



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 21 SEPTEMBER
2021 AT 10.00 AM REMOTELY VIA MS TEAMS**

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MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 21 SEPTEMBER 2021 AT 10.00 AM IN REMOTELY VIA MS TEAMS

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

In attendance: Richard Eaton (CFO)
Michael Ford (Corporate Services)
Kate Martin (Deputy Principal) – 13/21-22 and 14/21-22
Ian McCormick (Director of IT) – 05/21-22
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.

PART ONE - GENERAL MINUTES

01/21-22 APOLOGIES FOR ABSENCE

There were no apologies for absence.

It was noted this was Mike Kapur's last meeting and the Chair thanked him for his contribution. A discussion ensued in relation to succession planning. The Chair suggested a conversation take place outside of the meeting with Mike.

Action	Date
RM	24/09/21

02/21-22 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.

03/21-22 MINUTES OF THE PREVIOUS MEETING

RESOLVED: The minutes of the meeting held on 22 June 2021 were formally approved.

04/21-22 MATTERS ARISING

65/20-21 A review of strategic risk had been undertaken and would be covered as part of the strategic risk agenda item.

68/20-21.5 The Head of Internal Audit had updated the Internal Audit Plan for 2021-22.

The Deputy Chief Executive responded to the point made at the previous meeting by Mike Kapur in relation to the internal assessments and validation of coursework. She explained as exams were planned to resume there was no plan to incorporate the exams review in relation to the teacher assessed grades into the policy.

As referenced prior, the Draft Internal Audit had been updated and was approved at Corporation on 5 July 2021.

05/21-22 CYBER SECURITY REPORT

The Director of IT joined the meeting to provide committee members with an overview in relation to cyber security within the Group.

The cover provided across the group was summarised, along with preventative measures to mitigate as much of the risk as possible.

Mike Kapur commended the Director of IT on his comprehensive report and said it evidenced the Group took cyber security seriously. He asked if penetration testing, based on human psychology had been carried out, to see if employees would hand over their password to what appeared to be a legitimate user. The Director of IT confirmed it wasn't something that had been looked at, but highlighted a number of mitigations in place, such as multi-factor authentication and monitoring of location through Microsoft. Anything suspicious would immediately lock down the account. He said in relation to testing peoples' capabilities, the team were looking at producing a training template.

The Chair asked if there was some refresher training available. It was explained the Cyber Essentials accreditation was a self-assessment, and Cyber Essentials Plus involved an external consultant coming in to evaluate.

The Chair asked if the area had the resources they needed. The Director of IT confirmed he had enough expertise on the team with some very talented people. He said if key personnel left, that would be a risk. Everything that had been done was to industry standard and was a recruitable skill set.

The Director of IT left the meeting.

06/21-22 MOCK FUNDING AUDIT

Jonathan Creed of Internal Auditors, ICCA, presented the Mock Funding Audit Report.

He said the report in itself was good, in terms of design

and provided a reasonable assurance opinion.

The objective of the report was to provide an independent assurance opinion that the control framework in operation in respect of the ESFA funding supported compliance with the relevant agencies requirements as defined within the ESFA funding rules for 2020/21.

The sample size was questioned by Hazel Clint, which was 60, with 30 16–19-year-olds on the study programme and 30 on apprenticeships, which Jonathan said was enough to drive out any issues in the sample size.

There were nine recommendations spread out across the report. In summary, Jonathan explained the Auditors had no issues with the nine recommendations, none of which were 'show-stoppers' and were isolated incidents. The apprenticeships area was more complicated and whilst not an excuse, Covid-19 had not helped the situation.

There were an increasing number of facilities that allowed remote access of funding methodology. Some of those areas needed tidying up. Jonathan was clear they were not recommendations that had a huge funding impact, but a general tidying up exercise would eradicate the recommendations in the report.

The Chair noted the ESFA were putting more onus on the external audit and as such this was an area requiring management focus.

Mike Kapur commented on the score of a well-designed system, but a lower level of compliance and made reference to the risk register gradings the 'Follow-up' Report, both of which would be covered later in the meeting. It was clarified the Follow-up Report action related to the introduction of a new system and not a low level of compliance.

