

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



## MEETING OF THE AUDIT COMMITTEE HELD ON 15 NOVEMBER 2018

Present:	Andrew Hind (Chair) Zubair Limbada	Roger Merchant Tom Wilson
In Attendance:	Louise Hazel Shabir Ismail Jody Kerrod Skip Evans Chris Williams Alastair Coulson	Director of Governance and Policy Deputy Principal/CEO Quality Development Manager International Manager RSM KPMG

### **1 DECLARATIONS OF INTEREST**

1.1 There were no declarations of interest.

### **2 APOLOGIES FOR ABSENCE**

2.1 Apologies for absence were received from Chan Kataria, Lisa Smith and Mark Dawson.

### **3 MINUTES OF THE LAST MEETING AND MATTERS ARISING**

3.1 **The Minutes of the meeting on 26 September 2018 were agreed as an accurate record and approved.**

3.2 As a matter arising under minute 3.9 it was explained that the ESFA had asked if the College would be prepared to pay back £21k and requested that it refer the matter to Action Fraud which had now been done.

3.3 As a matter arising under minute 3.10 it was confirmed that a report on Payment Practices Regulations would be taken to the Finance and General Purposes Committee (F&GP).

### **4 UPDATE ON ACHIEVEMENT RATES**

4.1 The Quality Development Manager presented a report on the College's achievement rates for 2017/18. The following points were highlighted.

4.1.1 The overall achievement rate had increased by 1.1% on 2016/17. However there was now a gap between the achievement rates of 16-18

and adults. 16-18 achievement had declined and was 4.4% below national rates.

- 4.1.2 There had been particular management issues in Sport; the area had now been dissolved with the provision moved to other areas. Tighter leadership and management should help improvement achievement rates.
  - 4.1.3 In Hair and Beauty there had been retention and management issues.
  - 4.1.4 In Engineering four courses had been withdrawn and new provision introduced which was felt to be a better fit to the needs of students.
  - 4.1.5 The College had standardised how it identified students at risk which would enable it to put in place early interventions.
  - 4.1.6 Other regulated provision achievement had been affected by a decision to carry forward Engineering and Sports students who had had a bad experience in the previous year.
  - 4.1.7 Changes to assessment had also impacted on achievement as had students moving into apprenticeships, which counted as a fail even though they represented positive destinations.
  - 4.1.8 A number of changes were being made to the offer to provide qualifications which better suited the needs of the students.
- 4.2 Governors **asked** a number of questions including:
- 4.3
- 4.3.1 **Why the Audit Committee was considering the paper.** This was the College's core business and the Committee needed to be assured that controls were in place including to ensure that the College was able to track and demonstrate student progress.
  - 4.3.2 **What was covered by Other Regulated and was it clear what was included in this category?** This included the College's main Diploma programmes. It was clear what was included; national guidance was available and the qualifications were pre-set in ProAchieve.
  - 4.3.3 **Whether the main issue appeared to be with assessment rather than the quality of teaching.** This appeared to be true and particularly for students at Levels 1 and 2, end of course assessment was not always the best option. It was important that students were getting the appropriate Information, Advice and Guidance (IAG) to ensure they were on the right course.
  - 4.3.4 **What would Ofsted's view of the current results be?** It was possible to give a narrative for some of the reasons for lower achievement by 16-18s. The College had taken a strategic decision to carry over some students but this would not happen again. 19+ results were good. Apprenticeships were an area of concern but the College was working on an action plan and was getting support from the Association of Colleges. This was being monitored closely by CSQI. The results were unlikely to trigger an Ofsted inspection but might result in a visit.
  - 4.3.5 **What had been the impact of the carry over?** Some students had chosen not to come back and not all had achieved but it was still felt to have been the right decision to give them the opportunity to continue.
- 4.4 **Governors noted the papers, recognised the contextual issues affecting achievement and noted the monitoring process planned to support**

improvement.

