

LEEDS COLLEGE OF BUILDING

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 13 December 2011 at 2.00 pm in Meeting Room 1.

PRESENT:

A Finn (Chairman)
J Ingham
A Iveson
P Rogerson

IN ATTENDANCE:

S Clark – KPMG
G Georghiou – KPMG
D McIntyre – PKF
D Pullein – Executive Director – Finance
R Scanlan – Clerk to the Corporation and Executive Director – Support Services
D Whitehead – Deputy Principal and Risk Management Champion
N Fearnside – Secretary (minutes)

**ACTION
BY AND
TARGET DATE**

1. OPEN DISCUSSION BETWEEN AUDITORS AND THE AUDIT COMMITTEE

A discussion took place between the auditors and the Audit Committee.

S Clark reported that, due to changes in internal processes at KPMG, he had now taken over from E Casson as Engagement Lead for the College.

2. ELECTION OF CHAIRMAN

The Clerk asked for nominations for Chairman for 2011/12. P Rogerson nominated A Finn; this was seconded by J Ingham. A Finn accepted the nomination for Chairman for 2011/12.

3. DECLARATION OF INTEREST

There were no declarations of interest.

4. APOLOGIES FOR ABSENCE

An apology for absence was received from M White.

5. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 21 June 2011 were accepted as a true record.

6. MATTERS ARISING

6.1 Ref Min 7 d)

Actioned. A Finn asked members if they felt the first meeting of the Audit Committee in December was too long a period from the last meeting. The Clerk stated that previously an Audit meeting had been held in November and then a joint meeting was held in December with the Finance & General Purposes Committee to consider the end of year accounts. It was agreed the schedule would be considered for next year.

6.2 Ref Min 8

Actioned.

6.3 Ref Min 11

Actioned.

6.4 Ref Min 12

Actioned. D Pullein stated that the outstanding audit days would be utilised in February 2012; an efficiency review of Guided Learning Hours was planned.

7. INTERNAL AUDIT REPORTS

The following internal audit reports were noted:

7 a) Learner Journey Process Review

The Audit concluded that the College effectively and efficiently manages and co-ordinates the activities throughout the learner journey from enquiry to enrolment. One recommendation was made regarding the capture of information from email enquiries via the website; this has now been resolved as far as possible. R Scanlan confirmed that the enrolment process is reviewed annually.

7 b) Audit Charter

D McIntyre (PKF) confirmed that the Audit Charter is a standard document used for setting out the scoping of internal audits. It was agreed that the Charter would be reviewed each year as part of the internal audit planning process.

7 c) Financial Regulations Review

D McIntyre (PKF) gave a brief introduction to the Report; which concluded that the level of control over Financial Regulations "fully meets expectations". One low priority recommendation was made with regard to the responsibilities of the Finance and Administration Manager; this would be implemented when the Regulations were next reviewed.

A Finn asked if PKF had its own terminology for the assessment of risk management. The 'risk enabled' terminology is used by RSM Tenon. D McIntyre confirmed that this would be reviewed during the year.

The Committee confirmed that they were happy with the format of the report.

8. LCB ENTERPRISES ACCOUNTS FOR 2010/11

D Pullein presented the 2010/11 accounts for LCB Enterprises Limited. These had previously been considered by the Executive Team and were consolidated within the main accounts. No sales have been recorded, only expenditure.

The College has confirmed by letter that any debts incurred by LCB Enterprises would be guaranteed by the College.

9. MEMBERS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2011

D Pullein presented the Members' Report and Financial Statements for the year end 31 July 2011. The following points were noted:

Pay as a percentage of income was 63%. Cash days in hand increased to 197 days (compared to 145 in 2009/10).

The consolidated income and expenditure account showed that income had dropped from £19.2m in 2009/10 to £17.6m. A surplus of £706k was made in 2010/11 which was largely as a result of FRS17 estimations being higher than actual and no clawback of funds by the SFA.

The Balance Sheet remains very strong and overall reserves at 31 July 2011 stood at £11,611k.

A drop in recurrent grants from £9,232k to £8,080k was noted. However, an increase in Work-based Learning income was reported.

FRS17 staffing charges decreased from £322k to £207k in 2010/11; which partially accounted for the end of year surplus.

KPMG confirmed that the format of the accounts was based on a standard template utilised by the sector.

In KPMG's opinion the financial statements give a true and fair view of the financial position of the College, have been properly prepared and the income and expenditure correctly applied during the year.

The Committee accepted the Members' Report and Financial Statements for 2010/11 and recommended them to the Corporation for approval.

10. UPDATE ON OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

D Pullein gave an update on the outstanding audit recommendations. Only one remained outstanding; review of Financial Regulations. This has now been actioned.

11. AUDIT COMMITTEE ANNUAL REPORT FOR 2010/11

A Finn presented the Audit Committee's Annual Report for 2010/11 and asked members for their comments.

