



AGENDA
REFERENCE

A

CORPORATION/COMMITTEE PAPER

Audit Committee
19 November 2020

<i>TITLE</i>	Minutes of the previous meeting held on 24 September 2020
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<i>PURPOSE</i>	To receive, agree and approve the minutes of the previous meeting held on 24 September 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 24 SEPTEMBER 2020 VIA TEAMS



Present:	Andrew Hind (Chair) Zubair Limbada (Vice Chair) Simon Meakin	Roger Merchant Tom Wilson Louisa Poole
In Attendance:	Louise Hazel Shabir Ismail David Henderson Lisa Smith Asam Hussein Katy Matkin Louise Tweedie Mark Dawson	Director of Governance and Policy Deputy Principal/CEO Director of IT (item 13) RSM RSM RSM RSM KPMG

1. **DECLARATIONS OF INTEREST**

- 1.1. There were no declarations of interest.

2. **APOLOGIES FOR ABSENCE**

- 2.1. There were no apologies.

3. **MINUTES AND MATTERS ARISING FROM THE MEETING HELD ON 11 JUNE 2020**

- 3.1. The minutes of the meeting on 11 June 2020 were **agreed** as an accurate record and **approved**.
- 3.2. It was confirmed that the internal audit reports circulated in March were on the agenda for this meeting.

4. **RISK MANAGEMENT STRATEGY 2020/21 FINAL VERSION**

- 4.1. The Director of Governance and Policy presented the final version of the Risk Management Strategy. The following points were raised:
- 4.1.1. There were two changes to the strategy since July: a new risk had been added (7.5) around potential disruption to learning caused by positive cases and self-isolation of staff or students
- 4.1.2. There has also been an increase in the risk associated with the

availability of the Arena due to the Arena's financial pressures and ongoing restrictions for sporting venues.

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

- 4.2.1. **Whether there was any financial liability associated with the Arena.** There was not. The Arena had requested a financial contribution to the costs of opening although the College was entitled to free access.
- 4.2.2. **Whether dates for the cyber security review should be 2020 not 2021.** They should; this would be corrected.
- 4.2.3. **How imminent an Ofsted visit might be.** Ofsted inspections had been paused during lockdown and were expected to be restarted although Ofsted was also undertaking additional shorter inspections looking at how colleges were delivering during lockdown. The timing of any inspection was still unknown but planning was continuing.
- 4.2.4. **When the Business Continuity Plan was being reviewed.** This was awaiting a date from the insurance brokers; they were reviewing their good practice framework for business continuity plans and would use this information to conduct the review.
- 4.2.5. **Whether the pensions review would be internal or external.** Work on pensions options was still to be undertaken. The funding of TPS for next year onwards would be an issue for the sector.

4.3. **Governors noted the report and commented on the ongoing high level of risk to which the College was exposed.**

INTERNAL AUDIT REPORTS

5. MENTAL HEALTH AND WELLBEING

- 5.1. Katy Matkin presented the internal audit report on Mental Health and Wellbeing. The following points were highlighted.
 - 5.1.1. The audit had been undertaken before lockdown. There were four low priority areas; it was noted that an updated report which only included the low priority recommendations would be provided.
 - 5.1.2. The Employee Wellbeing Policy would be amended to include references to mental health. There was no separate policy for students.
 - 5.1.3. There was a lack of advertising of support services around College; questions about mental health would be added to the student survey.
- 5.2. **Governors asked the following questions:**
 - 5.2.1. **Whether the College had signed up to Time to Change.** It had.
 - 5.2.2. **Whether the deadline of 31 August had been met.** It had not because of the extended lockdown and the dates would need to be reviewed. It was explained that mental health was included in the College's policy and plans around safeguarding but during lockdown additional resource had also been put into supporting student mental health. Support services were promoted through student induction and

through Moodle and this would continue to make sure that students including those who might not be in College were aware of the services.

5.3. **Governors noted the report and approved the risk rating of Green.**

6. PROCUREMENT

6.1. Katy Matkin presented the internal audit report on Procurement. The following points were highlighted.

6.1.1. The College had up to date Financial Regulations which provided clear guidance on expenditure and procurement. An Ordering of Goods and Services Procedure Document applied to all goods and services purchased by the College and set out the purchasing process.

6.1.2. Operational procedure notes described the processing of purchases and the setting up of new suppliers via the BluQube system. The College had an approved supplier list and an authorised signatory list in place.

6.1.3. Two low priority recommendations were made: to update the Procurement Strategy and ensure all waivers over £20,000 were reported to the F&GP.

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

6.2.1. **Whether the audit looked at controls over changes to bank details.** That was not in scope for the audit.

6.2.2. **Whether a central contracts register was maintained.** It was.

6.2.3. **Whether the 30 April deadline had been met.** This would need to be reviewed; the Procurement Strategy would need to be considered by F&GP.

6.2.4. **What the extent of manual payments was?** This was very small; manual payments were avoided, particularly in the current situation to reduce the risk of fraud.

6.2.5. **What more did the College need to do in terms of the Maturity Matrix to reach the next level.** The next level would be 'transformational'; there were some actions which the College could take easily and with little cost but it would need to weigh up the costs and benefits if it wanted to get to the next level.

6.2.6. **What was the value of the largest procurement and was it capital or services? Who was involved in the decision making for tenders and what was the typical ratio of quality vs price criteria in assessing the tenders; it would be important to know the College was getting best value.** There was very little discretionary non-pay budget; most tenders related to services. The College did not always take the lowest bid and looked at the tender against the requirements in the specification. It used the CPC consortium to conduct tenders and followed EU tendering processes. Assessment usually took place with a panel of three with one independent person. It was confirmed that the majority of higher value items looked at during the audit were capital. The audit had confirmed that value for money had been

considered.

- 6.3. **Governors noted the report and approved the risk rating of Green. The Committee requested a further report on tendering processes.**

7. GOVERNANCE AND RISK MANAGEMENT

- 7.1. Katy Matkin presented the internal audit report on Governance and Risk Management. The following points were highlighted.

7.1.1. The audit confirmed that there were no changes to governance other than recruitment and that induction and training had taken place for new governors.

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

7.2.1. **Whether there was anything specific relating to governance and leadership that should be noted in the current environment.** The new Audit Code of Practice highlighted the importance of ensuring robust scrutiny of risk management and governance arrangements although there was nothing additional that the Board should be doing. The external auditors might want to look in more detail at the going concern issue.

7.2.2. **It was reassuring that the College had good controls particularly given the information on bailouts given to other colleges in the sector.**

- 7.3. **Governors noted the report and approved the risk rating of Green.**

8. APPRENTICESHIPS

- 8.1. Lisa Smith gave an update on the internal audit of Apprenticeships. The following points were highlighted.

8.1.1. The audit had been completed and the report was now with management; staff sickness meant it could not yet be finalised. There had been some issues in completing the audit particularly given the Leicester lockdown.

8.1.2. There were currently some significant issues in the report and RSM was working with management on these and the implications should the College be selected for an ESFA funding audit.

8.1.3. There were several issues which were common themes across the sector but some, including off the job training, would have funding impacts.

8.1.4. The Deputy Principal confirmed that the audit had been commissioned to help identify any issues and so some recommendations were expected although it looked as if there would be several high priority recommendations. It would be important that the College could provide evidence electronically as funding audits would be looking at electronic files.

8.1.5. RSM would be running a session for College staff on the funding rules

shortly to help ensure full understanding.

8.2. **Governors noted the update.**

9. **FOLLOW UP REPORT**

9.1. Katy Matkin presented the follow up report on internal audits. The following points were highlighted.

9.1.1. There had been eight actions: two medium and six low priority from four reports. Five had been implemented and could be closed; two were ongoing and one was not yet complete.

9.1.2. The electronic health and safety accident reporting system had been put on hold and was now being developed in house.

9.1.3. The Trips policy was being reviewed and the work on confirming benefit status of students was ongoing.

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

9.2.1. **Whether the delay to the accident reporting system was less of a risk given that the College had been closed and whether the 2021 completion date was achievable.** The College had a paper-based reporting system so accidents were being recorded. Staff were needed to develop the new system but there were currently some vacancies and so it might be delayed.

9.2.2. **What was the time limit for claiming any shortfall from students on benefits?** This would need to be done by the final ILR in October. The College had 3,500 ESOL enrolments and would only claim full funding for those where it had a complete set of evidence.

9.3. **Governors noted the update.**

10. **STRATEGY FOR INTERNAL AUDIT 2020/21**

10.1. Lisa Smith presented an update on the Internal Audit Plan for 2020/21. The following points were highlighted.

10.1.1. The plan had been agreed at the previous meeting; given the current situation it would be kept flexible.

10.1.2. The audit of the furlough claims was currently underway; this would look at whether an accurate claim supported by evidence had been made.

10.1.3. Cyber security was still planned to go ahead in October and the health and safety review in November.

10.2. **Governors noted the update on the internal audit plan.**

11. **DRAFT REGULARITY SELF-ASSESSMENT QUESTIONNAIRE**

11.1. The Deputy Principal presented the draft Regularity Self-Assessment Questionnaire. The following points were highlighted.

- 11.1.1. The questionnaire was required to inform the external audit.
- 11.1.2. An additional section had been added this year for COVID-19 issues.

11.2. Governors asked the following questions:

- 11.2.1. **Who were the 'significant staff' who completed registers of interest?** This included SLT members and anyone involved in procurement or the commissioning of or bidding for tenders.
- 11.2.2. **How was the College securing laptops which were loaned to students ensuring they were returned and that no malware could access College systems?** All laptops were logged and imaged by the College so that the necessary software and security measures were installed. The College would pursue any unreturned laptops through the debt process; this would also mean that students could not re-enrol without returning the laptop. The College was looking at cyber risks even more carefully; this would be picked up in the RSM audit.

11.3. Governors noted the self-assessment questionnaire and recommended approval by the Chair.

12. REPORT FROM EXTERNAL AUDITORS

12.1. Mark Dawson gave an update on the external audit process. The following points were raised:

- 12.1.1. The final fieldwork was now underway and progressing well. This was being conducted remotely which was working well. First draft accounts had been provided.
- 12.1.2. Auditors would be focussing on the going concern issue and the College's forecasts. There were no concerns at this point in time although there were lots of uncertainties for all colleges over the coming months.
- 12.1.3. Pensions would also be a focus. Liabilities had increased across the sector although the impact in Leicestershire did not appear to be as bad as other areas.

12.2. Governors asked the following questions:

- 12.2.1. **Whether there was likely to be any impact on the timeline for signing off accounts as a result of waiting for the pensions information.** The audit was proceeding on a timeline to close the accounts before Christmas in the usual way. It was helpful to have the pension sign off before then but not essential.
- 12.2.2. **Whether any additional work would be needed for example to meet OfS requirements.** This was not thought to be necessary; any additional information required was not onerous.

12.3. The Deputy Principal provided an update on the financial position. The College looked to be outturning better than the summer reforecast because of

delays to expenditure on estates. Bank covenants would be met and the financial health would be Good. This was based on there being no reconciliation of AEB funding.

12.4. **Governors noted the update.**

Louisa Poole left the meeting

13. CYBER SECURITY AND DATA BREACHES ANNUAL REPORT

13.1. The Director of IT and Director of Governance and Policy presented a report on cyber security and data protection breaches. The following points were highlighted.

13.1.1. The National Cyber Security Centre was advising all organisations to be alert to cyber security, follow the 10 steps framework and use best practice in setting up defences. Hacks and ransomware attacks were happening across the education sector and it was an ongoing and ever-changing threat.

13.1.2. The College subscribed to JISC CSIRT which provided an additional layer of defence and reporting. There had been 34 attempted cyber-attacks last year and JISC had stopped them all.

13.1.3. Penetration testing took place every year. The College also held the Cyber Essentials Plus accreditation.

13.1.4. There had been many requests for new systems during lockdown; all had been considered for data protection, cyber security and safeguarding issues.

13.1.5. Home working presented an additional risk but training and awareness raising was given to staff.

13.1.6. There had been eight personal data breaches; one of these had been reported to the ICO which had been content with the College's approach.

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

13.2.1. **Whether the College felt it was doing all that it could to prevent data breaches.** The training on data protection and cyber security was mandatory and new training was about to be released to all staff. The number of queries received by the DPO about data protection suggested that there was generally a good understanding of data protection issues and staff knew where to go for advice.

13.3. **Governors noted the report.**

14. REPORT ON GIFTS/GOODS RECEIVED BY COLLEGE STAFF

14.1. The Director of Governance and Policy presented a report on gifts/goods received by College staff. The following points were highlighted.

14.1.1. There were 10 items logged; the majority of these were received by the Estates team around Christmas.

14.1.2. Items of food and drink were passed the Hospitality team and vouchers to the catering team to be used as prizes/rewards for survey completion.

14.2. **Governors discussed the appropriateness of College staff accepting any gifts. While some felt this was not acceptable particularly when it came to staff who would be involved in awarding contracts, others took the view that the number and value of gifts was small and to impose any further restrictions on acceptance might be difficult. It was agreed to keep this under review.**

14.3. **Governors noted the report.**

15. REPORT ON SENIOR LEADERSHIP TEAM EXPENSES

15.1. The Director of Governance and Policy presented a report on the Senior Leadership team's expenses. The following points were highlighted.

15.1.1. The report was provided in response to a request for more detail on SLT expenses following reports from the FE Commissioner on inappropriate expenses claimed in other colleges. The Principal's travel and expenses totalled £1,044.05.

15.1.2. Expenses in the report include those paid directly to individuals. Other travel and accommodation costs might be paid for using the College purchasing cards with appropriate limits.

15.2. **Governors noted the report and commented that the expenses seemed reasonable.**

16. COMMITTEE SELF ASSESSMENT

16.1. The Director of Governance and Policy presented a report on the Committee's self-assessment. The following points were highlighted.

16.1.1. The self-assessment was positive. Positive impacts were identified and evidenced by risk items highlighted at the committee being debated by the whole Corporation; challenges from audit to management resulting in actions that improved the work of the College; and positive reports from internal and external audits on a broad range of subjects.

16.1.2. Areas for development included maintaining quality and oversight of finance, infrastructure, safeguarding and capital projects; continuity of leadership from qualified/experienced governors; and consideration of the long term implications of Brexit and Covid-19 on teaching and learning, finance, staffing and accommodation.

16.2. **Governors noted the report.**

17. POST-16 AUDIT CODE OF PRACTICE

17.1. Louise Tweedie presented an update on the Post-16 Audit Code of Practice.

The following points were highlighted.

- 17.1.1. There were no major changes to what the Committee needed to focus on.
 - 17.1.2. There were minor changes included updates to the Fraud Checklist.
 - 17.1.3. The Ney report has suggested that Audit Committees should have greater role in informing the risk appetite of the Corporation and so the Committee might want to take a view on that.
- 17.2. **Governors asked whether the fraud checklist was up to date.** This would be checked.
- 17.3. **Governors noted the report.**

18. DATES OF FUTURE MEETINGS

- 18.1. Future meeting had been arranged for:
- 19 November 2020
 - 23 March 2021
 - 10 June 2021

19. ANY OTHER BUSINESS

- 19.1. There were no items raised.