

MINUTES OF A MEETING OF THE BOARD OF LEICESTER COLLEGE CORPORATION:

MEETING OF THE AUDIT COMMITTEE HELD ON 8 June 2022 ONLINE VIA TEAMS



Present: Zubair Limbada (Chair)
Anne Frost
Zoe Allman
Tom Wilson
Roger Merchant
Louisa Poole

In Attendance:	Louise Hazel	Director of Governance and Policy
	Shabir Ismail	Deputy Principal, Finance and Corporate Services
	Deborah Donnarumma	Vice Principal, Programmes and Apprenticeships
	Assam Hussain	RSM
	Lisa Smith	RSM
	Mark Dawson	KPMG
	Tony Felthouse	KPMG

1. DECLARATIONS OF INTEREST

- 1.1. The Chair welcomed everyone to the meeting and welcomed back Louisa Poole.
- 1.2. The Chair and Zoe Allman declared an interest in any items relating to De Montfort University.
- 1.3. Colleagues from KPMG and RSM would need to recuse themselves during Item 16.

2. APOLOGIES FOR ABSENCE

- 2.1. No apologies were received.

3. MINUTES AND MATTERS ARISING FROM THE PREVIOUS MEETINGS

- 3.1. The minutes of the meeting on 23 March 2022 were agreed as an accurate record and approved.
- 3.2. The confidential minutes of the meeting on 23 March 2022 were agreed as an accurate record and approved.

- 3.3. **The minutes of the special meeting on 13 April 2022 were agreed as an accurate record and approved.**
- 3.4. Action Record. Progress with actions from previous meetings was provided. Safeguarding actions were either in-progress or had been completed. The other items were included in the agenda.

4. APPRENTICESHIPS ACTION PLAN

- 4.1. The Vice Principal presented the Apprenticeships Audit Action Plan. The following points were highlighted.
- 4.1.1 Specific management actions had been placed against each of the findings/recommendations and an update was provided. These would be continuously monitored and there would be regular deep-dive exercises.
- 4.1.2 Staff training had taken place to reiterate the need for timeliness to ensure that funding was received. There would also be regular refresher training for staff.
- 4.1.3 The Deputy Principal noted that progress would need to be monitored for a further year as it the report was still rated as amber.
- 4.2. The Internal Auditors informed the meeting that the ESFA's working papers were publicly available and would give an indication of the main areas to focus on but cautioned that that the 2022/23 rules were still only in draft form and could be subject to change.
- 4.3. **Governors made the following comments:**
- 4.3.1 What did 'regular' mean?** This would be reviewed on a monthly basis by the Vice Principal and her team. Deep dives would take place every three months.
- 4.3.2 Was there something that could be done to reassure the Committee that deep-dives were having an impact?** The results of the deep-dive exercises would be brought back to the Audit Committee at each meeting; this would be added to the workplan.
- 4.3.3 Was the initial failure to capture the number of hours a result of the volume of apprenticeships?** It was not about the number of apprenticeships, but instead, a matter of having to closely monitor what was expected from staff.
- 4.4. **Governors requested that the results of deep-dive exercises be brought back to the Committee, noted the report, and agreed the risk rating of amber.**

5. WHISTLEBLOWING REPORT - Confidential

6. RISK MANAGEMENT PROGRESS REPORT 2021/22

- 6.1. The Director of Governance and Policy and Deputy Principal presented the Risk Register Update. The following points were highlighted.
- 6.1.1 The Covid-19 related risks were going down as restrictions had been lifted.
- 6.1.2 More was now known about the impact of Skills and Post-16 Education Bill,

although some of the implications of the white paper were not yet known.
6.1.3 The summer reforecast was underway; there were particular pressures around the AEB.

6.2. **Governors asked the following questions:**

6.2.1 Was student recruitment a concern? This was a concern as recruitment had been down on all funding lines as an ongoing result of the pandemic. The College was trying to manage this.

6.2.2 What were the plans around an affordable pay offer? This was an issue facing every college. The sector was bracing itself for potential industrial action. The trade unions were asking for 10% which was not feasible. The AoC (Association of Colleges) had come up with a recommendation of 2.25%. The College's position was that there was no choice but to offer 2% this year with a further 2% negotiated for the following year, although it may have to increase to 2.25% to be in line with the AoC. In addition to pay the College would be officially announcing Christmas closures. This would be discussed further at the Away Day.

6.2.3 Would this be reflected in the risk register? It would, under the risk around industrial action.

6.3. **Governors noted the changes within the Risk Register.**

7. RISK MANAGEMENT STRATEGY 2022/23 INCLUDING ASSURANCE MAPPING

7.1. The Director of Governance and Policy presented the draft Risk Management Strategy 2022/2023. The following points were highlighted:

7.1.1 The strategy was similar to 2021/22; the overall approach had not been changed significantly and there were many of the same risks in 2022/23.

