

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



MEETING OF THE AUDIT COMMITTEE HELD ON 23 NOVEMBER 2021

Present:	Zubair Limbada (Chair) Simon Meakin (Vice Chair) Anne Frost Zoe Allman	Roger Merchant Tom Wilson Louisa Poole
In Attendance:	Louise Hazel Shabir Ismail Lisa Smith Mark Dawson Timothy Wakefield Fayaz Chana Zoe Butler	Director of Governance and Policy Acting Principal/CEO RSM KPMG KPMG Governance and Policy Officer Director of Student Services and Marketing (Item 8)

1. DECLARATIONS OF INTEREST

- 1.1. The Chair and Zoe Allman declared an interest in any items relating to De Montfort University.

2. APOLOGIES FOR ABSENCE

- 2.1. There were no apologies for absence.

3. MINUTES AND MATTERS ARISING FROM THE MEETING HELD ON 22 SEPTEMBER 2021

- 3.1. The minutes of the meeting on 22 September 2021 were **agreed** as an accurate record and **approved**.
- 3.2. The actions record was reviewed and the following updates were provided:
- 3.2.1. The College currently had three salary sacrifice schemes however take-up was low. A campaign to improve uptake of the existing schemes as a means of making National Insurance savings would be run.
- 3.2.2. **Governors asked for assurance that work was continuing to improve apprenticeships.** It was mentioned there were weekly meetings taking place with the apprenticeship team. The enrolment process had now been improved to include automation around signatures. The internal auditors had provided training to the

apprenticeship team and progress was being made. There were a few system changes which were needed however making these changes was out of the College's control as the system was owned by another organisation. The College was working with the organisation to make the necessary changes. A further audit was planned to take place on apprenticeships in January 2022.

4. LETTER FROM JOHN EDWARDS (ESFA)

- 4.1. The Acting Principal presented the letter from John Edwards. The following points were highlighted:
 - 4.1.1. John Edwards was the Interim Accounting Officer and Chief Executive of the ESFA. This letter had also been provided to the Corporation in October.
 - 4.1.2. The College had a process which took place monthly to check and sign off the ILR data.
 - 4.1.3. The College had robust processes to maintain transparency and deter conflicts of interest around related party transactions; it had a Conflicts of Interest Policy. **In response to a question**, auditors confirmed they had reviewed the register of interests and checked to see if there were any transactions with the related parties however; there were no concerns.
 - 4.1.4. The Audit Committee's role was to provide robust and fair challenge. **Auditors were asked how they felt the Audit Committee operated.** They commented that the committee provided challenge and asked the correct questions. It was a robust committee with very experienced people.
 - 4.1.5. The Director of Governance and Policy explained it was now a requirement to report on the activities undertaken over the year to develop governance professionals. The Director of Governance and Policy had undertaken some training courses and these would be reported in the annual report.
 - 4.1.6. The Principal and the Deputy Principal had both participated in the FE Principals' programme.
 - 4.1.7. The College would undergo a process of tendering for external audit services auditors next year.
- 4.2. **Governors noted the letter.**

5. AUDIT COMMITTEE ANNUAL REPORT 2020/21

- 5.1. The Director of Governance and Policy presented the draft Audit Committee Annual Report 2020/21. The following points were highlighted.
 - 5.1.1. The purpose of the report was to inform the Principal and the Governing Body of the work carried out by the Audit Committee during the academic year 2020/21.
 - 5.1.2. In addition, the contents of the paper were intended to provide assurance that the College's systems and arrangements for risk management, control, governance processes and arrangements for

securing economies and efficiencies and securing the College's assets were adequate and effective.

- 5.1.3. The report followed a similar format to previous years with some additions to reflect the Post-16 Audit Code of Practice.
 - 5.1.4. A description of the work done on apprenticeships would be included before the report was finalised.
 - 5.1.5. Both actions relating to an Academic Management Review had been completed.
 - 5.1.6. Governor development had now been included due to the new requirements in reporting. The induction process of new governors had also been included.
 - 5.1.7. Section 22 of the report would be updated to show that actions from the previous audits had been closed.
- 5.2. The auditors mentioned the report should cover all significant matters up to the end date of the period. This would be reflected in paragraph 3 of the report.
- 5.3. **The Chair asked governors if they felt comfortable to provide assurance that the College's systems and arrangements for risk management, control, governance processes and arrangements for securing economies and efficiencies and securing the College's assets were adequate and effective. It was noted that although the College had an internal audit service, they could not provide any formal recommendations. Governors confirmed they were very comfortable with the approach and felt able to provide assurance about the control environment. There were hotspots of issues such as apprenticeships but the approach taken was a comfortable balance of risk and reward.**
- 5.4. **Governors approved the report for presentation to the Corporation.**

6. RISK MANAGEMENT UPDATE

- 6.1. The Director of Governance and Policy and Acting Principal introduced the Risk Management Update to the group. The following points were highlighted.
- 6.1.1. The risk around the inability to recruit/retain staff subject specialists or industrial specialisms in relation to T levels had increased. The College had put in place market supplements but it was currently a difficult environment.
 - 6.1.2. The risk relating to the College being unable to develop new T level routes for 2022 had reduced as developing T Levels was not an issue but recruiting staff to deliver the programmes was.
 - 6.1.3. The risk around focussing on financial controls and other management issues leading to a diminished focus on quality had increased. This had increased as the College recognised that some of the measures put in place were not improving the achievement rates. This had been discussed by CSQI. The College would be reviewing the controls in place and the QA processes were also being looked at.
 - 6.1.4. The associated risk in relation to the College not being able to demonstrate good or better learner progression should have been

increased. This would be amended.

- 6.2. **Governors mentioned staffing levels and capacity was a national problem. Companies were offering loyalty bonuses, increased pay and other incentives to attract staff. Although this would affect the wage bill for the College, it might need to consider different options to attract and retain staff.** The Acting Principal acknowledged this and mentioned that the whole sector was experiencing these issues.
- 6.3. **Governors then asked the following questions:**
- 6.3.1. **Given recent strikes in universities, was the risk around strike action appropriate?** The Acting Principal mentioned that the College held regular productive meetings with the unions. Most of the issues raised were not financial but related to working conditions and therefore the College was comfortable with the risk rating around the strike.
- 6.3.2. **Did the COVID risk need to be revisited in light of several members of the SLT catching the virus?** The report was published before members of the SLT tested positive. The risk around COVID was a standing item at the weekly SLT meetings. The number of people testing positive within the College was still very low. The College was concerned about staff being asked to isolate via the track and trace however, contingency plans were in place for every department.
- 6.3.3. **A summary of the main changes showed downgrades to financial risks, the self-assessment showed the College was hovering around the intervention area and so should governors be worried about an unannounced Ofsted inspection?** A few of the risk ratings had been brought down but they were still considered high risks. In terms of financial health, the College was in the Requires Improvement (RI) category but was a strong RI. A cautious approach to the risks had been taken as this was the first term. There were a large number of colleges which had a decline in quality. Only externally assessed exams had brought the achievement rates down. Achievement rates and pass rates were different and the College was doing well with pass rates compared to other Colleges. The risk rating was only increased as the achievement rates had not improved over a few terms. This had been discussed in detail at CSQI.
- 6.3.4. **Risks 16.1, 16.2 and 16.3 could be potential triggers for an Ofsted inspection; was the change of Principal a reportable event to the ESFA and would the drop in achievement rates trigger anything at Ofsted?** The change in Principal was a reportable event and this had been reported to the ESFA. This would not be a trigger because it was a temporary and short-lived event. If it did continue for a longer period and if there were sharp declines in financial health and quality, they might trigger an inspection. However, the Principal would be back soon and achievement rates had not declined significantly, there was a slight variance against the figure for last year. The risk was upgraded to flag that this was an area that needed to be looked at. The College was not near any early or formal intervention action by the ESFA.
- 6.3.5. **The College's mitigation to the risk around not being able to**

recruit staff appeared to be just to continue. Was there more that could be done? This was being looked into but as the College was a training provider, it could provide training as an incentive. Other elements would also be looked into.

- 6.4. **Governors approved the Risk Register subject to the changes discussed.**

INTERNAL AUDIT REPORTS

7. CYBER SECURITY

- 7.1. Lisa Smith provided a verbal update on a recent cyber security audit carried out. The following points were highlighted:

- 7.1.1. A draft report had been issued to management.
- 7.1.2. There were actions around the IT incident management process. These were to ensure cyber security incidents were categorised and responded to. There was also a recommendation to undertake tabletop testing and ensure it was appropriate and worked.
- 7.1.3. There was a good response rate to the staff training however, the training was to be completed every two years and a recommendation was made to have staff complete this training more frequently.
- 7.1.4. The process for patch management noted the need for critical patches were applied within the 14-day timeframe.

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

- 7.2.1. **Whether the IT team had a training regime for themselves to learn about new threats?** The core IT team were very knowledgeable and experienced and undertook regular training.
- 7.2.2. **Whether any spot checks for phishing emails took place?** No, although this had been raised as a low priority.

- 7.3. The Acting Principal mentioned the College had recently recruited a new Director of IT who was from an FE background. There was also dedicated post which focussed on cyber security within the College. The College had also secured a Cyber Essential Plus accreditation which not many other colleges had. It also undertook annual penetration tests which were carried out by an external company.

- 7.4. **The Chair mentioned as the next Audit Committee was to be held in March 2022 it would be helpful for the report to be circulated once it was finalised ahead of the next meeting.**

- 7.5. It was mentioned the next review to take place would be to look at the corporate governance within the College. This was due to take place in January 2022.

- 7.6. **Governors noted the update and requested for the finalised Cyber Security audit report to be circulated ahead of the next meeting.**

Zubair Limbada left the meeting. Simon Meakin took over as Chair.

EXTERNAL REVIEWS

8. SAFEGUARDING DIAGNOSTIC

8.1. The Director of Student Services and Marketing joined the committee and presented the Safeguarding Diagnostic report. The following points were mentioned:

8.1.1. Leicester City Council was commissioned to complete a Healthcheck report on safeguarding arrangements at the College. This was a service it provided and was not triggered by any particular concerns about processes within the College.

8.1.2. There were a number of key recommendations made following the visit. These were to have staff complete the safeguarding training every two years rather than three years, send out regular updates, and staff to be made aware of processes for whistleblowing.

8.1.3. The recommendation in relation to the staff training had been accepted and would be aligned so it is completed every two years. The training on safeguarding and Prevent were being reviewed to ensure they were still relevant.

8.1.4. Previously within the College there were only a few updates being sent out staff in relation to safeguarding. The College was now sending out monthly updates which included a different theme each month. For the current month, the theme was Prevent. A safeguarding network had also been set up which aimed to provide an update on what was happening around the College. The first network meeting was held in the College but the next one would be held virtually.

8.1.5. The Whistleblowing Policy had been updated to include information about reporting ineffective/insufficient safeguarding. A separate policy around low-level concerns was currently being worked on. This would also be highlighted at the Staff Development Day in January 2022.

8.2. **Governors asked a number of questions including:**

8.2.1. **In relation to point 2.8 within the report, it mentioned there was no supervision for the designated safeguarding leads. People should be supervised and it was best practice to do so.** The Director of Student Services and Marketing mentioned supervision was in place. This was done through regular one to ones and also during the monthly leads' meetings. Practices and decisions were reviewed regularly and also peer support was provided at these meetings.

8.2.2. **This was a great process for the College to go through and it was sensible to undertake the safeguarding training more frequently; was the safeguarding knowledge of staff tested?** Knowledge was not tested but the College wanted to create a safeguarding culture in which staff felt able to raise issues and ask questions and this would be achieved through the regular updates and the safeguarding network.

8.2.3. **Would the Council return to undertake a follow up report?** The College had agreed to meet with the Council in January 2022, there would not be a formal report, however, a conversation would be held to discuss progress. This would be feedback to the committee.

8.3. **Governors commented that the report was reassuring and was good to see plenty of work was going on to further improve.**

8.4. **Governors noted the report and agreed the recommended the risk of green.**

9. AUDIT HIGHLIGHTS MEMORANDUM AND MANAGEMENT LETTER – YEAR ENDED 31 JULY 2021

Jonathan Kerry, Jai Sharda, Lisa Armitage and Danielle Gillett joined the meeting for this item.

