

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

## MEETING OF THE AUDIT COMMITTEE HELD ON 7 June 2023



Present: Zubair Limbada (Chair)  
Tom Wilson  
Roger Merchant (on Teams)  
Louisa Poole  
Zoe Allman (on Teams)  
Neil McDougall

In Attendance:	Verity Hancock*	Principal
	Shabir Ismail	Deputy Principal
	Louise Hazel	Director of Governance and Policy
	Shaun Curtis**	Director of Estates and Campus Services
	Lisa Smith	RSM
	Mark Dawson	KPMG
	Matt Widdowson (Minutes)	Governance and Policy Officer

\* Present for Item 9.1

\*\* Present for Item 9.2

### **1. DECLARATIONS OF INTEREST**

- 1.1. Neil McDougall was welcomed to the Audit Committee.
- 1.2. There were no declarations of interest.

### **2. APOLOGIES FOR ABSENCE**

- 2.1. Apologies were received from Anne Frost and Assam Hussain.

### **3. MINUTES AND MATTERS ARISING FROM THE PREVIOUS MEETING HELD ON 22 MARCH 2023**

- 3.1. The Minutes of the meeting of 22 March 2023 were agreed as an accurate record and approved.
- 3.2. The Confidential Minutes of the meeting of 22 March 2023 were agreed as an accurate record and approved.
- 3.3. ACTION RECORD

- 3.3.1. **Governors made the following comments:**

- 3.3.1.1. **Minute reference 5.2.2.6: were the 4,531 supplier records still active?** Records were being made inactive unless there was a genuine reason to keep them as active. Once the records were inactive it would not be possible to post anything new or pay against them. An exception report would highlight potentially inactive records against the last transaction date.
- 3.3.1.2. **Where any of the records duplicated?** There were suppliers for which there were genuine reasons to have multiple records, for example different parts of the same suppliers with the same bank account.
- 3.3.1.3. **Did having multiple records for the same supplier make it complicated for the College?** In terms of workload, once the purchase order had been matched this did not matter.

3.3.2. **Governors noted the Action Record.**

#### **4. RISK MANAGEMENT PROGRESS REPORT**

4.1. The Director of Governance and Policy and Deputy Principal presented the Risk Management Progress Report. The following points were highlighted:

- 4.1.1. Following the work that had been undertaken, this was a transitional report which was similar to previous reports but was more critical on the scoring of risks. Following the deep dive and the Risk Workshop which had both identified that the College tended to overscore risks, all risks and the associated controls to mitigate the risks had been reviewed and the levels of risk score had been reduced for most risks, reflecting the effectiveness of the controls applied.
- 4.1.2. Risk 2.3 regarding meeting bank covenants had been reduced. The latest forecast indicated that the College would breach the covenants, however there had been good conversations with the bank who had agreed a waiver/suspension. Although confirmation was still expected from the bank's credit team, the bank had provided written confirmation to the College. The bank recognised the difficulties in the FE sector and wanted to support the College over the next 12 to 24 months.
- 4.1.3. Risk 9 regarding industrial action had been reduced. The unions were not planning any industrial action this year but this could happen next year.

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

- 4.2.1. **Did the College have enough cash?** There were sufficient resources for the future.
- 4.2.2. **How long would COVID-19 remain on the risk register?** It would come off in the new academic year.
- 4.2.3. **Risk 3: Failure to Control Costs, had come down while there were other financial risks which had not.** The College was good at controlling costs; however, income was the main problem.
- 4.2.4. **What should Audit Committee members consider during the forthcoming Governors' Away Day?** The focus of the Away day would be on the curriculum offer and there would not be a finance session.

Committee members should consider whether the College's offer was still fit for purpose and whether the mission remained the same.

- 4.2.5. **The paper did not provide much context around why some risk ratings had been reduced, although paragraph 3.1 appeared to be an attempt to do this.** The minutes would reflect the rationale for the reduction in risk levels.

4.3. **Governors noted the Risk Management Progress Report.**

*Roger Merchant left the meeting.*

**5. RISK MANAGEMENT/RISK APPETITE 2023/24**

5.1. The Director of Governance and Policy presented a paper on Risk Management/Risk Appetite 2023/24. The following points were highlighted:

- 5.1.1. This approach reflected the outcome of the deep dive, feedback from the governance review and the risk workshop. The current risk register had been found to be too large and risk appetite had been insufficiently articulated.
- 5.1.2. The Risk Strategy and Risk Management Policy had been combined into a new Risk Management Policy which clearly set out roles and responsibilities. It also included risk appetite and scoring criteria for likelihood and impact. Missed opportunities would be included as risks.
- 5.1.3. The Risk Appetite Statement explained the different levels of risk and the action which the College would take. There were 11 risk themes. ELT would be working on how to manage the operational risks underneath these themes.
- 5.1.4. The Risk Register included a heatmap which showed the position of each of the 11 themes. The Risk Register also showed the planned actions required to change the risk rating.
- 5.1.5. Governors were asked to consider how they would like risks reporting for example, a 'risk per page' approach.

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

- 5.2.1. **Why was multiplication not going to be used to score risk and was this in-line with practice elsewhere?** There was not a 'one-size-fits-all' approach to scoring risk. The majority of organisations did use multiplication but this could lead to overscoring and the heatmap clearly indicated the level of risk. The multiplied score could be easily provided.
- 5.2.2. **Reducing the number of risk themes to 11 would enable ELT to focus on important matters.** Agreed.
- 5.2.3. **Was this compliant with the Audit Code of Practice?** Yes.
- 5.2.4. **Did the EU logo still need to be on this document?** It needed to stay on until at least the end of the calendar year.
- 5.2.5. **Would this have to be agreed by the Corporation?** Yes
- 5.2.6. **How frequently would the risk appetite and risk register be reviewed?** There would be an annual review of the risk appetite and risk register in June prior to approval by Corporation but the risk register would be considered at every committee meeting with risks added if required.

- 5.2.7. **To understand the heatmap required a lot of flicking back and forth between pages.** Going forward, the heatmap would indicate direction of travel and reference to the risks.
  - 5.2.8. **The Risk Workshop had been beneficial, and governors thanked the Director of Governance and Policy and the Internal Auditors for this.**
- 5.3. The internal and external auditors were asked to comment on the approach.
- 5.3.1. The External Auditor commented that the previous risk register had been unwieldy. The list of themes was what he had expected to see although it was important to keep these under review. There was not a specific risk around student experience included although this would be covered by safeguarding and the academic elements in the risk register. The new risk register represented good progress.
  - 5.3.2. The Internal Auditor commented that the actions for the four risks which were considered to be 'overcontrolled' appeared to be aimed at reducing the risk rating instead of maximising opportunities. This would be something that ELT would need to consider.
- 5.4. **Governors agreed to recommend the documents to Corporation for approval.**

## **6. INTERNAL AUDIT REPORTS**

### **6.1. FUNDING ASSURANCE - APPRENTICESHIPS**

- 6.1.1. The Internal Auditor presented the report on funding assurance for apprenticeships. The following points were highlighted:
  - 6.1.1.1. The focus of this audit was to ensure that the College was compliant with the ESFA funding agreement for apprenticeships.
  - 6.1.1.2. The sample size was 30 learners who started their apprenticeships after 1 August 2022. ILRs and the ESFA's PDSA Toolkit was used to select samples. The issue of PDSAT had been delayed and so the College had not been able to review reports prior to the audit.
  - 6.1.1.3. There were two learners who scored highly on the skills scan, but it was not clear how this was reflected in their programme. The ESFA could consider these learners to be ineligible for funding.
  - 6.1.1.4. It had not been clear how the College would demonstrate that that it had met the new rules on the assessment of knowledge, skills, and behaviours. This could result in the learner being considered ineligible for funding.
  - 6.1.1.5. For six learners the off-the-job training logs did not contain the required details. If it could not be demonstrated that they were undertaking off-the-job activity in the supporting documentation, there was the potential for the learner to be ineligible for funding.
  - 6.1.1.6. There were learners who did not have evidence of 12 weekly

reviews taking place.

