

LEEDS COLLEGE OF BUILDING

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 16 November 2021 at 2.00pm, South Bank 1, Classroom 3.

PRESENT:

Mark Roper (Chair) (MR)
Matthew Shields (MSh)
Sarah Wilson (SW)

IN ATTENDANCE:

David Pullein (DP) – Vice Principal, Finance & Resources (following Item 1)
Jonathan Creed (JC) – ICCA
Richard Lewis (RLe) – RSM
Karen Rolinson (KR) – Clerk to the Corporation

**ACTION
BY AND
TARGET
DATE**

1. APPOINTMENT OF CHAIR & VICE CHAIR

KR explained that following the last Audit Committee in July 2021, the Chair of Governors, Peter Norris (PN), had spoken to MR and MSh who had agreed to be Chair and Vice Chair of the Audit Committee respectively.

The Audit Committee approved Mark Roper and Matthew Shields as Chair and Vice Chair respectively.

2. OPEN DISCUSSION BETWEEN AUDITORS AND THE AUDIT COMMITTEE

RLe confirmed that this was RSM's first year in post as the College's External Auditor and the audit in October had gone well. He said that there was still more work to do on the ESFA funding which was detailed in his report and he expected this to be resolved. He felt that the meetings that he had with the College were honest and transparent and he asked the Committee members if they were aware of any fraud situations. All members confirmed that they were not aware of any fraud issues in College.

JC confirmed that ICCA were originally appointed in late 2019/20, but due to COVID no internal audit work was undertaken in that year, therefore 2020/21 was the first year where some internal audit work had been carried out. He said that College staff answered questions effectively and if they couldn't answer they would let him know. MR asked if JC had identified any deep dives that were necessary. JC confirmed that he hadn't, however, IT work was undertaken in two parts because of a change in IT Manager part way through 2020/21 and IT appeared to be a common theme throughout College audits. RLe confirmed that he was also seeing this across the Education Sector in terms of reviewing security and robustness of systems.

MSh queried the Accounts Report and RLe confirmed that DP had over disclosed in certain areas and in terms of compliance this wasn't necessary. RLe confirmed that DP had taken this on board and amended the document.

3. APOLOGIES FOR ABSENCE

Apologies for absence were received from Debbie Forsythe-Conroy, Rachel Lindley and Nikki Davis.

4. DETERMINATION OF ATTENDEES/OBSERVERS

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

5. DECLARATION OF INTEREST

There were no declarations of interest.

6. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 13 July 2021 were approved as a true and accurate record.

7. MATTERS ARISING

7.1 Ref Min 6

Actioned.

7.2 Ref Min 7

Actioned.

7.3 Ref Min 8b)

Actioned - student progression incorporated into KPIs.

7.4 Ref Min 9

JC would speak to DP to progress the cost savings approach / piece of work.

**DP/ JC
March 2022**

7.5 Ref Min 12

Actioned – paper issued to Governors at 13 July 2021 Board meeting.

7.6 Ref Min 12

Actioned – Audit Code of Practice on Governors' Portal.

7.7 Ref Min 13

Actioned – on Audit Committee Agenda (Item 15) – 16 November 2021.

7.8 Ref Min 15

Actioned.

7.9 Ref Min 16

Will be reviewed by December 2021 following approval and adoption of the revised Code of Good Governance by the Board.

**KR
December 2021**

8. UPDATE ON OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

DP stated that this was a busy report because of the delays due to COVID and that the vast majority of actions had been closed. RLe observed that his recommendations and any third-party recommendations should also be noted in the report. DP agreed that he would include these.

**DP
December 2021**

9. INTERNAL AUDIT REPORTS

9a) Compliance with the General Data Protection Regulation (GDPR)

JC presented the General Data Protection Regulation (GDPR) Audit Report.

He confirmed that he was able to provide the Committee with 'Reasonable Assurance' in relation to the work undertaken. This was a positive level of assurance following 3 years of compliance with the regulations. He said that there were four recommendations for the College which were detailed in Section 3 of the Report. He stated that he had received a positive management response and some would be quick wins, whilst other recommendations may take longer as they are not easy tasks, particularly the data register. MR asked DP if he was surprised by the recommendations. DP said that he wasn't surprised but some of the work had been hampered by COVID, for example looking at the data. He said that ND was now in charge of GDPR and had received training and other staff were attending training.

SW queried the extent of training which she felt was potentially significant if the percentage compliance provided was from the start of the legislation. DP confirmed that it was a point in time and that information was tracked on 'Smartlog'. He confirmed that this system escalates non-compliance to managers. MSh said he would expect the training figure to be closer to 90% or 100%. DP confirmed that the list of outstanding training was being considered by the Senior Management Team (SMT) tomorrow and non-compliance would be dealt with. JC said that it was very difficult to get to 100% due to the transition of people, with new staff arriving and sickness impacting on this figure.

9b) Departmental Procurement and Achieving 'Best Value'

JC presented the Departmental Procurement and Achieving 'Best Value' Audit Report.

He confirmed that he was able to provide the Committee with 'Substantial Assurance' in relation to the work undertaken. He said that the engagement with the senior team at the College was good and that during the audit they had looked at situations pre-COVID and during COVID and the results were pretty consistent. He said that there were two recommendations detailed in the Report which were accepted by management.

SW queried the sample size and proportion. JC said that the audit focused on transactions over £10,000. DP confirmed that the vast majority of transactions were under £10,000 so the actual sample was quite large. RLe stated that he also looks at tenders and quotes for regularity purposes so that there is a bit of an overlap between internal and external audit. He said that the ESFA are very interested in procurement type of work. DP stated that the request to undertake this work was prompted by himself as he had concerns that processes may have been relaxed during COVID. He confirmed that there could be improvements but the College was still compliant. JC said that he had generally seen greater compliance during COVID and that the introduction of electronic workflows will be good.

9. INTERNAL AUDIT REPORTS (continued)

9c) Follow-up of previous recommendations

JC presented the Follow-up of previous recommendations report. He said that this was linked to Agenda Item 8 and it was slightly different to usual as he was looking at Wylie Bissett's (the old auditor) previous recommendations from 2018/19. Of the 11 recommendations that had been followed up, 4 were implemented, 5 had been superseded and 2 partially implemented. Of these 2, one was to do with disaster recovery and the other related to penetration testing.

DP confirmed that the College had obtained Cyber Essentials in February 2021 and Cyber Essentials+ in July 2021. JC confirmed that this would have included penetration testing. MSh queried whether this meant that the recommendation had been satisfied. DP confirmed that it had been but the report was done in June 2021. MSh stated that it was a very positive report and that the issues had been resolved. JC explained that all the systems wouldn't be taken out at the same time. DP confirmed that on the next report this recommendation would show as being done. RLe stated that the ESFA would prefer to see that the action had been identified and done rather than being rolled over. SW queried whether the Education Sector was perceived as a weak link for cyber-attacks. JC confirmed that the public sector generally was seen as weaker in terms of attacks. RLe responded that there was a spike in the sector when COVID happened but the College is further along the journey of protection having achieved Cyber Essentials+ but it should still be vigilant against an attack.

The Audit Committee noted the Internal Audit Reports.

10. ANNUAL INTERNAL AUDIT REPORT 2020/21

JC presented the Annual Internal Audit Report for 2020/21.

He gave a background to the Report and stated that the document was previously required to be forwarded to the ESFA and now the Annual Audit Committee Report is sent to the Agency. He stated that the important aspect of his Annual Internal Audit Report was his opinion as stated in Section 2.1 which needed to go in the Committee's Annual Report to the ESFA. He said that he cannot offer more than 'Reasonable Assurance' and this was usual practice.

RLe said that it was good that there were no recommendations and that he had considered this when undertaking his external audit work.

The Committee noted the Annual Internal Audit Report for 2020/21.

11. RSM ENGAGEMENT LETTERS

11a) Leeds College of Building & 11b) LCB Enterprises

DP and RLe explained that these are standard letters required by ESFA and that there is nothing controversial in either letter. DP explained that the Chair of Governors would need to sign letter 11a and a Director of LCB Enterprises, which is usually Derek Whitehead (DW) needed to sign 11b.

The Audit Committee approved the signing of letter 11a and 11b by the Chair and Principal respectively and recommended this to the Board.

12. LEEDS COLLEGE OF BUILDING GOING CONCERN

DP explained that last year was more problematic explaining 'Going Concern' to the external auditors as the situation was very different coming out of the South Bank 2 new building project. However, this year the situation is very different with £5m in the bank, net current assets, prudent budget, student numbers on target and meeting bank covenants. RLe said that non-compliance of bank covenant is a big issue and that forward planning is critical to show that covenants will be met and Governors are kept informed. He said that the paper was very helpful.

The Audit Committee noted the Report.

13. REVIEW OF SUBCONTRACTING ARRANGEMENTS – LEEDS COLLEGE OF BUILDING

DP presented the review of sub-contracting arrangements on behalf of ND. He explained that if subcontracting arrangements were worth more than £100k an audit was required and the College had used Solvendis to undertake this. DP stated that the use of sub-contractors by the College against the Adult Education Budget had reduced from £1m to nothing over the last 2 years.