9.1. This item was chaired by the Chair of Governors. The Chair mentioned it was good practice for members of the Corporation to hear directly from the auditors.

9.2. The following points were highlighted by the auditors:

9.2.1. The audit was substantially complete. There had been no significant changes to the audit plan and strategy other than in respect of the finalisation of the approach to the audit of ESFA grant income, this was due to a change made in the audit Code of Practice. A clean opinion would be provided on completion of the audit.

9.2.2. There were small areas where work had not been completed. These had progressed since writing this report. The areas were around finalisation of additional testing relating to ESFA grant income, financial statements and journals. There were no concerns with any of the areas outstanding and the auditors were content the areas remained compliant. The auditors were awaiting the Autumn Term Reforecast before their work could be concluded.

9.2.3. In relation to the going concern, there were no concerns in preparation of the accounts however this was still being reviewed.

9.2.4. There were no substantive findings and everything was satisfactory. There had not been any adjusted audit accounts and figures remained unchanged from when they were first presented for audit.

9.2.5. A change to this report compared to previous years included a confirmation of independence which was added as an appendix to the report.

9.3. **Governors discussed the report and mentioned the report contained majority of what they expected to see. It was noted this was a clean report with no recommendations and was excellent.**

9.4. **Governors commented that this report had not been discussed previously at the Audit Committee.**

9.5. **Governors then asked the following questions:**

9.5.1. **This report was not yet finished, why was a final report not presented?** The auditors acknowledged the frustration around discussing a report which was not finalised. The auditors were comfortable everything would be completed by the next Corporation meeting. Most of the areas that were outstanding were due to follow up queries. The auditors mentioned they could not have done anything sooner on the substantive areas but accepted they could have closed down some of the areas earlier.

9.5.2. **If the College did not receive the money back from the AEB decision, would it affect the opinion on the going concern?** The auditors had not yet seen the Autumn Term Reforecast however, the AEB business case would not change the assessment of the going concern. They did not require the funding to be in receipt to be able to conclude the audit.

9.5.3. **The report was full of jargon and not easy reading, it also contained a section on pensions which were fundamental as they included lines to say the College would charge £15m, how could governors not from an audit background challenge this?** This was acknowledged by the auditors. It was mentioned there was no requirement to publish the pension information but the auditors had decided to. Commentary on the numbers in the accounts was provided. The auditors could consider how to do this better in future if this was not helpful.

9.5.4. **What were other key risks auditors were seeing at other organisations within the same sector?** The College's current risk register captured the main risks auditors were seeing around the sector. Government policy on the educational sector and the Skills Bill would bring changes. Most common risks were around cyber security and a new risk which was being seen was around supply change and labour issues. Governors mentioned that the Audit Committee also ranked apprenticeships as a high-risk area.

9.6. **Governors agreed they preferred that the pension information be kept in the report. This would be useful to compare against other years. Although there were large numbers they extended over a number of years. Governors mentioned by making the report simpler and easier for everyone to understand would make it better reading for the Board.**

9.7. The Acting Principal confirmed that the College had not relied on the AEB being successful in the financial statements and the Autumn Term Reforecast. This meant the going concern would not be an issue for the College for the next 12 months. The College had put in an application against the AEB clawback and should have received a decision in November 2021. However, the College was notified this had been delayed and it was unclear when the decision would be made. If the decision came in after the accounts were signed, the funding would be included in the current year rather than last year's accounts.

9.8. **Governors asked what the process would be to sign off the accounts.**
The Director of Governance and Policy mentioned there were two options. The group could delegate the sign off at the next Finance and General Purposes Committee meeting on 1 December 2021 or another Corporation meeting could be held before the December meeting.

9.9. The auditors confirmed that the final report would be available in time for the next Finance and General Purposes Committee.

9.10. **Governors agreed to have the accounts signed off at a Special Corporation meeting to be held prior to the Finance and General Purposes Committee.**

10. DATES OF FUTURE MEETINGS

10.1. Future meeting had been arranged for:

- 23 March 2022
- 8 June 2022.

11. ANY OTHER BUSINESS

11.1. There were no other items raised.