Jonathan said that looking at each in isolation, they found low level minor recommendations in learner records controls and did not believe the indication of this was major.

The CFO reminded the Committee of the complexity around apprenticeships and offered assurance that recommendations were not simply accepted and efforts would be made to improve and maintain compliance

The Deputy Chief Executive acknowledged that the apprenticeship arena, as already referenced by internal audit, was complex and internally there would be a revisit and review of the effectiveness of controls in order to ensure consistent compliance.

The CFO referred to improvements this year compared to last in terms of awaited outcomes.

The report itself did not raise any issues of concern. However, the Committee were keen to ensure the management team reinforced the need for consistency and accuracy of the data collection within the team.

In previous years the ESFA had provided some comfort to the Committee with their reconciliation statements and as this related to a large part of the Group's income in the accounts, the Committee felt it appropriate to bring to the attention of the Corporation.

The Chair acknowledged that the level of sampling of external audit would be greater and asked if issues were on the horizon. The CFO confirmed controls had been put in place since the mock funding audit and he did not foresee any material problems.

Chair

18/10/21

07/21-22 FOLLOW UP ON PREVIOUS RECOMMENDATIONS REPORT

Jonathan Creed shared the Follow-up on Previous Recommendations Report.

The report provided reasonable assurance overall and related to three reports that required follow up. The other reports were advisory or had no recommendations raised. There were in total, eight recommendations to follow up on. Two recommendations had been fully implemented, two partially implemented and four were found to have been superseded and no longer applicable. It was clarified these were due to the implementation of a new system and were not a compliance concern.

Three of the four recommendations were from the HR and Payroll review. The recommendations related to a system no longer in operation. The College was moving to a new system, Select HR and Select Pay. The follow-up did not extend to the new system.

Two recommendations had been carried forward to 2021-22, both of these had been accepted, with implementation dates of next summer – July 2022.

Rosslyn Green asked about the system, the Deputy Chief Executive explained a performance monitoring review process was now in place, which were monitored through the Director of Curriculum Performance. The timeframe related to the reviews.

Mike Kapur asked if this could be carried out as a follow up audit from an internal review to make sure the new system provided an integrated approach.

The Deputy Chief Executive agreed and arranged to meet with Jonathan Creed of ICCA separately outside of the meeting agree the scope.

HLS/JC/ MF 24/09/21

08/21-22 ANNUAL INTERNAL AUDIT REPORT

The Internal Auditor confirmed all work had now finished for 2020-21. The final two reports needed to be considered and the Annual Internal Audit Report would be presented at the meeting in November.

He advised there was nothing that would cause him to offer an opinion other than reasonable assurance.

09/21-22 PROGRESS TOWARDS EXTERNAL AUDIT PLAN AND STRATEGY FOR 2020-21 FINANCIAL STATEMENTS

Sam Lifford of External Auditors, BDO provided a status update on work towards the external audit.

The external audit plan and interim work had been carried out and it was expected to commence the audit w/c 11 October, through onsite and remote means.

Sam touched on the enhanced work around income and revenue and would share the work programme with the CFO. The CFO was expected to receive a set of draft accounts for review on 27 September.

10/21-22 REGULARITY SELF-ASSESSMENT AND SUPPLEMENTARY COVID-19 REGULARITY SELF-ASSESSMENT

The CFO shared the Regularity Self-Assessment and explained this was a checklist from the ESFA, which was completed annually. The CFO and Clerk had updated for 2020-21 building on the sources of evidence for assurance.

A Supplementary Bulletin, which included the Covid-19 Regularity Self-Assessment had come out later in the year. The CFO explained this was to avoid double funding and ensure no staff had been furloughed.

The Clerk explained these would be signed off with the financial statements at Corporation in December.

11/21-22 REVIEW OF INTERNAL AND EXTERNAL RECOMMENDATIONS

The Review of Internal and External Recommendations summarised the audit activity which took place in 2020-21. The document would be updated to reflect the recommendations from the Mock Funding Audit and Follow-up.

The sign off for the next tranche of actions would be November 2021.