6.1.1.7. For non-levy paying employers, there had been employers who had been invoiced but no evidence that they had been chased for payment. This could mean that the College is not eligible for the completion payment.

6.1.1.8. A few data quality issues were identified during the review of the PDSAT reports.

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

6.1.2.1. **Was funding actually being clawed back from Colleges.** Yes.

6.1.2.2. **This was only a sample of 30 learners. Were these issues limited to a certain type of apprenticeships?** It was not any particular type of apprenticeship. Learners were selected at random. If the ESFA identified these issues and they were not ringfenced to a particular area, it would require a 100% review. This would cause significant issues.

6.1.2.3. **Were non-2022 learners included?** None of the 2022 learners would have completed yet. This was in the internal audit plan. The Deputy Principal commented that, as rules changed, providers could get caught out. Colleges had been asking for a national debate around apprenticeships as there were a lot of providers dropping out. However, there were some very basic things like 12 weekly reviews and off-the-job activity which the College ought to be getting right. There had been some improvement, including a very good programme of monthly checks of DSATs and if there was an EFSA visit the College could prove that the data had been cleansed.

6.1.2.4. **Was this an issue of administrative team capacity?** The College had begun to work smarter, however this was now more an issue of capacity and having the staff with the right skills and knowledge.

6.1.2.5. **Was the College reliant on employers paying?** It was. The College worked with a lot of SMEs who were taking on only one or two apprentices. It was a very admin-heavy system with assessments needing to take place before apprentices started and staff having to sit down with employers.

6.1.2.6. **Of the 30 learners in the sample, how many were from 1 August 2022?** The Internal Auditor offered to provide this information.

6.1.2.7. **Were any of the providers who ceased providing apprenticeships doing so as a result of clawback?** It was down to a combination of factors including financial viability, having the infrastructure in place as well as significant claw backs.

6.1.2.8. **Would a further deep dive of apprenticeships need to take place which would include financial viability?** An internal review would be able to carry out further sampling to find out if it was moving in the right direction. Financial viability was considered during curriculum planning.

6.1.2.9. **Should apprenticeships be structured more to suit the**

**College, for example, could all apprentices start in September?** The suggestion of mapping out an ideal apprentice journey would be a good idea. With the indications being that the ESFA would not be changing the rules so much, now might be an ideal time to do thing. It was not feasible for all apprentices to start at the same time.

6.1.3. **Governors requested that the ELT commission the Vice Principals to provide further action points to address the issues raised in the report, backed up by an internal review. A report back was requested.**

6.1.4. **Governors noted the ESFA Funding Rule Compliance Testing and agreed the risk rating of amber.**

## 6.2. FOLLOW UP REPORT

6.2.1. The Internal Auditor provided an update on the follow-up report:

6.2.1.1. This report would come before the next Audit Committee meeting.

6.2.1.2. The College had made good progress on the agreed actions with ten fully implemented.

6.2.1.3. There was one medium priority action and two low priority actions outstanding.

6.2.2. **Governors noted the update on the Follow Up Report.**

## 7. INTERNAL AUDIT PLAN FOR 2023/24

7.1. The Internal Audit provided the Internal Audit Plan for 2023/24. The following points were highlighted:

7.1.1. This audit plan had been agreed with the Deputy Principal and Director of Governance and Policy.

7.1.2. A number of reviews were proposed which were linked to the new strategic risk register including:

7.1.2.1. A review of ALS funding compliance as the ESFA was focusing more on this. The Deputy Principal stated that he expected some findings which indicated that not enough was being claimed. The Director of Student Services had been asked to investigate this.

7.1.2.2. Safeguarding – reviewing Smoothwall.

7.1.2.3. Environmental Sustainability – ESG specialists would be reviewing this.

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

7.2.1. **Was there scope to look at Mental Health and Health and Safety again?** Potentially in a future year.

7.2.2. **Would it be a good idea to look at the impact from the ONS**

**reclassification?** This would be more of an issue for the external auditors.

7.3. **Governors approved the internal audit plan.**

**8. EXTERNAL AUDIT PLAN FOR YEAR ENDING 31 JULY 2023**

8.1. The External Auditors presented the External Audit Plan for Year Ending 31 July 2023. The following points were highlighted:

8.1.1. The reclassification of colleges meant that there had been a change to the framework. The main change was the requirement to comply with Managing Public Money regulations.

8.1.2. The updated audit standards caused no major changes.

8.1.3. The scope of the audit remained the same.

8.1.4. Some of the risk assessments had been reduced including:

8.1.4.1. The LGPS which reflected the fact that the net liability was significantly lower than it had been previously.

8.1.4.2. There had been no ESFA changes to affect revenue recognition.

8.1.4.3. There was no particular concern around management override.

8.1.4.4. The risk around Going Concern had been downgraded as the College understood its financial position. It would continue to be audited and the College would still receive the same challenge with a particular focus on the bank covenants.

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

8.2.1. **It was good to see that a pragmatic approach was being taken with regards to Going Concern.**

8.2.2. **Was the College comfortable with the fee increase?** There was a fee increase across the sector and this was the fee which had been agreed 12 months ago.

8.2.3. **The appendices were very useful.**

8.3. **Governors approved the external audit plan.**

*Verity Hancock joined the meeting.*

**9. EXTERNAL REVIEWS**

9.1. **HIGH NEEDS PROVISION**

9.1.1. The Principal presented the external review of High Needs Provision. The following points were highlighted:

9.1.1.1. There was a distinction between High Needs and SAIL (Supported and Inclusive Learning). The definition of High Needs was students who were eligible for the highest level of funding from the local authority meaning that they would

largely be not mobile, unable to feed themselves unaided and have health needs. This provision used to be called PMLD but was now called Sensory Provision.

- 9.1.1.2. This year there were 56 students, but the College could accommodate up to 75. There had been a fall following the pandemic.
- 9.1.1.3. A specialist had been commissioned to look specifically at High Needs as part of the deep dive process. They had found issues with the provision across all three strands.
- 9.1.1.4. The College was looking to dismantle this area as a specialist was needed to manage it. The Director of Curriculum was currently on sick leave, so the PAMs were working with the Vice Principal who was developing an action plan. Nothing was considered to be a safeguarding risk.
- 9.1.1.5. The Director of Student Services would be overseeing high needs with the Vice Principal being the executive lead.
- 9.1.1.6. There was a fine line between social care and education in High Needs and there was not a settled view of what an FE college should be offering.
- 9.1.1.7. There was nothing in the review which was not being addressed by the College through the action plan.
- 9.1.1.8. The two local authorities were confident about the College's provision. They were currently trying to move more students out of special schools to Leicester College.

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

- 9.1.2.1. **Various actions had not got a date.** Some of the actions depended on the consultation process and subsequent recruitment.
- 9.1.2.2. **The recruitment of staff would be difficult.** Agreed.
- 9.1.2.3. **Parents and carers could have differing views on what was expected.** They would and so it was important to track Ofsted's expectations.
- 9.1.2.4. **There are around 150 learners in Leicestershire who were waiting for a place.** The local authorities wanted free up space for pre-sixteens. High Needs was a very expensive area which is why it would be discussed further at the forthcoming Governors' Away Day.
- 9.1.2.5. **Some of the review made for difficult reading although the measures put in place were reassuring. What triggered the need for a review?** There had been staffing difficulties for a number of years and the area had been difficult to manage. The College had become aware of a series of HR issues.
- 9.1.2.6. **Would there be an update on the action plan?** Yes, it would be brought back. There was also a more detailed paper available.
- 9.1.2.7. **Was there any correlation between this and the ALS review?** No, these were completely different.
- 9.1.2.8. **Were there any staff with overlapping responsibilities between High Needs and ALS?** There were no overlapping



responsibilities.