4.5 **Governors requested an update on IAG at a suitable time.**

## **5 INTERNAL AUDIT REPORTS**

5.1 The Internal Auditor gave an update on internal audit reports. The following points were highlighted:

5.1.1 The first two pieces of work on ESOL and Health and Safety had been completed and reports were in draft stage. The ESOL review had identified minor controls issues where the College might not be maximising its funding.

5.1.2 There had been some timing delays in getting the reviews completed. Reports would be brought to the next meeting.

5.2 **Governors requested that the timing of audits and if necessary the second autumn term Audit Committee meeting be reviewed for next year to reduce the delay in receiving reports.**

5.3 **Governors noted the report.**

## **6 TIER 4 LICENCE AUDIT**

6.1 The International Manager presented a report on the Tier 4 Licence Audit. The following points were highlighted.

6.1.1 The College had lost its Tier 4 Licence in 2016; this meant it could not recruit full time Level 3+ international students.

6.1.2 It had engaged a specialist legal firm to undertake a review of its procedures because it was aware that the Home Office would scrutinise its re-application.

6.1.3 The review had shown that all requirements were met but had made some recommendations for areas to be tightened up.

6.2 Governors asked a number of **questions** including:

6.2.1 **What was the value of the provision, the number of students involved and the main areas of provision?** Prior to the loss of the licence, income was around £400k. The College could still recruit ESOL students on courses up to 11 months and other students on short courses up to six months. The most popular courses were footwear including a Foundation Degree which had more international students than home students. There were around 45 students paying £8-10k a year. Other areas recruiting including Business and Computing, Caring professions, Creative, Hospitality and Catering.

6.2.2 **Whether the College needed to confirm whether students could not work more than 20 hours.** Students could not work at all; there was no entitlement to work under a Tier 4 visa if students were at a FE college. This information was made clear in information packs. A revised handbook for international students was being produced which

would include this and other key information.

- 6.2.3 **What ‘subject to immigration control’ meant.** This could include those who had a visa vignette prior to getting a biometric card. The College had an obligation to ensure that all students had a right to study and needed to record this for all students. The International Office was working with Curriculum Areas to ensure that all students were properly applying the procedures.
- 6.2.4 **Whether the revised policies recommended would address this issue.** A further non-Tier 4/STSV Study Rights Policy would also be produced to address this.
- 6.2.5 **In order to reduce the potential reputational risk and the potential for failure, what would be a reasonable timescale for reapplying?** The College would need to take time to do it properly. The aim was to have documents in place by February. The SLT would need to take a view on whether it had a good chance of success before submitting the application.
- 6.2.6 **Whether there would be any Brexit implications.** There would be. The Home Office had not yet explained the process and whether EU students accessing education would require Tier 4 visas. It might impact on some Curriculum Areas’ ability to continue some provision if EU students were required to have visas.

- 6.3 **Governors noted the report and requested an update at a suitable time. They also requested that the risks associated with International activity be added to the Risk Register.**

## **7 FUNDING AUDIT**

Items 7 and 8 were taken together.

## **8 APPRENTICESHIPS UPDATE**

- 8.1 The Deputy Principal gave an update on the recent funding audit and on Apprenticeships. The following points were highlighted.
  - 8.1.1 The College had hoped to have the final funding audit report from KPMG which would cover all areas including apprenticeships. However KPMG had confirmed that it would be finalising management letters next week. The College should receive a copy of the unqualified audit opinion shortly.
  - 8.1.2 No funding issues had been identified although there would be some recommendations relating to controls.
  - 8.1.3 Many of the recommendations from the RSM internal audit of apprenticeships had been completed in preparation for the funding audit.
  - 8.1.4 A report would be made to the next meeting.
- 8.2 **Governors noted the report.**

## **9 AUDIT HIGHLIGHTS MEMORANDUM AND MANAGEMENT LETTER YEAR ENDED 31 JULY 2018**

9.1 The External Auditor presented the audit highlights memorandum and management letter for the year ended 31 July 2018. The following points were raised:

9.1.1 The majority of the work had now been completed; there was still some work to complete in relation to Going Concern. There had been no control issues and no adjustments.

