

LEEDS COLLEGE OF BUILDING

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 14 December 2021 at 2.00pm via Microsoft Teams.

PRESENT:

Mark Roper (Chair) (MR)
Elaine Armitage (EA)
Debbie Forsythe-Conroy (DFC)
Rachel Lindley (RL) (*joined from item 7*)
Matthew Shields (MSh)
Sarah Wilson (SW)

PRESENT FOR ITEMS 7 & 9 ONLY:

Peter Norris (PN)
Claire Curtis (CC)
Oliver Harding-Jeans (OHJ)
Derek Packer (DPa)
Dave Russell (DR)
Derek Whitehead (DW)

IN ATTENDANCE:

David Pullein (DP) – Vice Principal, Finance & Resources (*following Item 1*)
Nikki Davis (ND) – Vice Principal, Teaching, Learning & Quality (*following Item 1*)
Jonathan Creed (JC) – ICCA
Richard Lewis (RLe) – RSM
Karen Rolinson (KR) – Governance Adviser & Clerk to the Corporation

**ACTION
BY AND
TARGET
DATE**

1. OPEN DISCUSSION BETWEEN AUDITORS AND THE AUDIT COMMITTEE

RLe confirmed that RSM had undertaken an updated audit and produced a revised audit findings report this year following publication of the Audit Code of Practice in March 2021. The Committee had received a draft of RSM's report at their committee meeting in November 2021 and RLe provided a further draft today. RLe stated that he would update this Report following information that he had received from the College today which meant that the funding risk identified would now disappear. He confirmed that he would send this to the College in the next few days and that it was a positive report. JC said that he had felt a bit concerned about the funding risk and points identified. RLe said that the funding points would still be there and management would need to respond to them but the funding risk would be removed.

MR asked if it was usual to see this number of funding points. RLe replied that he is seeing this across the sector. He confirmed that apprenticeship funding is complicated and this is where most issues are seen. He asked the Committee not to be alarmed but said that the funding points needed to be addressed and there would be concern from the Regulator if they weren't addressed by next year. JC confirmed that the methodology hadn't changed but there was more impact on auditors. He said that it was important that the College saw the revised Audit Findings Report without the funding risk and no cash clawback.

2. APOLOGIES FOR ABSENCE

No apologies for absence were received for Audit Committee. Board members Caroline Meehan, Simon Bray & Katherine Naisbitt apologised for their absence for Items 7 & 9.

3. DETERMINATION OF ATTENDEES/OBSERVERS

The Audit Committee agreed attendees / observers at the meeting as per the attendance list above.

4. DECLARATION OF INTEREST

There were no declarations of interest.

5. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 16 November 2021 were approved as a true and accurate record.

6. MATTERS ARISING

6.1 Ref Min 7.4

Carried forward.

6.2 Ref Min 7.9

Actioned (taken under Agenda Item 12).

6.3 Ref Min 8

Actioned.

6.4 Ref Min 15

Carried forward.

7. AUDIT FINDINGS REPORT COVERING THE STATUTORY AND REGULARITY AUDIT FOR 2020/21

Other Corporation members joined the meeting for this item as noted in those present above.

RLe confirmed that the Audit Committee had received the draft Audit Findings Report at their Committee meeting in November and an updated draft was being presented today. He said that he was thankful for working together with the College and he was able to confirm that because of information he had received today, all the at risk funding of £110k will disappear from the Report. He stated that he would update the Report for it to be received by the ESFA within the deadline.

7. AUDIT FINDINGS REPORT COVERING THE STATUTORY AND REGULARITY AUDIT FOR 2020/21 (continued)

RLe informed the Committee that this was an unmodified and unqualified Report and that was the best opinion a college could get from an auditor. He said although there were some outstanding matters identified in the Report, Governors didn't need to be concerned about these. He highlighted the areas of focus in the Report to Governors: Income Recognition; Management Controls; Pension Scheme Liability; Going Concern; Regularity. He said that he was working with management regarding the statements at the end of the Report and asked Governors not to worry about the errors detailed. He confirmed that these were not material, would not impact on the financial statements and would not be an issue for the Regulator. He summarised that it was a good, clean audit piece of work.

SW commented that it was a really good Report and stated well done to those involved.

DPa queried whether the recommendations and management response regarding apprenticeships means that better record keeping is necessary. RLe responded that when college audits are completed, he will be able to put forward what has happened in other colleges (anonymously) and will pull a report together on learning points. He continued that apprenticeship funding is complex and that the College needed to action the recommendations in the Report as the Regulator will want to know why if this isn't done. DPa stated that it was important to keep proper records. DP responded that the rules are over complicated and change regularly and it's a constant challenge to keep up with them. RLe confirmed that the Regulator keeps changing the rules.

MR thanked RLe for the Report and DP for playing his part in it.