- 9.1.2.9. **What was the timeline for the consultation?** The voluntary redundancy consultation closed shortly and there had been a good response. The Vice Principal would be overseeing the consultation.

- 9.1.3. **Governors noted the High Needs Provision report, agreed the risk rating of amber and action plan and requested an update on the action plan in due course.**

*Verity Hancock left the meeting.*

*Zoe Allman left the meeting.*

*Shaun Curtis joined the meeting.*

## 9.2. **DECARBONISATION PLAN**

- 9.2.1. The Director of Estates and Campus Services presented the external review of the Decarbonisation Plans. The following points were highlighted:

- 9.2.1.1. The Heat Decarbonisation Plan had been produced with grant funding from SALIX. It would contribute towards the College's aim of achieving net zero by 2030.
- 9.2.1.2. Leicester College emits 1,477 tonnes of CO<sub>2</sub> per year with FPC being the biggest emitter.
- 9.2.1.3. The report included many quick wins which could be implemented in the short-term. It also included some 'big ticket' items.

- 9.2.2. **Governors made the following comments:**

- 9.2.2.1. **Would this tie in with the ESG review?** Yes. The College would be benchmarked.
- 9.2.2.2. **Action on some of the 'low hanging fruit' would put the College in a good position when it came to the next level of grant funding.**
- 9.2.2.3. **What did PSDS mean?** Public Sector Decarbonisation Plans.
- 9.2.2.4. **Will new capital projects align with this plan?** They would.

- 9.2.3. **Governors noted the Decarbonisation Plan and agreed the risk rating of green.**

*Shaun Curtis left the meeting.*

## 9.3. **OTHER AUDITS (ERASMUS, CITY AND GUILDS, IELTS)**

- 9.3.1. The Deputy Principal presented a report on other audits. The following points were highlighted:
- 9.3.1.1. City and Guilds processes were all compliant.

9.3.1.2. There was nothing to be concerned about with regards to Erasmus or IELTS.

9.3.1.3. Additionally, there had recently been a JCQ review with no recommendations.

9.3.2. **Governors commented that it was good to see a positive review and the exams team should be thanked for their work.**

9.3.3. **Governors noted the other audits and agreed the risk rating of green.**

## **10. WHISTLEBLOWING INCIDENT – CONFIDENTIAL**

### **11. GIFTS AND HOSPITALITY POLICY**

11.1. The Director of Governance and Policy presented the Gifts and Hospitality Policy. The following points were highlighted:

11.1.1. There had only been minor alternations to reflect the changing titles of policies and the ONS reclassification.

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

11.2.1. **Paragraphs 3.5 and 3.15 appeared to say the same thing. 3.15 was clearer though.** Agreed, this would be changed.

11.2.2. **Should paragraphs 3.9 through to 3.12 be in this policy?** These paragraphs were added at the request of the Audit Committee under a previous Chair but could be moved into the Financial Regulations.

11.3. **Governors approved the Gifts and Hospitality Policy subject to the requested changes.**

## **12. TERMS OF REFERENCE AND WORK PLAN 2023/24**

12.1. The Director of Governance and Policy presented the Terms of Reference and Work Plan for 2023/24. The following points were highlighted:

12.1.1. There had only been slight changes to reflect the Post-16 Audit Code of Practice.

12.2. **Governors approved the Terms of Reference and Work Plan for 2023/24.**

## **13. ANY OTHER URGENT BUSINESS NOTIFIED TO THE CHAIR PRIOR TO THE MEETING**

13.1. There was no further business.

## **14. POST-16 AUDIT CODE OF PRACTICE AND ACCOUNTS DIRECTION**

14.1. **Governors noted the Post-16 Audit Code of Practice and Accounts Directions.**

## 15. DATES OF FUTURE MEETINGS

- 20 September 2023
- 22 November 2023
- 20 March 2024
- 5 June 2024