



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON  
WEDNESDAY 20 JUNE 2018 AT 1.00 PM IN  
THE BOARD ROOM, THE ROUNDHOUSE**

Present: Kevin Slack (*Chair*), Rosslyn Green, Mike Kapur, Martyn Marples

In attendance: Richard Eaton (MIS Director)  
Jon Fearon (*CFO*)

Michael Ford (Business Improvement Director)  
Heather Simcox (*Deputy CEO*)  
Jonathan Creed (*ICCA – Internal Auditors*)  
Sam Lifford (*BDO – External Auditors*)  
Rose Matthews (*Clerk*)

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

		<b>Action</b>	<b>Date</b>
<b>55/17-18</b>	<b>APOLOGIES FOR ABSENCE</b>		
	Apologies for absence were received from Pete Lewis.		
<b>56/17-18</b>	<b>RESIGNATIONS</b>		
	The Chair informed the Committee of Simon Smith's resignation from the Corporation and acknowledged his contribution to the Audit Committee.		
	The Chair asked if a replacement needed to be found for the Committee, but the Clerk advised current membership at five members was sufficient.		
<b>57/17-18</b>	<b>DECLARATION OF INTERESTS AND ELIGIBILITY AND QUORUM</b>		
	Jonathan Creed declared he was also the Head of Internal Audit at Bilborough Sixth Form College.		
	Mike Kapur declared his organisation had recruited two Derby College apprentices.		
	All members were eligible and the meeting was confirmed to be quorate.		
<b>58/17-18</b>	<b>MINUTES OF THE LAST MEETING</b>		
	The minutes of the meeting held on 7 March 2018 were approved and signed as a true record.		
<b>59/17-18</b>	<b>MATTERS ARISING</b>		
36/17-18	The CFO advised the safes had now been received and a pilot of the procedure had commenced. Once this had been completed	<b>JF</b>	<b>25/09/18</b>

the procedure would be documented and the Cash Handling Procedure would be ready for the next meeting.

47/17-18 The Business Improvement Director confirmed the external audit recommendations were included.

49/17-18 The CFO explained the agreement with the College's bank was part of wider discussions which the Chair of Audit was aware of. A report would be produced at a future meeting.

50/17-18.1 The Procurement Regulations and Tendering Procedures was approved at the Corporation meeting on 19 March 2018.

50/17-18.2 The Anti-Money Laundering Policy was approved at the Corporation meeting on 19 March 2018.

50/17-18.3 The Cash Handling Procedure had been deferred to the next meeting as advised in minute no 36/17-18.

**60/17-18 EXTERNAL ASSURANCE  
EXTERNAL AUDIT PLAN AND STRATEGY FOR 2017-18  
FINANCIAL STATEMENTS**

Sam Lifford from BDO, the External Auditors, shared the Audit Planning Report for the Group.

She outlined the scope and explained there were no new accounting or auditing standards that would affect the current year.

Significant audit risks identified in the report related to revenue recognition, management override, going concern and Lennartz VAT liability.

Outcomes from the Audit Planning visit were discussed, but no Management letter points were highlighted as part of the visit.

Planning materiality based on forecasted figures was based on 2% of income and gave a materiality figure of £947K.

The Committee Chair asked the CFO if he was confident in meeting the timetable for completing the financial statements. The CFO said there was no reason the College's financial statements would not be ready. The External Auditors were returning in August to carry out some of their field work and transaction testing ahead of October.

Mike Kapur asked if there was a test to ensure revenue in the College was 'real'. It was confirmed the External Auditors looked at material revenue streams and any risk in the recognition. As part of management override they would look at any kind of journals and did expect revenue journals to be posted.

Rosslyn Green asked what performance materiality had been set at. The figure for last year was 65% as it was the first year for the external auditors in post at DCG, this year had been adjusted to 75% on the basis of very few audit adjustments. Rosslyn asked if that was against any specific area, it was noted this was used across all areas, the only difference was remuneration against key personnel which greater precision was required, with materiality to the £.

Rosslyn asked if the audit approach had changed from the prior year. Intrinsicly it was the same, but some areas had been refined slightly from last year.

The Committee Chair questioned the fee, which appeared lower the prior year. This was due to the additional work undertaken in relation to the Lennartz VAT liability and the further need to review the financial statements.

Martyn Marples said four control weaknesses had been identified last year. He noted the recommendation was to have a single sign-on access review. He asked if an independent review was going to be carried out. The CFO advised that those with access to key entries were limited. The IT Director preferred to have a strong entry password.

Mike Kapur asked if finite end dates could be used on the reports to ensure governors could monitor when items were to be concluded. The Business Improvement Director agreed to arrange a firm implementation date for all actions in the report.

Mike was keen to ensure an exact implementation date should be used, rather than a mm/yy format.

**MF**

**25/09/18**

**61/17-18 INTERNAL ASSURANCE  
2017-18 ASSURANCE PLAN PROGRESS, INCLUDING;**

**61/17-18.1 READINESS FOR COMPLIANCE TO GDPR**

Jonathan Creed, Head of Internal Audit at the College's internal auditors, ICCA, presented the Readiness for Compliance to GDPR report.

