

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

MEETING OF THE AUDIT COMMITTEE HELD ON 22 MARCH 2023 ONLINE VIA TEAMS



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

In Attendance: Shabir Ismail* Deputy Principal
Louise Hazel Director of Governance and Policy
Asam Hussain RSM
Mark Dawson KPMG
Tim Wakefield KPMG
Matt Widdowson (Minutes)* Governance and Policy Officer

**Item 4 onwards*

1. **DECLARATIONS OF INTEREST**

- 1.1. Zubair Limbada and Zoe Allman declared an interest in any items which may relate to De Montfort University.

2. **APOLOGIES FOR ABSENCE**

- 2.1. Apologies were received from Anne Frost, Neil McDougall, and Lisa Smith.
- 2.2. Neil McDougall was a new governor who would be joining the Audit Committee. The Chair had an opportunity to meet with him at the Risk Workshop which had taken place the previous week.

3. **CONFIDENTIAL MEETING WITH AUDITORS**

Shabir Ismail and Matt Widdowson joined the meeting.

4. **MINUTES AND MATTERS ARISING FROM THE PREVIOUS MEETINGS**

4.1. **MINUTES OF THE 22 NOVEMBER 2022**

- 4.1.1. The Minutes of 22 November 2022 were **agreed** as an accurate record and **approved**.

4.2. **ACTION RECORD**

- 4.2.1. The Director of Governance and Policy provided an update on the Action Record.
 - 4.2.1.1. Reference 7.2.1 related to the risk register and was on the agenda for this meeting.
 - 4.2.1.2. Reference 7.2.5 related to safeguarding and would be picked up by this meeting.
 - 4.2.1.3. Reference 10.3 related to Cyber Essentials Plus and would be included in next year's work plan.

4.2.2. Governors made the following comments:

- 4.2.2.1. There had been a good discussion around scoring risk at the Risk Workshop.**
- 4.2.2.2. Did the College have Cyber Essentials Plus?** This had been obtained in November 2022 for a further year.

4.2.3. Governors noted the Action Record.

5. INTERNAL AUDIT REPORTS

5.1. GOVERNANCE

- 5.1.1. The Internal Auditor presented the internal audit report on Governance. The following points were highlighted.
 - 5.1.1.1. This review confirmed that processes and controls were operating in practice.
 - 5.1.1.2. Annual self-assessments had been completed for Corporation and all Committee.
 - 5.1.1.3. Terms of Reference had been reviewed and were publicly available.
 - 5.1.1.4. All Committees had an up-to-date calendar of meetings.
 - 5.1.1.5. All new board members had been inducted and documentation had been completed.
 - 5.1.1.6. The Instrument and Articles of Government were up to date.
 - 5.1.1.7. There were regular updates on the actions arising from the external review provided to the Search and Governance Committee.
 - 5.1.1.8. This had been a positive review with no actions arising.

5.1.2. Governors commented that it was good to see that everything was in order including that the recommendations of the external board review had been documented accordingly.

5.1.3. Governors approved the recommended risk rating of **Green.**

5.2. VFM / PROCUREMENT

- 5.2.1. The Internal Auditor presented the internal audit report on Value for Money and Procurement.

- 5.2.1.1. This audit looked at key controls and processes and included sample testing of purchases to confirm that these were operating in practice. Data was analysed to search for any anomalies.
- 5.2.1.2. The VFM framework was in place and was well designed in terms of compliance with regulations and the College's procurement strategy.
- 5.2.1.3. Sample testing for twenty purchases confirmed that these were in line with the regulations.
- 5.2.1.4. New set-ups of supplies were checked and there were no exceptions.
- 5.2.1.5. There was a low priority action on supplier spend analysis for which the College had provided a comprehensive reply outlining that this was due to the post of Contracts Manager not being filled. This action was not agreed.
- 5.2.1.6. There was a low priority action around deactivating duplicate accountings and including a check in the system around accounts with the same details. There was one supplier who should not have been approved as their bank details had been pending.
- 5.2.1.7. Overall this had been a positive review and the Audit Committee could be assured.

5.2.2. Governors made the following comments:

- 5.2.2.1. During a visit to the Finance Department, it had been clear that the team did not have the capacity to take on any extra work such as supplier spend analysis. The question was whether the Committee was comfortable that the additional work could not be undertaken because of capacity issues.**
- 5.2.2.2. With regards to supplier spend analysis, was consideration given to looking at the accounts payable ledger which should give a good indication? If the ledger was not used, why? Were there transactions which did not go through this account?** There was little discretionary non-pay budget to spend. Every order up to a certain value required three quotes and, following a further threshold, there must be a tendering process. There was also an approved buyer consortium process. The Purchasing Supervisor monitored each order. External experts were used for specialist areas such as challenging rates and energy spending.
- 5.2.2.3. Did the College use credit cards?** Yes, but the limits were quite low. Credit cards were used to avoid transaction costs.
- 5.2.2.4. Did the Purchasing Supervisor have the necessary expertise?** The Purchasing Supervisor was experienced; however, she would soon be leaving the College and it was necessary for her replacement to be similarly trained.
- 5.2.2.5. It was noted that VFM was one of the areas identified in the Post-16 Code of Practice for Audit Committee oversight.**
- 5.2.2.6. Were all 4,531 supplier records active?** The Deputy

Principal would check this. The Internal Auditor added that this was one of the housekeeping actions which were recommended.

- 5.2.2.7. **Did the data analysis cover the whole year?** It did.
- 5.2.2.8. **On page 6 of the report, it stated that, “A review of the list of suppliers identified 172 instances were suppliers matched the same bank account...” What did ‘instances’ mean and how many suppliers did this relate to?** ‘Instances’ referred to lines. The Internal Auditor would check this.
- 5.2.2.9. **On page 6, the first bullet point referred to “18 entries” using other financial companies as a factor for payments.** They could refer to parent companies and subsidiaries, or suppliers using factoring companies.
- 5.2.2.10. **On page 6, the final bullet point referred to a supplier becoming a newly listed limited company in 2015. Should this have been picked up in 2015?** The system does not delete old information as it provided an audit trail including the company’s previous name.
- 5.2.2.11. **Multiple lines for one supplier could relate to different services. Did this cause reconciliation difficulties?** There was a piece of housekeeping work to do around this. The Finance Team could look at this and the Internal Auditors could then follow up on it.
- 5.2.2.12. **How did the College ensure that when a supplier changed their bank details these were updated?** If details change then the Finance Team made contact by telephone to confirm the details.
- 5.2.2.13. **When bank details changed, did this update all the lines for the supplier?** The Deputy Principal offered to check this and confirm.
- 5.2.2.14. **A supplier was set up before the bank details were confirmed. Was there a control in place to prevent this from happening?** If the account had been set up in error the supplier would not have been paid until this was checked. This would be the case even if goods/services had been delivered.
- 5.2.2.15. **It was easy to underestimate the importance of ensuring that bank details were checked. This applied to employee bank details as well.**

5.2.3. **Governors requested a further update the issues raised.**

5.2.4. **Governors approved the recommended risk rating of **Green**.**

5.3. RISK MANAGEMENT DEEP DIVE

5.3.1. The Internal Auditor presented the report on the Risk Management Deep Dive.

- 5.3.1.1. There had been a deep dive into five risks. Controls had been found to be adequately designed and were operating effectively.

- 5.3.1.2. There was a medium priority action around how risks were scored and how risk owners were involved. The risk score might not be accurately reflected and could be over inflated.
 - 5.3.1.3. There was a low priority risk around updating the risk policy to ensure that risk owners were captured in the documentation.
- 5.3.2. The Director of Governance and Policy provided a further update on next steps:
- 5.3.2.1. A helpful workshop to look at risk appetite had been held the previous week, facilitated by RSM.
 - 5.3.2.2. The two risk policies would be amended and combined.
 - 5.3.2.3. Matt Humphries from RSM would be producing a draft risk appetite statement and a summary of themes which emerged from the Risk Workshop. He would also be creating a heat map of both current risks and residual risks.
 - 5.3.2.4. A revised risk management strategy would be presented to the June meeting.

5.3.3. Governors made the following comments:

5.3.3.1. The previous week's Risk Workshop had been positive, and it was noted how management were working on improvements.

5.3.4. Governors approved the recommended risk rating of **Green.**

6. RISK MANAGEMENT PROGRESS REPORT

- 6.1. The Director of Governance and Policy and Deputy Principal presented the Risk Management Progress Report. Governors were reminded that this report was based on the current risk management system. The following points were highlighted.
- 6.1.1. AEB (Adult Education Budget) would not be in-line with the budget. It was expected that this would also be the case in the summer reforecast. The risk was high as it was a certainty that the College would not achieve its allocation. The College was in a deficit position and would not meet the bank covenants. This was also difficult to mitigate against as it was caused by the cost-of-living crisis with adults unable to take time away from work to study.
 - 6.1.2. The risk around High Needs Funding was also increasing. Leicestershire County Council had agreed to pay for over-recruitment, however there was concern over the dialogue with the local authority around confirming numbers.
 - 6.1.3. The risk around Attendance and Engagement risk had also risen. More students were having to take part time jobs which affected attendance. Attendance was still at 80% but this was below the College's 95% target and the consequences of non-attendance had an impact on attainment. There was the need to ensure that safeguarding issues were being picked up. There was a similar picture across the sector.
 - 6.1.4. Risks relating to staff pay and possible industrial action had been

downrated. Trade unions – particularly the UCU (University and Colleges Union) – had indicated they did not wish to re-open pay discussions for this year. This would need to be looked at again for 2023/24.

6.2. Governors asked the following questions:

6.2.1. Governors asked for clarification on the High Needs Funding risk had been scored. The potential impact was scored against numbers and income. There was the possibility of challenging conversations with the local authority. This applied to the County Council as there was more confidence around the City Council.

6.2.2. There had been a discussion at the Student Liaison Committee around the lack of uniformity for incentivising attendance. The Senior Leadership Team had received this feedback and were currently looking at best practice.

6.3. Governors noted the Risk Management Progress Report.

7. EXTERNAL REVIEWS

7.1. The Director of Governance and Policy presented the Board Effectiveness Review paper. The following points were highlighted.

7.1.1. A paper would be going to Corporation on 23 March 2023 to outline the progress against the recommendations. The recommendation which was most relevant to the Audit Committee was around the articulation of risk appetite.

7.1.2. The review took a positive view of the Audit Committee.

7.2. **Governors commented that the External Board Review had been presented to Corporation. The conclusion did not flag up anything of concern to the Audit Committee.**

7.3. **Governors approved the recommended risk rating of **Green**.**

8. FRAUD POLICY, CHECKLIST AND RISK ASSESSMENT

8.1. The Deputy Principal presented the Fraud Policy and Checklist.

8.1.1. The Fraud Policy reflected the Post-16 Audit Code of Practice.

8.1.2. The Fraud Policy stated that a fraud risk assessment would be carried out on an annual basis. Based on the risk assessment the College judged there to be an overall low risk of fraud.

8.1.3. On the checklist the items in amber related largely to financial performance.

8.1.4. The External Auditor informed the meeting that ISA 240 would be updated this year. These would not be extensive changes but there would be an increased focus on professional scepticism. This would have more effect on their documentation rather than additional testing.

8.2. Governors made the following comments:

8.2.1. What were the sections of text highlighted in yellow? These were the changes.

8.2.2. Was the email address, allegations.mailbox@education.gov.uk administered by the EFSA. It was.

8.2.3. The checklist would form part of the auditors' work.

8.3. Governors noted the Fraud Policy and agreed the Risk Assessment Update.

9. FE COMMISSIONER REPORTS: ANNUAL REPORT

9.1. The Deputy Principal presented the FE Commissioner's annual report. The following points were highlighted.

9.1.1. This report summarised the pressures in the FE sector: Unlike Leicester College, some colleges were withdrawing T-Level courses; there were difficulties retaining staff; the cost-of-living and tight financing was resulting in industrial action; and increased energy costs were challenging.

9.1.2. The FE Commissioner had participated in the College's annual strategic conversation meeting.

9.1.3. The FE Commissioner was being proactive and providing a challenge to the Government.

9.1.4. As a sector, there were three areas identified for improvement: governance, subcontracting and cyber security. The College would be benchmarking against these.

9.2. Governors made the following comments:

9.2.1. Given the financial position of the College had there been conversations with the FE Commissioner? The College was having conversations with the bank first. Leicester College was not seen as a particularly serious case at the moment. If the deficit continued and became a cashflow issue, then it might become a problem. There was a continuing dialogue with the EFSA. At some point there might be the decision to go to the FE Commissioner for active support on benchmarking the curriculum to find out how efficient it was compared to the rest of the sector. There might also have to be conversations with governors about funding not being aligned with local needs.

9.3. Governors noted the FE Commissioner's Annual Report.

10. ANY OTHER URGENT BUSINESS NOTIFIED TO THE CHAIR PRIOR TO THE MEETING

10.1. There was no further business.

11. DATES AND TIMES OF FUTURE MEETINGS

- 7 June 2023, 8am