11. AUDIT COMMITTEE ANNUAL REPORT FOR 2010/11 (continued)

Members agreed that the Report covered the key issues. However, it was suggested that the change in KPMG's Engagement Lead should be included, together with details of other sources of assurance (eg Ofsted Inspection, FMCE, Self Assessment etc.).

RS
6 Jan. 2012

S Clark (KPMG) and D McIntyre (PKF) would forward examples of good practice for future audit reports.

SC/DM
6 Jan. 2012

The Committee agreed the Report and recommended it to the Corporation (subject to the minor amendments stated).

12. COLLEGE SELF ASSESSMENT OF FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS USING THE FINANCIAL MANAGEMENT AND CONTROL EVALUATION (FMCE)

The College's Self Assessment of Financial Management and Control Evaluation has been completed and submitted to the Skills Funding Agency; all areas have been self assessed as Outstanding.

A Finn asked for clarification on the statement that a full FMCE return is not mandatory for all colleges in 2011/12. D Pullein stated that the return related to 2010/11 and it was felt that completion of the return was a good discipline for the College.

A Finn stated that Page 13 (section 3 sub-contracting arrangements) should state N/A in accordance with Page 1; this would be amended appropriately.

RS/DP
6 Jan. 2012

13. REPORT ON RISK MANAGEMENT FROM THE BUSINESS CONTINUITY TEAM

D Whitehead presented the Business Continuity Report for the period June 2011 to November 2011.

It was noted that, following the restructuring exercise, the Health, Safety & Environment Manager will oversee day to day activities of Risk Management, supported by the new Quality Improvement Co-ordinator (QIC); D Whitehead would continue to oversee the whole College's Risk Management and Business Continuity activity.

The Risk Register currently lists 185 Risks. There were 25 (14%) Top / Priority 1 Risks, 12 (6%) High to Medium Risks, 78 (41%) Medium to Low Risks and 70 (38%) Low Risks. Appendix 1 outlined the Priority 1 Risks. D Whitehead explained that Priority 1 Risks are not necessarily numerically high; any Risk can be deemed Priority 1 by the Senior Management Team / Business Continuity Team.

As part of the College's Emergency Management and Recovery Planning the College is participating in Operation Griffin (a Business Continuity event) on 13 January 2012; this is aimed at front line staff (including the new QIC).

14. FRAUD REGISTER

D Pullein stated that no issues had been reported.

15. COMMITTEE'S ANNUAL SELF ASSESSMENT

The Clerk presented the Annual Self Assessment for 2010/11 against the Terms of Reference.

S Clark (KPMG) reported that it is good practice for the Committee to undertake an annual self assessment and for the College to look at how the Committee operates and how effective it is. R Scanlan stated that this did form part of the overall Governors' self assessment process which was evaluated annually. S Clark agreed to send an example from another college which the Clerk could consider and make recommendations to the Committee.

SC
6 Jan. 2012

It was noted that the Whistleblowing Policy (Item n) still needed to be reviewed.

The Committee accepted the Annual Self Assessment for 2010/11.

16. AUDIT HIGHLIGHTS MEMORANDUM AND MANAGEMENT LETTER FOR 2010/11 (KPMG)

S Clark (KPMG) presented the Audit Highlights Memorandum and Management Letter for 2010/11. It was a clean management letter with low level recommendations only.

Confirmation from funding agencies on the College's final funding position was still awaited.

Tolerance levels have been introduced on the Adult Skills Budget; however it was felt that this would not affect the College's position.

The management representation letter has been issued to the College and will be presented to the Corporation.

The FRS17 assumptions were noted indicating a decrease; this was felt to be within an acceptable range.

Two observations were noted from KPMG's audit, as follows:

Bad Debt Provision

It was noted that the College may over provide for bad and doubtful debts. It was recommended that the College should maintain a consistent approach to formulating bad debt provision but review post year end for collections of larger debts.

Review of Journals

The Executive Director – Finance prepares journals with no separate review or input from other members of staff. It was accepted that in small / medium colleges this is common practice.

16. AUDIT HIGHLIGHTS MEMORANDUM AND MANAGEMENT LETTER FOR 2010/11 (KPMG) (continued)

Follow up of the recommendations raised in the 2009/10 management letter included:

- Post year-end process for accrued income – KPMG’s recommendation that all current year income relating to contracts is accrued for in 2010/11 was implemented.

Appendix One outlined a summary of audit differences; these were mainly presentational issues.

Sector development issues in the future include Funding Methodology changes from 2011/12; The Education Bill; Review of Vocational Education – the Wolf Report. It was acknowledged that funding issues will become more difficult but the College is in a good financial position.

The Committee received and noted the Report.

17. ANY OTHER BUSINESS

There were no other items of business.

18. DATE OF NEXT MEETING

The next meeting is scheduled for Tuesday 24 April 2012 at 2.30 pm.

Signed for Distribution:
(Chair)

Date:

Approved:
(Chair)

Date: