

LEEDS COLLEGE OF BUILDING

JOINT AUDIT AND FINANCE AND GENERAL PURPOSES COMMITTEE

Minutes of the meeting held on Tuesday 14 December 2010 at 2.30 pm in Meeting Room 1.

PRESENT:

M Himsworth (Chairman)
I Billyard
C Harrigan
D Hutchinson
A Iveson
P Rogerson

IN ATTENDANCE:

E Casson – KPMG
C Dyson – RSM Tenon
D Pullein – Executive Director - Finance
R Scanlan – Clerk to the Corporation & Executive Director – Support Services
D Whitehead – Deputy Principal & Executive Director - Curriculum and Quality
N Fearnside – Secretary (minutes)

ACTION
BY AND
TARGET DATE

1. CHAIRMAN'S COMMUNICATIONS

M Himsworth agreed to chair the meeting in A Finn's absence.

2. DECLARATION OF INTEREST

There were no declarations of interest.

3. APOLOGIES FOR ABSENCE

Apologies for absence were received from A Finn and M Joyce.

4. AUDIT HIGHLIGHTS MEMORANDUM AND MANAGEMENT LETTER FOR 2009/10 (KPMG)

E Casson from KPMG presented the Audit Highlights Memorandum and Management Letter for 2009/10.

The purpose of the audit is to report to the Corporation whether (in KPMG's opinion) the financial statements give a true and fair view of the financial position of the College; they have been properly prepared and expenditure / income applied for the purposes intended.

The following points were noted:

4. AUDIT HIGHLIGHTS MEMORANDUM AND MANAGEMENT LETTER FOR 2009/10 (KPMG) (continued)

The FRS17 assumptions were noted and overall these assumptions fall within an acceptable range. Due to the change to CPI, rather than RPI, as a means of determining pension increases for the West Yorkshire Pension Fund, the resulting gain will be recognised through the Statement of Total Recognised Gains and Losses (STRGL). However, there is no clear direction on this and should it be necessary to report this gain through Income and Expenditure this would be adjusted next year.

Confirmation of the College's final funding position for 2009/10 have now been received.

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

One unadjusted audit difference of £59k was noted. This related to a historic problem where accrued income in relation to ConstructionSkills and Leeds City Council contracts was recorded in the wrong financial year. This will be discussed in order to address for next year.

The College has made a fully compliant corporate governance statement, which was reviewed by KPMG and considered to be consistent with the process followed by the College during the year.

Matters for future consideration included the impact of decisions arising from the Comprehensive Spending Review, changes to the Joint Audit Code of Practice and International Financial Reporting Standards (IFRS).

Follow up of the recommendations raised in the 2008/09 management letter included:

- Deposit Account Reconciliation – this error has been in place since the implementation of the College's financial system and cannot be rectified by Symmetry. KPMG have recommended that this should be removed and this was agreed.
- Staff Number Calculations – this has been actioned and staff numbers are now based on average FTEs.

The Regularity Audit has been completed and no observations were made.

D Pullein suggested that the FRS17 assumptions made were prudent. Marginal changes could make significant differences; actuaries produce overall assumptions for West Yorkshire and he felt that it was worth looking at these assumptions on an individual basis. This was agreed and D Pullein would investigate further.

DP
2 March 2011

The Committee received and noted the Report and thanked KPMG.

5. MEMBERS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010

D Pullein presented the Members' Report and Financial Statements for the year ended 31 July 2010. The following points were noted:

The key performance indicators have been met. Pay as a percentage of income dropped to 63% due to the re-structuring exercise undertaken. Cash days in hand increased to 145 days as a result of no significant capital monies being spent.

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.

A consolidated income and expenditure account has been prepared to incorporate LCB Enterprises Ltd. It was noted that income had risen by 4%; £19.2m in 2009/10 compared to £18.4m in 2008/09. A surplus of £490k was made in 2009/10, after the £816k Landsbanki debt had been written off.

The Balance Sheet remains very strong and overall reserves at 31 July 2010 stood at £10,157 million.

The pension deficit decreased from £4.1m to £3.5m due to the change from RPI to CPI.

The College now has a subsidiary company, LCB Enterprises Ltd., which is wholly owned by the College; a deficit of £12k was noted.

The Landsbanki debt of £816k has now been fully written off.

P Rogerson suggested that the Pension Protection Fund be investigated further with a view to segregating this. D Pullein would look into this.

DP
2 March 2011

D Whitehead noted that 2009/10 had been the College's best ever year for student achievements in competitions, both regionally and nationally.

The Committee accepted the Members' Report and Financial Statements for 2009/10 and recommended them to the Corporation for approval.

6. ANY OTHER BUSINESS

C Dyson from RSM Tenon circulated a letter regarding the College's Risk Maturity status. The Risk Maturity Audit in June 2009 resulted in the College being assessed as "Risk Managed", just missing out on the top category "Risk Enabled". This was mainly due to the new Covalent system not being fully embedded at the time of the audit.

C Dyson acknowledged that further work had been carried out since then and this had been evidenced; therefore RSM Tenon concluded that there was justification for moving the College to "Risk Enabled" status. This has been confirmed in writing.

6. ANY OTHER BUSINESS (continued)

The Committee thanked C Dyson for the letter and, on behalf of the Committee, D Whitehead thanked M Himsworth for all his hard work and commitment to the Risk Management process throughout his term as a Governor.

Signed for Distribution:
(Chair)

Date:

Approved:
(Chair)

Date: