the letter of representation was enclosed in the pack, which would be issued for signature by the Chair at the Corporation meeting.

The ESFA Funding Reconciliation Statement would not be received until December.

Outstanding actions were listed in the appendices, but it was noted some of these had already been completed.

Kyla anticipated they would be issuing an unqualified audit opinion.

No items of non-compliance with group accounting policies were identified as there were no policy changes which had impacted the current year.

Materiality had not changed from the Audit Plan.

An overview of the audit risks was provided over the three main income streams. These had been included in the audit plan and work had now completed in these areas.

The ESFA funding reconciliation would conclude the work.

Kyla agreed to update the report, which referred to 'university' on page 8.

KB

16/12/19

The Committee Chair questioned dilapidation provision. The CFO confirmed this mainly related to the Johnson Building, but that the Group had also vacated the Alfreton site.

Detail was discussed relating to the LGPS pensions liability. The scheme liability had increased significantly, but the actuary team assumptions had been reviewed and BDO were comfortable these were not materially misstated. The CFO confirmed the LGPS statement in December would clarify the final position.

The Lennartz liability remained a risk. It was noted this was a sector wide issue.

Kyla highlighted a proposed adjustment in relation to the Research grant income.

The follow up from previous years was shared and the DPO requested the third point in relation to single sign-on be removed as it had been addressed. Kyla agreed to follow up.

KB

16/12/19

Rosslyn Green questioned the subsidiary accounts. She said under the small companies exemptions the Group was disclosing more than it needed to. Kyla said it was common practice to include more information in the subsidiaries in colleges.

It was agreed to defer this to the Finance Committee to review at their next meeting.

RM

11/12/19

Rosslyn queried the role of DCG Services Limited and whether it had a pension scheme.

The Deputy CEO confirmed there were employees sitting within the company.

Rosslyn agreed to discuss further queries on DCG's financial statements to the CFO.

The Chair congratulated the CFO and his team for meeting the audit timetable deadlines and advised the auditors had praised the CFO and his team. The Chair asked that this be shared with the rest of the team.

RECOMMEND: The Committee recommended the DCG Financial Statements to Corporation for approval subject to a review by the Finance Committee.

RECOMMEND: The Committee recommended the subsidiary accounts following review by the Finance Committee and the subsidiary AGM meetings.

29/19-20 SELF-ASSESSMENT QUESTIONNAIRE

The Self-Assessment Questionnaire had been reviewed by the CFO and Clerk.

The questionnaire was produced by the ESFA and highlighted by Eileen Milner in her recent letter to Corporations. It was considered best practice to review the document throughout the year.

An initial overview had been provided. Members were assured a more detailed document was being produced to evidence all the points included in the questionnaire from a management perspective.

Mike Kapur asked Jonathan Creed, of ICCA, whether the level of evidence contained currently was sufficient compared with other colleges across the sector. Jonathan said it was consistent with others he had seen.

The was agreed a covering report should be provided in the future to outline the purpose of the document.

RM

10/03/20

RECOMMEND: The Committee recommended the Self-Assessment Questionnaire to Corporation for approval.

30/19-20 ESFA MANAGEMENT LETTER

The CFO confirmed the funding audit letter was still awaited by the ESFA, however a confirmation e-mail had been received from RSM, who completed the audit, confirming all a queries had been actioned and the audit completed with an unqualified opinion.

31/19-20 REVIEW OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS

Michael Ford shared the Internal and External Recommendations Monitoring Report, 19 of the 27 actions had been completed. The others remained on target for completion.

Those relating to the Funding Audit would be signed off once the ESFA management letter had been received.

32/19-20 ANNUAL REPORT ON RISK MANAGEMENT AND STRATEGIC RISK MONITORING

The Annual Risk Management Report and latest Corporate Risk Register was shared with Committee Members. Throughout the year members have maintained a broad focus of the key risks.

Those risks reduced or closed due to successful preventative measures were identified in the report and key actions for 19-20 summarised.

An overview of resolved litigation cases was shared.

33/19-20 ASSURANCE PLAN 2019-20

The Assurance Plan for 2019-20 was shared which had been cross referenced against the Internal Auditor's Audit Plan for 2019-20.

The document would be updated as the audits took place and any emerging issues identified.

34/19-20 AUDIT COMMITTEE ANNUAL REPORT

The Committee Chair presented the Audit Committee Annual Report, which had been reviewed by the Clerk and provided evidence for the Committee to capture the assurances required to form a robust opinion of the Group's governance, risk management and control arrangements.

Mike Kapur reflected that although he had been unable to attend some meetings, he provided feedback on reports through the Clerk. He asked that this be reflected in the report. The Clerk agreed to revise.

RM 16/12/19

RESOLVED: The Committee approved the Audit Committee Annual Report subject to the revision reference above and would present this to the Corporation at its meeting on 16 December 2019.

Chair 16/12/19

35/19-20 POLICIES

The Corporation had received the following policies for remotely for approval which had been reviewed at the previous meeting. All recommendations had been made:

Financial Regulations
Treasury and Cashflow Management Policy
Bribery Policy
Anti-Money Laundering Policy

The Risk Management Policy was presented, no revisions had been made other than changing terminology to DCG and updating the template.

RECOMMENDED: The Committee recommended the policies to Corporation for approval.

Clerk

16/12/19

The meeting finished at 11.30 am

Signed: _____ Date: _____