12/21-22 RISK MANAGEMENT AND RISK REGISTER REVIEW, INCLUDING HIGHER EDUCATION

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

Following the previous meeting, the Risk Register underwent a review, with the register designed to feature the high-level risks to this Committee.

Michael assured the Committee there were over 50 risks on the wider register, 12 of which were high risks.

Mike Kapur noted the Committee were right to focus on the high risks, but he suggested including a control measure, for example, the number of high/medium/low.

MF

23/11/21

Members debated some of the long-standing risks on the register, it was noted these were reviewed and discussed regularly and some had been closed off due to mitigations, it was requested a column be included to clarify when the risk had last been reviewed. Further discussions related to the risk around covid-19 and prevent.

MF

23/11/21

Mike Kapur suggested starting afresh with a clean piece of paper and to review each risk thoroughly before including on the register and in line with the mitigations rather than evolving what DCG had already got in place.

MF

23/11/21

13/21-22 HIGHER EDUCATION RISK

The Deputy Principal joined the meeting to present the Higher Education risk item.

She explained as part of the restructuring exercise in the College, the opportunity had been taken to split the Higher Education Director role into two new posts – a OFS Compliance Officer and a Head of Higher Education.

The Head role had taken on responsibility for the direction, quality of education and strategic enactment.

Due to absences, which were explained in the meeting, an experienced member of staff had been appointed to the role temporarily for the year. As such the timings meant the risk register would undergo a review and would be presented at the next meeting.

To mitigate high risks an OFS Compliance Officer had also been appointed, which would focus on compliance in relation to the conditions of registration.

14/21-22 OFS HIGHER EDUCATION ACTION PLAN

The CFO provided Committee members with an update following the OFS audit of DCG on its ILR data for 2019-20.

DCG accepted the recommendations of the audit which were highlighted in the action plan provided.

Rosslyn questioned if the outcome was expected. The CFO explained it was anticipated. The audit had covered a great deal of detail. It was noted HE accounted for a small part of DCG's income.

Copies of pass lists were also required from HE partners for OFS purposes.

15/21-22 OVERVIEW OF THE UPDATED POST-16 AUDIT CODE OF PRACTICE

Jonathan Creed of Internal Auditors, ICCA, had provided an overview of the updated Post-16 Audit Code of Practice, which highlighted responsibilities of the Audit Committee and the Corporation.

The presentation focused on the key changes for the 2020-21 academic year, the Supplementary Bulletin to the Accounts Direction for 2020-21 and the ESFA Guidance: The Scope of Work of Audit Committees and Internal Auditors in College Corporations.

16/21-22 DATA INTEGRITY GUIDANCE – GOVERNOR RESPONSIBILITY AND OVERSIGHT

The CFO had prepared a report on the ESFA's Data Integrity Guidance – A Guide for College Corporations, which was issued on 31 July 2021. The report related to the changes in the Post-16 Audit Code of Practice and reinforced the ESFA's approach to funding claims.

17/21-22 THE AUDIT COMMITTEE SELF-ASSESSMENT FOR 2020-21

The Clerk shared the key points from the Audit Committee Self-Assessment survey carried out in August 2021.

No areas of concern were raised. However, a number of points received a 'maybe' response.

The points and associated actions taken were detailed in the report.

The Committee confirmed they were satisfied these were being addressed.

18/21-22 THE AUDIT COMMITTEE ANNUAL REPORT FOR

2020-21

The Clerk presented the draft Audit Committee Annual Report for review. The updates were summarised and the Clerk would share the final version at the next meeting.

19/21-22 TERMS OF REFERENCE REVIEW

The Clerk had undertaken an annual review of the Terms of Reference. Revisions had been made to align to the updated Post-16 Audit Code of Practice and the ESFA Guidance: The Scope of Work of Audit Committees and Internal Auditors in College Corporations.

All points were already adhered to as part of the Committee's remit.

The main changes related to a holistic approach to the Audit Committee, ensuring financial and non-financial expertise.

The section on fraud and irregularity had been strengthened.

APPROVED: The Committee recommended the revised Terms of Reference for submission to the Corporation on 18 October for approval.

The meeting finished at 11.35 am

Signed: _____ Date: _____