



**AGENDA
REFERENCE**

A

CORPORATION/COMMITTEE PAPER

Audit Committee
24 September 2020

<i>TITLE</i>	Minutes of the previous meeting held on 11 June 2020
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<i>PURPOSE</i>	To receive, agree and approve the minutes of the previous meeting held on 11 June 2020
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<i>RECOMMENDATION</i>	Governors are requested to note the minutes and agree their accuracy
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<i>No. of pages in main paper</i>	9
<i>Appendices/Annexes</i>	None
<i>Financial Implications</i>	None
<i>Risk Implications</i>	Failure to follow agreed and proper practices
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**MINUTES OF A MEETING OF THE BOARD OF
LEICESTER COLLEGE CORPORATION:**

**MEETING OF THE AUDIT COMMITTEE HELD
ON 11 JUNE 2020 VIA TEAMS**



Present: Andrew Hind (Chair) Roger Merchant
 Zubair Limbada (Vice Chair) Tom Wilson
 Simon Meakin Louisa Poole

In Attendance: Louise Hazel Director of Governance and Policy
 Shabir Ismail Deputy Principal/CEO
 Lisa Smith RSM
 Chris Williams RSM
 Mark Dawson KPMG
 Fayaz Chana Governance and Policy Officer
 Kully Sandhu (Item 9) Vice Principal

1. CONFIDENTIAL PRE-MEETING WITH AUDITORS

1.1. The confidential pre-meeting with auditors was held.

2. DECLERATIONS OF INTEREST

2.1. Zubair Limbada declared an interest in item 9.

3. APOLOGIES FOR ABSENCE

3.1. There were no apologies.

**4. MINUTES AND MATTERS ARISING FROM THE MEETING HELD ON 14
NOVEMBER 2019**

4.1. The minutes of the meeting on 14 November 2019 were agreed as an accurate record and approved.

4.2. Questions were asked if there had been updates regarding points 5.6.2 and 5.6.4 in the previous minutes. The points related to information being communicated to students regarding LEAP sessions and T levels.

4.3. The Deputy Principal mentioned in relation to point 5.6.2 there were a number of ways in which LEAP information was being delivered. This year the

programme was different and during College closure was being done online. Information was being pushed through a range of platforms such as social media and welcomes. The College had also met with student bodies to discuss topics such as re-opening of the College and enrolment. Meetings would be held weekly to ensure effective communication with students.

- 4.4. In relation to point 5.6.4, the Deputy Principal mentioned T levels were not suitable for all students and work was being done to look at provision for this year. It had been agreed at an SLT meeting that the College would recruit managers in T level roles to develop the provision. T levels were included in the risk register and would also remain for next year. T levels were identified as a major work stream area for next year's operating statement.

5. MATTERS ARISING FROM PAPERS CIRCULATED FOR CANCELLED MEETING (26 MARCH)

- 5.1. The Director of Governance and Policy mentioned three internal audit reports were circulated along with other papers. The internal audits were Mental Health and Wellbeing, Procurement and Governance and Risk Management. These all had a recommended risk rating of green.
- 5.2. Governors felt it would be beneficial for the internal reviews to be brought back to a future meeting where a discussion could be held on them. **It was agreed the reviews would be included on the agenda for the next meeting on 24 September 2020.**

6. RISK MANAGEMENT PROGRESS REPORT INCLUDING COVID-19 RISKS

- 6.1. The Director of Governance and Policy introduced the report to the group. It was mentioned since the last iteration of the report that additional risks related to COVID-19 had been included in the report. The following four risks had increased due to the lockdown:
- 6.1.1. IT systems unreliable.
 - 6.1.2. Failure to safeguard learners.
 - 6.1.3. Failure to protect children and vulnerable adults.
 - 6.1.4. Failure to comply with legislation and expected practice/guidelines.
- 6.2. The Deputy Principal highlighted the following points
- 6.2.1. Cyber security remained a risk to the College, staff were working remotely and utilising the College VPN. Reminders and best practice on how to avoid any breaches had been sent to staff. There had not been any breaches.
 - 6.2.2. Safeguarding had been a concern for the College. |Mentors were available to keep in regular contact with vulnerable learners which included those with an EHCP. Curriculum staff had been vigilant around identifying vulnerable students as lockdown continued.
 - 6.2.3. Income for 2019/20 had reduced by £1.9m. This was mainly due to reduced AEB which had been capped at 100% to contract value, a decline in enrolment numbers, apprenticeships were down £200k and

commercial activity of £300k was being written off. A presentation on summary forecast was to be shown to all governors at the Corporation meeting on 12 June 2020.

6.2.4. The College had identified £1.5m savings, this included £1m of efficiency savings and £500k as a result of the job retention pay claim. Therefore, forecast for 2019/20 was slightly better and the College was aiming for a £600k surplus.

6.2.5. Cashflow leading up to the current year had been fine. However recruitment would have an impact on next year's cashflow. March 2021 had been identified to be the lowest point but the College expected to have reasonable cashflow. Two meetings with the bank manager had been held. The College was in the process of arranging a revolving credit facility, this would be taken to the Finance and General Purposes Committee meeting for approval.

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

6.3.1. **How would the College cope if it was not able to attract enough students?** Recruitment was a concern throughout the sector nationally, 16-19 funding was guaranteed income. There were concerns over adult participation. The College was modelling a 10% reduction in adult income.

6.3.2. **Plenty of work was done now on the impacts of COVID-19, did the College have a forward plan to carry on?** Bursary funds to students who had no equipment would be looked into. Social distancing would be discussed with curriculum staff for practical sessions. Classroom based learning would be encouraged to complete online. A safe space in the College would be set up for students who needed extra support.

6.3.3. **Given the current climate, would subcontractors continue to be viable?** The use of Subcontractors had been discussed at a recent senior leadership team meeting. The College was aiming to phase out the use of all subcontractors. The College had reduced the use of subcontractors dramatically by not using them for the AEB provision. HE subcontracting arrangements needed to be arranged as some learners were moving into their second year of learning. The College was aware of the risk some subcontractors may cease and no longer be available however by reducing the extent of subcontracting it would do all it could to reduce the risk exposure around subcontractors.

6.3.4. **The risk of the College being unable to meet the budgeted position for 2021/21 was assessed as being stable and had been given a score of 12 however it seemed a lot more riskier than 12?** A score of 12 was classed as high risk, the score had not been raised as none of the College's partners had mentioned they were struggling. Also the College was aiming to have no subcontractors by 2021/22 therefore the risk was assessed as stable. This would need to be kept under review.

6.3.5. **Going concern rules had toughened in the last two years, was there anything the College should be doing?** KPMG recognised the current uncertainties and would look at forecasts later in the year as there would be greater certainty once recruitment had started. The College had looked at all income streams and was doing all it could.

- 6.3.6. **Would there be a written confirmation of the bank's approach to with the bank?** Supportive conversations were held with the bank, currently a verbal indication had been provided. The bank had agreed to put the agreement in writing citing COVID-19.
- 6.3.7. **Was sickness absence still being captured and was sickness related to coronavirus treated separately?** Yes, sickness was still being recorded. Sickness recording of coronavirus would be discussed with the Director of HR and confirmed to the group.

6.4. **Governors noted the report.**

INTERNAL AUDIT REPORTS

7. ESFA FUNDING ASSURANCE

- 7.1. Lisa Smith presented an overview of the Funding Compliance Review to the group.
- 7.2. The following points were highlighted:
- 7.2.1. The report was for internal use only and had focussed on how the College would have coped had ESFA undertaken the review.
 - 7.2.2. ESFA's methodology had been used which was designed to ensure providers manage the key risks relating to the ESFA's funding and that public funds had been used appropriately and for the purposes which they were intended for.
 - 7.2.3. The review involved sampling a total of 60 learners, comprising 30 learners funded through Adult Education Budget and a further 30 learners, selected from those enrolled on 16-19 year old funded provision. All learners had been selected at random.
 - 7.2.4. The review did not identify any areas where the College could not demonstrate compliance with the relevant funding rules. As a result, it had not been necessary to provide advice or agree any actions with management.
- 7.3. **Questions** from governors included:
- 7.3.1. **Why were there no learners from the apprenticeship provision selected for the review?** Apprenticeships fell into two brackets, pre 1 May and post 1 May. A Post 1 May review had been completed earlier in the year and a further review would be completed next year.
- 7.4. The Governors **commented** that they were reassured by the findings of the review. They were pleased to know the College was fully compliant.
- 7.5. The Deputy Principal praised the small funding team at the College for the fantastic result in the review.
- 7.6. **Governors noted the report and approved the risk rating of Green.**

8. OUTSTANDING REVIEWS

- 8.1. Lisa Smith mentioned there were two remaining reviews which had not been completed.
- 8.2. These were apprenticeships and subcontracting controls review. The apprenticeships review was a follow up to the review that was completed earlier in the year, this was to ensure all management comments had been completed.
- 8.3. **Governors noted the verbal update.**

EXTERNAL REVIEWS

9. DMU COLLABORATIVE REVIEW

- 9.1. The Vice Principal joined the meeting and gave an overview of the DMU collaborative review to the group.
- 9.2. The review had taken place in February 2020 and usually took place at five yearly intervals. The outcome of the review was intended to reconfirm approval of the College's programmes associated with DMU and the partnership.
- 9.3. It was intended to be a two-way process, allowing the College and DMU an opportunity to discuss the partnership and identify areas that may require further attention. The review would also focus on good practice. In preparation for the review the College had been required to produce a Partnership and Programme Evaluation Document.
- 9.4. The panel concluded that it was confident in the management of the collaborative partnership between the College and University and of the provision delivered through the partnership. The panel recommended that the Collaborative Contract be renewed and extended for a further five years. There were six conditions and a number of recommendations attached to the re-approval. Four commendations and two areas of good practice were also identified.
- 9.5. A positive outcome was that the panel recommended that DMU halved the validation fee level. From 2020/21, the validation fee will be reduced from £900 to £450 for a full time equivalent student. This would save the College approximately £68k.
- 9.6. The College sought legal advice in relation to one condition as it restricted the College from working with other HE partners without permission from the University. If the College were to agree to this then it could jeopardise developments with our HE subcontract partners. The College had requested that the 'exclusivity clause' was changed to reflect the current market conditions and the HE environment. Legal advice had been sought and the College was now awaiting confirmation from DMU.
- 9.7. Although there had been some slippage due to the lockdown the College was

on track to having all actions completed when the six month review is carried out.

9.8. Governors **praised** the positive and healthy relationship the College holds with DMU.

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

9.9.1. **Would the condition relating to CPD have an impact on furloughed staff?** Teaching staff had not been furloughed so there would be no impact on them accessing the training.

9.9.2. **Would all conditions be met by the deadlines provided?** The deadlines had been set by DMU. There had been some negotiation to extend some of the deadlines as not all training had been completed.

9.9.3. **Were there any concerns in creating a web presence being CMA compliant?** Everything in relation to being CMA compliant would be handled by DMU and not the College.

9.9.4. **Would there be any changes to the substance of the contract in light of COVID-19?** No, nothing had also been included in the contract concerning COVID-19 as majority of the work had been completed prior to lockdown.

9.10. Governors **agreed** the recommended risk rating of green.

10. **EXTERNAL AUDIT STRATEGY DOCUMENT FOR YEAR ENDING 31 JULY 2020**

10.1. Mark Dawson presented the strategy document for year ending 31 July 2020 to the group. The following points were highlighted:

10.1.1. The scope of audit was largely unchanged from previous years.

10.1.2. The College was required to comply with the OfS and ESFA accounts directives, a note would need to be included in the account.

10.1.3. There was increased risks around the going concern, these were due to the uncertainties the sector was facing. The main concern for the College was around compliance with the bank covenants.

10.1.4. A new slide had been included in the strategy document around COVID-19. There were no significant changes to accounting and financial reporting other than pension assets to be lower.

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

10.2.1. **Why had the audit costs increased? Why was there no collaboration in assessing pension schemes?** All pension schemes were different. Work was shared amongst others who were comfortable with other schemes. The fee reflected inflation and increase in cost was due to changes in regulatory requirements, changes from college regulators and requirements implemented around audit regulations. Further work had to be done to ensure they remained compliant.

10.2.2. **Would GMP and McCloud be a material issue this year?** This was not expected to be a significant issue but it had been included so it

could be considered.

- 10.2.3. **Was the College confident it could meet the requirements in appendix 9?** The College expected to meet the requirements. There was nothing which the College would not be able to achieve.

- 10.3. Governors queried some of the figures in the strategy document, it was mentioned the strategy document would be re-issued with the correct figures.

- 10.4. **Governors approved the external audit plan.**

11. INTERNAL AUDIT PLAN FOR 2020/21

- 11.1. Lisa Smith presented the Internal Audit Plan for 2020/21. It was mentioned due to the uncertainty in the current climate that the plan would be kept under review for the next 12 months. The timing of reviews and areas for consideration would be discussed regularly.

- 11.2. This was a larger audit plan than usual but reflected the risk profile of the College. Remote audit technology would be utilised where possible to maintain social distancing.

- 11.3. Governors asked a number of **questions** including:

- 11.3.1. **Which audit reviews were not included in the plan this year? Why were they left out?** The areas which the management had suggested covered the main risk areas. These included health and safety, cyber security and ESFA funding and compliance reviews. There were reviews which would be recommended to be completed in the longer term which included estates strategy and Curriculum planning strategy.

- 11.3.2. **Would the Health and Safety review be carried out by a specialist team?** The review would be carried out by a person who would be experienced in undertaking health and safety reviews. This would not necessarily be a health and safety specialist.

- 11.3.3. **With obvious risks around safeguarding, would the Health and Safety review address and cover safeguarding?** Safeguarding would not be explicitly covered but would be part of the overall review. It would look at aspects such as how the vulnerable adults were looked after, environment they were in, ensure their disabilities are catered for and their tutors have acceptable PPE.

- 11.4. **Governors approved the internal audit plan for 2020/21.**

12. RISK MANAGEMENT STRATEGY 2020/21 INC ASSURANCE MAPPING

- 12.1. The Director of Governance and Policy gave an overview of the risk management strategy for 2020/21. It was mentioned the College's approach to risk was similar to previous years and the strategy would be updated as and when needed. The following risks were highlighted:

- 12.1.1. Adverse impact of the National Educational and Economic climate. The pandemic was expected to impact on spending and the economy and

this had been raised as a high risk.

- 12.1.2. The College being unable to meet the operating budgeted position for 2020/21. This was identified as high risk next year although once recruitment had taken place, this risk might reduce.
- 12.1.3. There was increased risk around the going concern, these were due to the uncertainties the sector was facing. The main concern for the College was around compliance with the bank covenants.
- 12.1.4. There were two specific risks relating to COVID-19. These were around student/staff contracting COVID-19 and College assets being compromised during further lockdowns. To mitigate some threat to these risks the College had implemented risk assessments and was regularly assessing on how best to manage expectations.

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

- 12.2.1. **Hettle Andrews are mentioned in the assurance provider column, what is the plan with them?** Hettle Andrews were the Insurance brokers for the College. Their team of specialists would be able to advise and assist the College. They had been asked to review the College business continuity plan to check compliance against the latest ISO 22301 standard.
- 12.2.2. **Point 15.3 states TBC, What was the reason for this?** An inspection action plan needed to be updated, this had not yet been done.

12.3. **Governors agreed to recommend the Risk Strategy for 2020/21 to Corporation for approval.**

13. WORKPLAN 2020/21

- 13.1. The Director of Governance and Policy introduced the workplan paper to the group. The plan was similar to previous years and continued to bring documents such as the risk management progress update, risk assurance update, internal reviews and external reviews to the group as and when they were carried out.
- 13.2. A **question** was asked whether the whistleblowing report would be the regular annual report or something different. It was confirmed it would be the regular annual report.
- 13.3. **Governors approved the workplan for 2020/21.**

14. COMMITTEE SELF-ASSESSMENT

- 14.1. The Director of Governance and Policy reminded the group to complete the annual self-assessment survey. The survey would be issued to all members following the final Corporation meeting on 9 July.

15. DATES OF FUTURE MEETINGS

- 15.1. Future meeting had been arranged for:
 - 24 September 2020

- 19 November 2020
- 23 March 2021
- 10 June 2021

16. ANY OTHER BUSINESS

16.1. There were no items raised.