



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 NOVEMBER 2024
AT 10.00 AM, IN THE BOARD ROOM, THE ROUNDHOUSE, DCG**

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Present: Andrew Dymond (Chair), Stuart Ellis, Rosslyn Green

In attendance: Jo Clifford (CFO), Heather Kelly (DCEO), Claire Love (FD), Cheryl Tacchi (DPO),
Jonathan Creed (ICCA – Internal Auditors)
Gareth Jones (RSM – External Auditors)
Rose Matthews (Clerk)

PART ONE - GENERAL MINUTES

21/24-25 APOLOGIES FOR ABSENCE AND INTRODUCTIONS

There were no apologies for absence.

22/24-25 DECLARATIONS OF INTEREST, CONFIRMATION OF ELIGIBILITY AND QUORUM

All members were eligible and the meeting was confirmed to be quorate.

The Chair declared an interest that PWC the Company he works for were carrying out the Bursary Audit on behalf of the ESFA. He had no involvement in their appointment or the audit.

23/24-25 FRAUD AND IRREGULARITY

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

24/24-25 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 24 September 2024 were approved as a true and accurate record.

RESOLVED: The minutes of the meeting held on 24 September 2024 were formally approved.

25/24-25 MATTERS ARISING

10/24-25 Draft Regularity Self-Assessment Checklist had been updated with regards to the internal controls section on page 20 and to reflect the External Review of Governance on page 31.

Action

Date

11/24-25	Strategic Risk Report - The Chair asked if there were any movement in the dates, could these be flagged with another box for slippage. The CFO and FD were to review ahead of the next meeting.	CFO/FD	04/03/25
13/24-25	Audit Committee Self-Assessment - Members questioned the anti-fraud and corruption training and asked if the Flicker training had been started. The training had been delayed but would be rolled out over the next month. One item flagged for attention was training budget managers. This was ongoing.	CFO/FD	04/03/25
14/24-25	Audit Committee Terms of Reference – The Terms of Reference were approved by the Corporation.		
26/24-25	<p>INTERNAL ASSURANCE: INTERNAL AUDIT ANNUAL REPORT 2023-24</p> <p>Jonathan Creed presented the Internal Audit Annual Report covering the academic year 2023-24.</p> <p>Based on the work undertaken and management implementation of the previous audit recommendations, but with the exception of the ESFA funding audit, the internal auditors provided reasonable assurance the risk management arrangements and systems of internal control were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy.</p> <p>In terms of Corporate Governance, Boards should commission external reviews – independent of the College. Therefore the report could not provide assurance on governance. However, the College had commissioned an External Review of Governance by Stone King during the academic year, which had been reviewed at length by Corporation and provided assurance on governance.</p> <p>No high priority recommendations were raised, with all reports (with the exception of the advisory report) providing substantial assurance.</p> <p>No additional work had been undertaken and no conflicts of interest identified.</p> <p>RG questioned if it was necessary to include that the Internal Auditors had insufficient evidence to cover governance. Could this not just be left out. It implied this had been blocked. JC responded that ICCA's engagement letter said it would give an opinion on internal controls and governance. Stone King had carried out a review. The text was not intended to have a negative connotation. The Chair asked if reference could be made that a governance review was carried out by someone else. JC agreed to revise and return the updated report.</p>	JC	04/03/25

RG noted the ESFA Funding Audit had stopped and asked if it would have been more efficient to complete it, given the work undertaken. CFO responded that the internal audit was scheduled late and due to sickness absence commenced late. By the time the report was issued to the College the Finance Team were heavily involved with the regularity audit, the College then underwent an Ofsted Inspection, at which point it was unlikely this would be completed due to conflicts with the regularity audit.

The Committee discussed the similarities between the two audits, they were not dissimilar but both came from different perspectives. Internal Audit checked the student records whereby External Audit checked the funding numbers, although do cover in some detail.

