



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 29 NOVEMBER 2022
AT 12.30 PM (HYBRID) – IN THE BOARD ROOM, THE ROUNDHOUSE, DCG
AND REMOTELY**

APOLOGIES FOR ABSENCE	2
DECLARATIONS OF INTEREST, CONFIRMATION OF ELIGIBILITY AND QUORUM	2
MINUTES OF THE PREVIOUS MEETING	2
ANNUAL REPORT ON RISK MANAGEMENT	2
STRATEGIC RISK MANAGEMENT REPORT.....	3
REVIEW OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS	3
AUDIT COMMITTEE ANNUAL REPORT	4
2021-22 FINANCIAL STATEMENTS AND EXTERNAL AUDIT	4
• AUDIT COMPLETIONS REPORT AND MANAGEMENT LETTER	4



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 29 NOVEMBER 2022
AT 12.30 PM (HYBRID) – IN THE BOARD ROOM, THE ENGINE ROOM, DCG
AND REMOTELY**

Present: Kevin Slack (Chair), Andrew Dymond, Hazel Clint, Rosslyn Green

In attendance: Jo Clifford (CFO)
Michael Ford (Corporate Services)

Cheryl Tacchi (DPO))
Jonathan Creed (ICCA – Internal Auditors)
Gareth Jones (RSM – External Auditors)
Sarah Powell (RSM – External Auditors)

Rose Matthews (Clerk)

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

PART ONE - GENERAL MINUTES

27/22-23 APOLOGIES FOR ABSENCE

Apologies for absence were received from Heather Simcox.

The Chair noted it was Hazel Clint's final meeting and took the opportunity to thank Hazel for her contribution to the Committee and wider Board.

28/22-23 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.

29/22-23 MINUTES OF THE PREVIOUS MEETING

RESOLVED: The minutes of the meeting held on 13 October 2022 were formally approved.

30/22-23 ANNUAL REPORT ON RISK MANAGEMENT

The Annual Report on Risk Management was shared. It was noted this covered the activity in 2021-22.

It provided an overview of key risks, along with key actions identified for 2022-23 which fed into the Internal Auditors Annual Report.

Action Date

	<p>The Mock Funding Audit was shown as ongoing, but it was noted this had concluded. The report would be updated.</p>	MF	14/03/23
<p>31/22-23</p>	<p>STRATEGIC RISK MANAGEMENT REPORT</p> <p>Michael Ford presented the latest Risk Management Report and updated Register.</p> <p>The report highlighted the priority risks which related to the significant rise in energy bills, failure to attract high calibre personnel and the longer-term impact around the strike action. A summary of the key mitigations was also shared and discussed.</p> <p>A discussion was had in relation to those students exiting the College and members questioned how many students had left and the cost. The CFO did not know at this stage but agreed to follow up.</p> <p>HC questioned how the College knew the reason for the student exiting. It was explained this was captured through follow up with the student. She asked if there could also be some trend analysis to identify if there was an increase due to the strike action.</p> <p>RG questioned if the ESFA targets had been met prior to industrial action or had applications been lower all round. Members were informed anticipated numbers had been recruited, they were under the College's budget, but the ESFA funded target had been achieved. But with RO4 this was likely to have dropped.</p> <p>There were no significant health and safety issues, but due to Avian flu protocols had been put in place outlined by DEFRA with regards to housing all birds.</p> <p>There were no significant safeguarding referrals, but the Committee noted there had been a higher number due to isolation during the pandemic.</p> <p>There were no referrals to Prevent and no instances of fraud reported this academic year.</p>	CFO	
	<p>RECOMMENDED: An annual review of the Risk Management Policy had been undertaken with no significant changes made. It was recommended to the Corporation for approval</p>	Chair	12/12/22
<p>32/22-23</p>	<p>REVIEW OF INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS</p> <p>The Internal and External Recommendations Monitoring Report was shared.</p> <p>The Committee noted there were six ongoing actions.</p>		

33/22-23 AUDIT COMMITTEE ANNUAL REPORT

The Committee had received the report at the previous meeting in October. The Clerk explained the Risk Management section had been reviewed and the table replaced with the principal risks for 2021-22. No further changes had been made.

APPROVED: The Committee accepted the report and approved for submission to the Corporation.

Jonathan Creed left the meeting at 1.13 pm.