7.1.2 Detailed Covid-19 risks had been removed, although if circumstances changed this could be reinstated.

7.1.3 The legacy of Covid-19 had been added and included issues around student and employer behaviour and/or funding.

7.1.4 The risk around financial health had been amended and the bar would be set at 130.

7.1.5 There was no intention to subcontract any delivery, so the subcontracting risk had been incorporated in the delivery risk.

7.1.6 There had been a slight change to the T-Level risk around student targets and the ability to provide a suitable learning environment.

7.1.7 The risk of industrial action was likely to be higher this coming year.

7.1.8 There was a new risk around OFS (Office for Students) performance measures as there had been some changes to the performance framework. A short video which explained the changes had been circulated.

7.1.9 There had also been more added around the potential for fraud.

7.2. **Governors asked the following questions:**

7.2.1 What involvement would governors have in writing the strategy? Risk would form part of the discussion during the Governor Away Days. This document could still be amended before it went before the Corporation.

7.2.2 There was only one reference to quality; was this sufficient and had

the focus on financial challenges distracted from the business of delivering education? Risk 13 would be reviewed to make sure the emphasis was right. Agendas for Corporation meetings in 2022/23 would be restructured to give greater priority to the student experience, and teaching and learning to allow governors closer oversight and provide additional assurance around the quality of the student experience.

7.2.3 What was the risk around High Needs Funding? There were ongoing discussions with the local authority about the funding levels which were inadequate. Everything was being done to try to retain the provision but there were questions as to whether it would still be financially viable to do so.

7.2.4 Were there any existing subcontracting arrangements. The College was teaching out the last of the HE (Higher Education) contracts.

7.2.5 Whether data quality, ESG and Value for Money should also be incorporated into the risk management strategy, and whether there should be reference to risk appetite ESG and Value for money were included in the internal audit plan. Risk appetite would be added in it were not already included.

7.3. **Governors noted the risk assurance mapping and recommended the approval of the Risk Strategy for 2022/23 to the Corporation.**

8. FRAUD SELF-ASSESSMENT AND POLICY

8.1. The Deputy Principal presented the Fraud Self-Assessment and Policy which detailed the College's approach to counteracting and investigating fraud. The following point was highlighted.

8.1.1 The paper included an update on the fraud risk assessment. The Fraud Policy complied with the current Post-16 Audit Code of Practice for 2021/22 and there were no amendments required. Based on the risk assessment, the College judged that the overall risk of fraud was low as there were robust controls in place to reduce the likelihood, and policies and practices in place which engendered an open and transparent culture.

8.2. **Governors asked the following questions:**

8.2.1 Whether students' use of software on their personal devices presented a fraud risk. Students were given a software licence for a year to reduce risk; this would be confirmed.

8.2.2 Although there were good policies and procedures in place, the College should remain vigilant to fraud. Acknowledged.

8.2.3 Did the College handle any cash. There was very little of this.

8.3. **Governors noted the updated Fraud Self-Assessment and Policy.**

9. RISK MANAGEMENT ARRANGEMENTS

9.1. The Internal Auditors presented their Internal Audit Report of Risk Management Arrangements. The following points were highlighted.

9.1.1 The audit had looked at whether there were any changes to risk management and had undertaken testing.

9.1.2 There had been no changes and there was evidence that controls identified in the risk assurance map were in place.

9.2. **Governors commented that the feedback given during this meeting should feed into next year's review.** Noted.

9.3. **Governors noted the findings and agreed the risk rating of green.**

10. 2020/21 FOLLOW UP REPORT

10.1. The Internal Auditors presented their Follow-up Report of 27 May 2022. The following points were highlighted.

10.1.1 Nine management actions were followed-up on, of which four had been fully implemented and three were ongoing. Two had been superseded.

10.2. **Governors thanked everyone for working on these management actions.**

10.3. **Governors noted the findings and agreed the risk rating of green.**

11. ANNUAL SUMMARY REPORT 2021/22

11.1. The Internal Auditors presented their Annual Summary for 2021/22. The following points were highlighted.

11.1.1. The work had been planned and delivered as a series of 'agreed upon procedures', delivering reviews and testing in areas at the request of management and the Committee.

11.1.2. An internal audit conclusion was not provided.

11.2. **Governors asked the following questions:**

11.2.1 Whether there were any signs that the industry was moving back towards complete assurance sign-off. The majority were staying with having a Head of Internal Audit at the end of the year. However, having Board Assurance enabled organisations to maximise the targeting of key areas. The Deputy Principal added that, although many colleges did not feel comfortable following the same route as Leicester College, this method provided better engagement from the Audit Committee. The Internal Auditors agreed that the Audit Committee was using the internal audit report constructively and giving it the appropriate level of scrutiny.

11.2.2 Governors noted that having Board Assurance meant that it was even more important to robustly review and identify risks.

11.3. **Governors noted the report and agreed the risk rating of green.**

12. INTERNAL AUDIT STRATEGY FOR 2022/23

12.1. The Internal Auditors presented their Internal Audit Strategy for 2019/20 to 2023/24 which included the 2022/23 Internal Audit Plan. The following points were highlighted.

- 12.1.1 The ESFA's Good Practice Guide for Audit Committees had been reviewed and the plan addressed the main gaps in internal audits in respect of high education, data quality and Value for Money.
- 12.1.2 Audits would include: OfS HE data returns, Value for Money, Risk Management (deep dive), Funding Assurance, Governance, and Follow up. For 2023/24, audits of cyber controls and ESG were proposed.

12.2. **Governors made the following comments:**

- 12.2.1 **Whether the funding assurance exercise would only look at apprenticeships.** The other funding streams are fairly set and it was considered more sensible to look at an apprenticeship review again. There were no plans look outside of apprenticeships as there had only been small changes around Post-16 and Adult education.
- 12.2.2 **In the governance audit, was there a focus on structure rather than the student experience.** There were plans to commission a review of governance which would focus on impact rather than process. A report should be ready in November 2022.
- 12.2.3 **Should there be concerns around delaying looking at ESG?** The External Auditors replied that 2023/24 would be around the right time to look at this.

12.3. **Governors approved the Internal Audit Strategy.**

13. **CITY AND GUILDS REPORT**

13.1. The Deputy Principal presented the City and Guilds Centre Activity Report. The following points were highlighted.

- 13.1.1 The visit had gone well and there were no recommendations.

13.2. **Governors noted the findings and agreed the risk rating of green.**

14. **EXTERNAL AUDIT PLAN FOR YEAR ENDING 31 JULY 2022**

14.1. The External Auditors presented their Audit Plan for 2021/22. The following points were highlighted.

- 14.1.1 Little had changed in the regulatory environment.
- 14.1.2 Four significant risks had been identified which were similar to most colleges: Valuation of Pension Liabilities; Revenue Recognition; Going Concern; and Management Override of Control.
- 14.1.3 Materiality had slightly increased for the coming year.
- 14.1.4 Regularity: there would be a slightly different self-assessment which would need to be made in the coming year.
- 14.1.5 The plan also included confirmation of the auditor's fees.

14.2. **Governors asked the following questions:**

- 14.2.1 **Whether the figures given in the Fees Appendix or those given in Paper M were accurate.** The figures in this paper were the most up to date.
- 14.2.2 **What were the effects of hybrid working on Estates?** Although

some space would be freed up by hybrid working there was an increased demand, and the College was looking to increase IT space and practical space which would enhance the student experience.

14.3. Governors approved the External Audit Plan for Year Ending 31 July 2022.

15. COMMITTEE TERMS OF REFERENCE AND WORKPLAN 2022/23

15.1. The Director of Governance and Policy presented the Audit Committee Terms of Reference for 2022/23 and suggested workplan for approval. The following point was highlighted.

15.1.1 4.5 had been slightly amended to highlight that there needed to be regular re-tendering of external audit services at least every three years.

15.2. Governors asked the following questions:

15.2.1 Whether ESG should be added in for the Audit Committee to monitor. There might not be many sources of information, although the carbon emissions were published. It could be added in on the understanding that this would be “Year One.”

15.2.2 Whether there should be a reference to meetings taking place online. The Instrument and Articles of Government and Standing Orders had already been amended to reflect this.

15.3. Governors agreed the Workplan for 2022/23.

The Internal Auditors and External Auditors left the meeting.

16. APPOINTMENT OF EXTERNAL AUDITORS - Confidential

17. POST-16 AUDIT CODE OF PRACTICE AND ACCOUNTS DIRECTION

17.1. The Deputy Principal presented a paper on the Post-16 Audit Code of Practice and Accounts Director 2021/22. The following point was highlighted.

17.1.1 This was published annually with updates released in April and March 2022. These set out the audit and financial reporting requirements for further education corporations. Compliance with the mandatory elements are requirements in the College’s funding agreement with the ESFA.

17.2. Governors noted the Post-16 Audit Code of Practice and Accounts Direction.

18. SUBCONTRACTING STANDARD

18.1. The Director of Governance and Policy, and the Internal Auditors presented a paper which provided an update on the College’s approach to subcontracting and to working towards the new ESFA’s new Subcontracting Standard.

18.2. In response to a **question** about preparation for any future subcontracting, it was explained that the flowchart showed that processes were in place for subcontracting in the future.

18.3. **Governors noted the Subcontracting Standard.**

19. FE AUDIT COMMITTEE PACK

19.1. **Governors received and noted the report.**

20. HE POLICY LANDSCAPE

20.1. **Governors received and noted the report.**

21. DATES AND TIMES OF FUTURE MEETINGS

21.1. **An 8am start with the option to join online was agreed.**

21.2. Dates for future meetings:

- 21 September 2022
- 22 November 2022
- 22 March 2023
- 7 June 2023

22. ANY OTHER BUSINESS

22.1. There was no further business.