9.1.2 There were no issues associated with the main risk areas.

9.1.3 The auditors had confirmed their independence.

9.1.4 A sector update was provided. This included the potentially significant increase to teacher pension scheme contributions which would be an issues for all colleges.

9.2 Governors asked a number of **questions** including:

9.2.1 **Whether the guaranteed minimum payments related to the Lloyds TSB/GMB case and whether there were likely to be additional costs.** The College had not any indication at this stage that there would be.

9.2.2 **Whether the surplus to debt service cost ratio was as close as indicated.** Yes, it had been very close but this had been tracked closely through F&GP. The bank had been informed early on that there was the potential to breach this covenant but it had been managed well and the covenant had not been breached.

9.2.3 **How the current year was looking.** It was looking reasonable despite the deficit budget.

9.3 The recent FE Commissioner's reports were mentioned and it was noted that there were lessons within the reports which governors should be aware of.

9.4 **Governors requested sight of the FE Commissioner's Annual Report and discussion at a future meeting.**

9.5 Governors noted the information presented in the sector update. It was confirmed that the Senior Staff Pay Code had been discussed by F&GP and action was being taken to work towards the Code. Thanks was recorded to KPMG and to the Finance team who had supported the audit process.

9.6 **Governors noted the report and agreed to recommend it to Corporation for approval.**

## **10 DRAFT AUDIT COMMITTEE ANNUAL REPORT 2017/18**

10.1 The Director of Governance and Policy presented the draft Audit Committee Annual Report for 2017/18 for approval prior to presentation to the Corporation. The following points were raised:

10.1.1 The report was slightly different from previous years' reports in order to

reflect the changed approach to internal audit and assurance adopted in 2017/18; this was explained in the narrative.

10.1.2 The report included a RAG rated assessment of the audits and reviews that it had considered during the year.

10.2 Governors **discussed** and **agreed** with the approach proposed to agree a RAG rating on each audit/review at the meeting which could then be incorporated into the next Annual Report. RAG rating related to the recommendations of the reports; ongoing areas of risk would be included in the Risk Register.

10.3 **Governors asked whether there were any other colleges which had adopted a similar approach.** The Internal Auditors confirmed that other colleges had moved away from the internal audit service but had not taken the range of reports to their Audit Committees that this College had. The approach adopted by the College had been impressive.

10.4 **Governors approved the Audit Committee Annual Report for 2017/18 for presentation to the Corporation.**

## **11 RISK MANAGEMENT PROGRESS REPORT**

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

11.1.1 The level of one risk had been increased and five had been reduced.

11.1.2 Apprenticeship achievement rates – risk increased. This had been discussed earlier in the meeting. A better tracking system was in place but there was a need to improve consistency and centralise processes; significant work was already underway.

11.1.3 AEB delivery – risk reduced. Recruitment was ahead of the position last year and the new low wage policy was expected to help.

11.1.4 16-18 – risk reduced. Recruitment was good and ongoing.

11.1.5 HE – risk reduced. There was strong competition but numbers were good and partners had been engaged to make up the difference in recruitment against plan.

11.1.6 The Skills Park – risk reduced. It was unlikely to impact in the current year.

11.1.7 UCU industrial action – risk reduced. The response to national ballot had been below the required 50% threshold.

11.2 **Governors noted the report and commented on the high number of challenges facing the College and the sector.**

## **12 DATE OF NEXT MEETING**

- March 2019 at 8.00, confidential meeting with auditors
- Audit Committee meeting at 8.15

## **13 ANY OTHER BUSINESS**

13.1 **Governors noted the revised regularity self-assessment document.**