All Corporation members had been invited to observe the External Auditors present their report. Members joined remotely:

Present: Kevin Slack (Chair), Andrew Dymond, Hazel Clint, Rosslyn Green

In attendance: Jo Clifford (CFO)
Gareth Jones (RSM – External Auditors)
Sarah Powell (RSM – External Auditors)
Rose Matthews (Clerk)

Observers: Phil Dover, Martyn Marples, Mandie Stravino (CEO)

34/22-23 2021-22 FINANCIAL STATEMENTS AND EXTERNAL AUDIT

- **AUDIT COMPLETIONS REPORT AND MANAGEMENT LETTER**

Gareth Jones and Sarah Powell of External Auditors RSM presented their Audit Findings report to the Committee.

The audit work was substantially complete and subject to successful resolution of the outstanding matters, they anticipated issuing an unmodified audit opinion on the College's financial statements and an unmodified regularity audit conclusion in line with the agreed timetable.

The outstanding items related to the finalisation of going concern and the ONS announcement – which had been published today. They would also need a final review of the accounts to ensure everything had been covered.

Mackworth Business Services was a non-going concern disclosure as it was practically dormant.

The key risks were addressed, which primarily related to the income recognition – ESFA grant income. Some recommendations had been identified in the controls section.

The liability under FRS 102 in relation to the LGPS pension scheme was raised. The actuary shows a

significant decrease in pension liability from £60m in 2021 to £5m in 2022, largely driven by the increase in discount rates applied to pension obligations and CPI assumption. It is anticipated this could shift the other way next year. The External Auditors were comfortable with the actuary report.

The accounts had been prepared on a going concern basis and the Auditors had reviewed the information presented to them in terms of forecast and cashflow. It was suggested a separate disclosure in relation to the ONS announcement – a post balance sheet event be included.

A note in relation to the unconsolidated staff payments was also referenced. On the basis the additional amount was not a commitment at year-end this has been included as an unadjusted misstatement for the additional accrual, which was below the assessment of materiality.

The Committee Chair noted the points in relation to the ESFA income recognition had already been highlighted in the mock funding audit report carried out this year and previous years. The CFO had picked up some of the recommendations and was going to be making changes to systems and controls. He noted these were lessons learned and the Audit Committee would track through these recommendations as they did with all others.

The Corporation Vice Chair questioned the small funding issues and asked if they were typical of internal audits through other colleges. Gareth confirmed they were relatively consistent and due to the complex AEB and apprenticeship funding methodology.

Other matters were covered which points related to a review of creditors.

The External Auditors reminded Members of their independence.

Andy Dymond questioned the amount built up in creditors relating to Free School meals and questioned if that was growing year on year. The CFO explained it was bulk growth during Covid, but it was growing every year. A monthly review took place with the Finance Team and Student Services and proposals are being brought forward in terms of how household income is measured. It won't directly affect Free School Meal bursaries, but will make sure it gets to the students that need it.

The Chair of FRC asked if that would be fed into FRC when it is established when that might drop. The CFO explained it wasn't a huge credit, it was a balance that needed to be spent on student meals. It would be an

MF

14/03/22

CFO

ONGOING

offset amount in the accounts. The Chair of FRC noted that but asked where it would be tested. The CFO explained she could provide a balance sheet update each month in the management accounts.

The Committee Chair asked if the profit and loss accounts could be summarised in terms of the EBITDA. It was noted there was a section on the financial position in the Financial Statements Trustee Report on page 13. £1.11m links back to the income and expenditure accounts and adding back depreciating capital grants and holiday accrual to give an equivalent EBITDA.

With the exception of the pension adjustment, these are the same as the period 12 accounts that went to the Board.

The Committee Chair wanted to be mindful of interpretation of the accounts and the misunderstanding that the College may have an additional £70m available, which is not the case.

The External Auditors said the Audit had gone well as did the CFO and they were all on track for the deadline with one or two recommendations that had been taken on by the CFO.

There was little to say about the MBS accounts, they had been prepared on a non-going concern basis and the auditors would emphasise on their audit opinion that these be wound down.

CFO 05/12/22

DCG Services Limited – which related to the cleaning services. The Committee Chair flagged to review in terms of the fees in maintaining subsidiaries in the future.

CFO 05/12/22

RECOMMEND: Subject to the outstanding actions on the Financial Statements for DCG, the Audit Committee recommended to Corporation for approval.

CHAIR 12/12/22

RECOMMEND: Members noted the Regularity Self-Assessment which had been presented at the October Committee meeting and recommended this for signature at the Corporation meeting on 12 December 2022.

CHAIR 12/12/22

The Emerging Issues document was shared and the External Auditors provided a sector update which focussed on the Skills agenda, External Governance Reviews.

The meeting finished at 2.38 pm