The Audit Committee and Board members noted the Audit Findings Report covering the Statutory and Regularity Audit for 2020/21

**8. INTERNAL AUDIT REPORT
Financial Planning & Budgetary Control**

JC presented the Financial Planning & Budgetary Control Audit Report and stated that his opinion was a substantial level of assurance with no recommendations. He said that there were well established processes in place, including well established curriculum planning processes and governance processes were good. He felt that the Senior Management Team have quite a significant grasp of budgetary control.

RL stated that she felt it was an amazing, clear report. She noted that there was a level of centralisation and queried whether this is usual in colleges as she acknowledged it comes with a risk. JC replied that there are different models in the sector. He said it works in the College but it is focused on 1 or 2 key individuals which could be a single point of failure. He stated that a succession plan was needed when there are a small number of people in key positions. RL confirmed that JC raises a valid risk which needs looking at through the risk management process. DP commented that the processes are tightly controlled, however, there is lots of devolved responsibility and Faculty Directors have freedom in the process. JC noted that it was about finding a balance.

DP
March 2022

8. INTERNAL AUDIT REPORT (continued)
Financial Planning & Budgetary Control

MR thanked DP for the result of an outstanding audit and said it was clear there was good communication in place.

The Audit Committee noted the Financial Planning & Budgetary Control Internal Audit Report

9. MEMBERS REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

9a) Leeds College of Building Group Consolidated Accounts

DP presented an overview of the Leeds College of Building Group Consolidated Accounts. He confirmed that the Audit Findings Report provided an unmodified and unqualified opinion and there had been lots of rigour in the process.

In terms of the Statement of Comprehensive Income and Expenditure for 2020/21 it looks like the College has a poorer year (compared to 2019/20) but in 2019/20 tolerance levels were different due to Covid and 2020/21 was actually a better year than planned. In relation to the Consolidated Balance Sheet, DP stated that the line under current liabilities had improved considerably from 2015/16 due to the new build activity. In terms of key performance indicators: cash balance, adjusted current ratio, adjusted cash days in hand and financial health score had all improved. He confirmed that the FE Commissioner calculates the pay as a % of income differently to the College. RL queried the target in relation to cash as cash balance had gone up and potentially by lots more than planned. DP responded that although the figure stated £5m the real figure was likely to be nearer £4m as this included money that would be paid back in relation to Adult Education and also deferred capital grant monies that would be spent. DP confirmed that in terms of the cash balance it allows the College to prepare for a potential future new build and also provides resilience to shock.

DP informed the Governors that the FE Commissioner (FEC) has put together benchmarks of where they expect good colleges to be. He confirmed that the only benchmark where the College fell below the FEC benchmark was staff costs. DP felt the College was very different to other general FE colleges in terms of specialist provision and there were legitimate reasons why it was above 65%. In terms of key facts DP said that the College had been on a journey from 50 points in 2014/15 to the present when the College is at the top of 'good'. He noted that the FEC are considering bringing in new parameters and that the College would be considered 'outstanding' under this new system. He reminded Governors that the College must ensure that bank covenants are met.

DFC stated that the last slide charted a remarkable journey and she felt this was outstanding and offered her appreciation to the team. DW reiterated this and stated that it was a fantastic journey and the outcome was very strong. He thanked DP, senior colleagues and the College main asset, the staff.

9. MEMBERS REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021 (continued)

9a) Leeds College of Building Group Consolidated Accounts (continued)

RLe provided his views on the financial statements. He said that the financial statements identified that the conclusion of the Audit Committee and Board was that there were no issues and also no issues raised by internal auditors. He also confirmed that his own view was in the statement and this was a positive statement. He felt that the reader could understand the journey the College had been on.

9b) LCB Enterprises Ltd

DP presented LCB Enterprises Ltd Report & Financial Statements as straightforward and indicated that this may be the last year in existence for LCB Enterprises.

9c) Finance Record 2020/21

It was agreed the financial record would be presented at the Corporation Meeting following the Audit Committee.

The Audit Committee and Board members noted the Members Report and Financial Statements for the year ended 31st July 2021

10. LETTERS OF REPRESENTATION 2020/21

10a) LCB Group Consolidated Accounts / 10b) LCB Regularity Assurance Engagement / 10c) LCB Enterprises Ltd.

DP stated that all three letters needed to be signed: 10a & 10b by the Chair and 10c by a Director of LCB Enterprises. The letters confirm that the Board guaranteed all required information was supplied to the auditors. RLe confirmed that he had no points to raise and the letters were standard audit practice.

The letters were approved and recommended to the Board for signing.

RLe left the meeting at this point.

11. FRAUD AND WHISTLEBLOWING REGISTER

DP confirmed that no incidences had been reported.

12. AUDIT COMMITTEE TERMS OF REFERENCE

KR presented the Audit Committee Terms of Reference (ToR) which she had reviewed. She noted that the ToR were not affected by the new AoC Code of Good Governance that the College had adopted recently but did need to be altered following the revised Audit Code of Practice (March 2021).

The Audit Committee approved the revised Terms of Reference.

DATE OF NEXT MEETING

The next meeting is scheduled for Tuesday 22 March 2022 at 2.00pm, North Street, Meeting Room 1.