The Chair asked if not having a mock funding audit this year would pose a problem moving forward. GJ responded that the external audit work reviews to a level of materiality as opposed to identifying every small funding error. The only caveat was if the College received an ESFA funding audit and they could review in more detail (which is what Internal Audit would have done). It is not mandatory to carry out a mock funding audit. GJ explained some colleges have annual mock funding audits, some have every two years, larger colleges however, tend to have them more regularly.

The Chair noted that one control measure had been partially implemented he asked what that referred to. It was the staff utilisation report.

The Chair also asked if it was right to include contingency in calculation for percentage of work completed. JC said it was a transparency point, but if those dates were excluded it would be higher.

The Chair asked if the current internal audit reviews had been scheduled in for the coming months. Not as yet, but should be, with some completed before JC left.

The Chair offered a heartfelt thanks to JC for the work carried out on behalf of the College for a number of years. It was pointed out he was much more involved as a Head of Internal Audit than expected and wished him every success for the future.

RESOLVED: The Committee accepted the Internal Audit Annual Report subject to the changes requested.

27/24-25 GENDER PAY REPORT

The Director of HR shared the Gender Pay Report which is a requirement for the College under the Equality Act (Gender Pay) Regulations. The HRD was seeking approval to publish the report.

Key findings were shared, with a slight decrease in male and female employees, based on a snapshot of 984 employees. The ratio remained the consistent. The mean gender pay gap reported for the year was 8.29%, an increase on the previous year and the trend had widened since reporting began in 2017. The College were reporting earlier in the year and the ONS gender pay gap current sat at 13.1 for 2024. The median pay gap had decreased by 0.61% to 21.91%. The gap had widened at DCG with the female median rate increasing.

It was explained industry premiums in certain areas was a key contributing factor.

Members discussed the findings and a contributing factor in that females do some of the lower paid roles, which is a societal norm. The College continue to offer a range of policies to support females in the workforce and a formalised approach for accessibility and planning.

SE said more work needed to be done internally to look at the report without the SLT to see what that looked like. It needed to be determined whether females were doing lower paid roles, rather than females being paid less for the same role. The College needed to look at this from both ways to see if it was unfairly penalising itself. The HRD said she thought it was the former but agreed it should be presented so it can be easily identified.

RG asked what could be done if the data was skewed. SE said an internal policy could be set. The HRD said she had seen that in other sectors and it did make a difference.

The DCEO said the College had celebrated (through marketing) females in engineering and this was promoted with RR.

The Chair said as long as the College were doing everything they could and could evidence through challenge they were doing everything possible. That he was comfortable with the report.

The DCEO said the College had benchmarked its own engineering team against RR and were quite diverse by comparison. SE said that senior females at his organisation had been the most upset at force distribution of females in senior roles and questioned if the same approach was being applied to all roles.

RESOLVED: The Audit Committee accepted the report and recommended to the Corporation for approval.

Chair

16/12/24

28/24-25 DATA PROTECTION REPORT

The DPO shared the Data Protection Report.

Members heard a mock cyber phishing simulation had taken place in October. The number of employees clicking on the links had reduced since the last exercise. The DPO was following up any non-compliance and repeat offenders. **Members questioned if there were many repeat offenders** and an update was provided.

The Chair asked if in terms of breaches and data compromised, was this something that could be used by someone else. The DPO confirmed it was.

The IT Director had carried out a benchmarking exercise in terms of cyber phishing with organisations over 1,000 employees. The College had achieved 5-10% compromise, compared with 25% across the organisations surveyed.

SE said the College did not look bad compared with others and noted the College could use an easy phishing exercises to test, but used more convincing tests.

The Chair said overall it was a good report, but pointed out 68% had completed the training and would like to see more employees carrying out the training with further action being taken where appropriate (repeat offenders). The DPO had followed up and would pick up with line managers if individuals continued to not complete the training. Finally, this was referred to HR for potential disciplinary in cases of non-compliance.

RESOLVED: The Committee accepted the Data Protection Report and were assured by the action taken.

29/24-25 ANNUAL STRATEGIC RISK REPORT, INCLUDING STRATEGIC RISK REPORT AND CORPORATE RISK REGISTER

The CFO presented the Annual Risk Management Report, which summarised activities during the past academic year and noting key trends. Members discussed the risk management activities that had taken place.

The CFO went on to present the strategic risk report and updated risk register.

A full review had been undertaken. There were 25 risks under review on the Corporate Risk Register. Some changes had been made to reduce the risk around inflationary pressures, and 16-19 student number targets – due to over recruitment for 202-25 and positive interest for 2025-26 with strong school leaver demographics.

The risk had reduced for the ONS reclassification, along with the risk around energy supplies – which has moved off the Corporate Register but will remain on the Estates

Risk Register. The risk around employer relationships had reduced based on the strong skills judgement from Ofsted.

Other changes related to target dates. There remained a number of risks in terms of recruitment and retention of staff and cyber security and there will be new risks that emerge.

The three key risks remain the same and relate to retention and recruitment of staff, key financial pressures and financial targets.

The report also included a Follow up of Internal and External Audit recommendations and attention was drawn to a letter of UK Visas and Immigration which related to one sponsored overseas student. This had brought significant regulatory requirements, with the visit expanded to look at whole cohort and check and balances around residency. These will be added to the recommendations tracker and monitored. Once the student had completed the College would let sponsorship lapse as it resulted in wider risks for the College.

The report also outlined current litigation which were discussed with Members, H&S RIDDOR reportable incidents and safeguarding instances, one resulting in a Prevent referral.

The Chair questioned the litigation and asked how that was aligned from a budget perspective. Personal claims were fully insured and there was no residual cost. However with employment claims there was provision relating to the Working Time Regulation. The other claim related to one individual and would be covered by insurance, however the College would have the excess to pay.

SE asked if the claims had jeopardised the insurance cover. The CFO confirmed it had not at this stage.

GJ mentioned a few extra findings on the funding audit which will be updated. There were annual risks that came around during certain points of the year. There were no new or emerging risks coming to the fore, just ongoing risks that needed to be recognised.

AD asked if the Government announcement of an extra 1% NI and the acceptance of the pay award changed anything. The NI was likely to be funded.

SE questioned risks around the Johnson Building. There was some slippage on leaving, but this had been built in. The plan is to vacate by the end of the calendar year.

The CFO verbally updated members on the PWC Bursary audit ongoing. This pot of money sat on the College

balance sheet and there were robust policies in place. It is fairly low risk.

RESOLVED: The Committee accepted the risk register, discussed in detail, ahead of presentation at the Corporation.

30/24-25 AUDIT COMMITTEE ANNUAL REPORT

The Audit Committee Annual Report was presented.

The report provides the annual opinion of the Audit Committee on the Group's governance, risk management and control arrangements to the Corporation and evidences how the Corporation has discharged its duties. It's written in line with Post 16 Audit Code of Practice. It draws from a range of evidence and assurances

The Clerk pointed out one addition made yesterday was confirmation in the report that we have now received the Ofsted report which provides external assurance around curriculum and quality.

The report is submitted to the Education and Skills Funding Agency (ESFA) as evidence the Corporation has fulfilled its statutory and regulatory responsibilities.

The Chair asked if the mock funding audit changes could be referred to in the report.

RESOLVED: The Committee approved the report subject to changes discussed and agreed its presentation to the Corporation.

Clerk

21/12/24

31/24-25 POLICY REVIEW

A review of the Counter Fraud and Irregularity Policy had been undertaken to incorporate the changes from the College Financial Handbook changes in August 2024. The key changes were highlighted as detailed in the report. Members also noted the addition of the Anti-Fraud Checklist.

RESOLVED: The Committee approved the Anti-Fraud and Irregularity Policy.

All DCG officers left the meeting.

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

The meeting resumed at 11.15 am after the confidential session.

DCG Officers returned and Corporation members were invited to observe the External Auditors present their report.

FINANCIAL STATEMENTS AND EXTERNAL AUDIT –

- **AUDIT COMPLETION REPORT/ MANAGEMENT LETTER**
- **DCG REPRESENTATIONS LETTER**
- **DCG GROUP ACCOUNTS**
- **MBS REPRESENTATION LETTER**
- **MBS ACCOUNTS**
- **DCG SERVICES REPRESENTATION LETTER,**
- **DCG SERVICES ACCOUNTS**
- **REGULARITY LETTER OF REPRESENTATION**
- **REGULARITY AUDIT REPORT**
- **REGULARITY SELF-ASSESSMENT**

EMERGING ISSUES

Gareth Jones, of External Auditors, RSM, presented the Audit Findings Report which provided an unmodified opinion.

There are no adjustments to the numbers in the accounts, but there are a few recommendations, the vast majority relating to the funding element. These are not significant with no material adjustments.

The External Auditors thanked the CFO, Finance Director and the Finance team for the work carried out to date.

GJ covered the audit risks which related to management override of controls, income recognition, the defined benefit pension scheme, going concern, regularity reclassification and capital projects.

GJ referenced the Johnson building, which falls below materiality, but if the sale goes ahead there will need to be a write off and as such have to recommend a disclosure.

The Chair asked if the Johnson assets could be written off. The CFO said it was a matter of timing and the College were not in that position at present.

Castings on the accounts will take place this week and no specific additional items included in the representations letters.

Mackworth had been prepared on a non-going concern basis. A discussion had taken place last year about the contractual cleaning contract with DCG Services and the External Auditors were comfortable the going concern basis could continue without confirmation from the parent company.

The Corporation Chair noted the control recommendations and asked if they had the potential to be material. GJ explained there are two types of recommendations – significant or other, significant would

dictate the potential to be material, but other ones did not. The College's were other.

The Corporation Chair pointed out that eight of the ten recommendations related to apprenticeship income. He asked if it was normal for colleges to have these.

GJ said this level of representation was not uncommon and in this case many relate to administrative procedures unlikely to lead to matters material to the financial statements in isolation.

The Corporation Chair asked if the Auditors were satisfied with the management responses. They confirmed they were and that these would go on the recommendations tracker reviewed at each meeting by the Audit Committee.

The Corporation Chair said with regards to the size of the College he asked if DCG compared favourably or broadly in line with the number of recommendations.

GJ said favourably. He said the apprenticeships are probably what they would see in terms of funding recommendations. He said they were no higher and were complex rules.

The Accounts and Representations Letter and Statement of Corporate Governance on Internal Control and the Statement of Regularity and Compliance were all outlined in detail in the set of financial statements.

In terms of the overall numbers, these reflected the management accounts previously presented. There was a helpful reconciliation on page 14 which showed the surplus and last year's deficit and how the EBITDA surplus position was achieved. This included the pensions adjustment.

Overall, this was a positive picture with a £3.7m EBITDA.

The CFO confirmed the report included commentary in terms of statutory reporting on carbon, trade union time and gender pay gap reporting.

The subsidiary accounts were shared with the AGMs held on the same day as the Corporation. These were substantially complete and audited now.

In terms of MBS there was a loss because of audit fees and prior adjustments as no other trading was taking place.

In terms of regularity, the Regularity Self-Assessment Questionnaire required signing off. This had been previously approved by the Audit Committee in September with changes made as identified at the time.

RESOLVED: The Audit Committee accepted the Audit Completions Report recommended the Group and Subsidiary Accounts, Representations Letters, Regularity Letter of Representation, Regularity Audit Report and Regularity Self-Assessment for approval by the Corporation at its meeting on 16 December 2024.

Final element was the Emerging Issues Report which provided a useful summary of what was happening in the sector.

RESOLVED: The Committee noted the Emerging Issues Report.

The meeting concluded at 12 noon.