The scope was to provide the Committee with independent assurance that the College had taken the necessary steps to ensure compliance with the GDPR from 25 May 2018 and the areas covered under the ICO's requirements.

The overall assurance opinion was substantial with two recommendations identified, relating to staff training and third party data sharing.

The Committee Chair acknowledged that GDPR was evolving, but questioned the 2019 completion dates.

It was agreed to revise the staff training action to 15/10/18 and that a summary report be presented at the next meeting.

**MF**

**25/09/18**

With regard to third party agreements, the report had been produced in February and substantial progress had been made since that time. Most contracts relating to DCG as the Controlller had been completed, with further work required to review the 2,000 plus contracts where DCG was the Data Processor. It was agreed to revise the deadline for completion to December 2018. Mike Kapur asked for a progress report at the next meeting.

**MF**

**25/09/18**

**61/17-18.2 16-18 STUDENT JOURNEY**

Jonathan Creed, shared the 16-18 Student Journey Report, the objective of which was to provide assurance the College had in place efficient and effective processes which supported the College in maximising and hitting recruitment targets.

The overall report provided substantial assurance with one recommendation.

Rosslyn Green questioned the sample size, it was noted this was a standard sample size, significant enough to identify any trends.

#### **61/17-18.3 MOCK FUNDING AUDIT (ESFA) – 16-19 STUDY PROGRAMME**

The Mock Funding Audit was to ensure the control framework in operation in respect of the ESFA funding supported the compliance with the relevant agencies requirements as defined within the ESFA funding rules for 2017-18.

The assurance opinion was substantial with two recommendations highlighted.

#### **61/17-18.4 BUSINESS INTELLIGENCE STRATEGY**

The audit objective for the Business Intelligence Strategy was to review the adequacy and effectiveness of the College's systems, processes, and controls supporting the development and implementation of its Strategic Plans.

The Internal Auditors said the College had invested heavily in business intelligence to ensure the business planning process was based on sound market intelligence. As such they gave a substantial assurance outcome with no areas for improvement.

#### **61/17-18.5 FINANCIAL STRATEGY AND BUDGETARY CONTROLS**

The audit report was to provide assurance the College had effective and efficient financial planning in order to support the continued viability of the College's financial health.

The assurance conclusion was substantial with two recommendations.

Rosslyn Green noted the report referred to Risk 49, which was not on the Risk Register. The Business Improvement Director clarified Risk 49 related to the financial organisational structure and was reduced from a 20 to a 10 score based on the outputs of the ESFA financial health assessment.

#### **61/17-18.6 MOCK FUNDING AUDIT (ESFA) 19+ APPRENTICESHIPS (VERBAL)**

Jonathan Creed provided a verbal report covering the Mock Funding (ESFA) 19+ Apprenticeships Audit. The full report would be available for the next meeting.

This was based on the same methodology as the 16-18 Mock Funding Audit and at the moment gave reasonable assurance.

#### **61/17-18.7 FOLLOW-UP (VERBAL)**

The verbal Follow-up Report provided an update on 17 recommendations, 15 of which have been fully implemented and two partially implemented in relation to the 19+ Mock Funding Audit last year.

A follow up of 15 out of 17 actions would lead to a substantial report. Once the final two pieces of work have been completed the report will be produced and presented at the October 2018 meeting.

This concluded the work by the Internal Auditors for 2017-18 and the expectation was that 2017-18 would provide an unqualified audit.

**62/17-18 DRAFT 2018-19 INTERNAL AUDIT PLAN**

Jonathan Creed, of Internal Auditors, ICCA, discussed the internal audit approach for 2018-19. Risk based and Non-risk based coverage was presented that had been previously discussed with the management team.

Until the outcome of the potential merger with Bilborough Sixth Form College was agreed, the internal audit plan could not yet be finalised.

The Committee agreed in principle the draft plan submitted with a more substantial document to be presented at the next meeting.

JC

25/09/18

**63/17-18 POLICY UPDATE – POST-16 AUDIT CODE OF PRACTICE**

The Clerk provided the Audit Committee members with a summary of the changes to the Post-16 Audit Code of Practice for 2017-18 which had been published on 29 March 2018.

There were no major changes that affected the Committee. However, the Internal Auditors did reiterate that staff governors should not be members of the Audit Committee.

The Chair confirmed that members of the College's Executive team attended the Audit Committee meetings but the composition of the Committee did not allow staff governors to sit on the Committee.

**64/17-18 MONITORING ACTIVITY**  
**• REVIEW OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS**

The Director of Business Improvement shared the Internal and External Recommendations Monitoring Report.

Two of the actions were ongoing with 68 completed and four part completed.

**65/17-18 REMOTE APPROVALS**

The Financial Regulations which had been previously circulated for review were recommended for approval by Corporation.

Chair

16/07/18

The Internal and External Auditors left the meeting.

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