DP explained that the report covered the Apprenticeship sub-contracting arrangements and this related to work undertaken for NG Bailey who wanted a hub and spoke model to deliver their apprenticeships. MSh asked how payments were made for this and DP explained that the College draws down the money for this with the vast majority going to the spoke colleges.

The Audit Committee noted the Report.

14. AUDIT PROGRESS REPORT

RLe presented the Audit Progress Report. He explained that the external auditors work was substantially complete in terms of the audit and he expected that he would be able to issue an unmodified audit opinion, subject to the outstanding matters being resolved.

RLe stated that in terms of income this was the biggest risk at the moment. Apprenticeship funding is currently at risk until after the information is reviewed. RLe expects that the audit will be signed off in the next two weeks. He said that the College was ahead of the game and he wasn't concerned at this point in time. He understood that he had received the information required from the College and would feedback to DP next week regarding this. He confirmed that the work undertaken in relation to the Government support funding in response to COVID had concluded satisfactorily.

RLe noted a lack of review in terms of management override of controls. DP explained this was because no one else could do the transactions in college as he is the only qualified accountant. RLe confirmed that this was not unusual. MSh said that the point won't go away and asked whether DP physically posts them. DP responded that this was a valid point as it would still need to be him that does it and it wasn't an easy issue to resolve. JC confirmed that no one else in the College has the skills to do it. RLe stated that there was no evidence of management bias.

RLe explained that the reasonableness of the pension scheme liability had been reviewed and no issues had been found to report. MR stated that this was shown as a high impact in the report. RLe acknowledged this but explained that the College was unable to get away from that. In terms of the Going Concern, RLe said that the management accounts were needed. DP confirmed that he had forwarded these to RLe. RLe confirmed in terms of Regularity that nothing had come to his attention that required him to change his view. He acknowledged that any restructuring involved very small payments.

RLe identified two recommendations on controls which are detailed in the Report relating to maintaining a list of tenders which he said ESFA would be interested in and a control added to review journals posted which had been discussed as above.

RLe said that the Appendix covered the unadjusted audit misstatements and he concluded that the donation of IT equipment should be included as a net asset.

MSh said that the report was very helpful and the accounts look positive. He felt that the Going Concern was a relatively simple decision unless there were funding issues. RLe confirmed that his comments can be added to the internal auditors report. He said that ESFA will read the reports sent to them and will see that the College is in a good place.

15. UPDATE ON TOP RISKS & TARGET SCORES

DP stated that RL had raised this issue a few months ago and that the College view is that it is good at identifying, creating and monitoring risk but not so good at target scores. DP said that he has gone through all of the top risks and RAG rated them. He had looked at what was realistic and put a score against the risk and he intends to go through this at the next Business Continuity meeting for scrutiny & agreement. He confirmed that the Audit Committee would see changes at future meetings and that the scoring would be more robust. MR stated that this will give the Committee assurances that risks have been reviewed. DP responded that the information will come to the Committee when the work has been done.

**DP
March 2022**

The Audit Committee noted the Report

16. EMERGING RISKS (HORIZON SCANNING)

RLe stated that the biggest risk for the College currently was the Apprenticeship Funding but he was aware the outstanding information had been provided by the College and that his team needed to review this.

DP stated that the ESFA had conducted an audit in September 2019 and looked at information in great detail and clawed back £8k which was proportionately a low sum. RLe confirmed that this is an area of focus and the ESFA knows that colleges make mistakes.

JC said that in terms of emerging risks the OfS are currently doing audits.

17. RISK MANAGEMENT (BUSINESS CONTINUITY) TERMLY REPORT

DP presented an overview of the Risk Management Termly Report.

The Audit Committee noted the Report.

18. UPDATE ON LEEDS COLLEGE OF BUILDING GROUP CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 JULY 2021

DP confirmed the RLe report provided earlier in the meeting and that everything was going fine in terms of the audit of the accounts and it is expected they will be ready for sign off in December. He said that he expected the College to be at the top of 'good' in terms of financial health scoring. RLe reiterated that the funding part of the audit had gone well.

The Audit Committee noted the update.

19. ESFA LETTER DATED 25 OCTOBER 2021 REGARDING COLLEGE FINANCIAL HEALTH 2020/21 TO 2022/23 AND FINANCIAL DASHBOARD

DP provided an overview that the College had submitted its financial plan to the ESFA in July 2021 and the letters presented to the Committee stated that ESFA agree that the College is in good financial health. The ESFA had also provided a useful financial dashboard. RLe advised that the College should review this and keep on top of it. MR said that this was a good visual dashboard and it was comforting to confirm how well we know the College.

The Audit Committee noted the Report

20. FRAUD AND WHISTLEBLOWING REGISTER

DP confirmed that no incidences had been reported.

21. ESFA FUNDING AGREEMENT 2020/21 – ADDITIONS TO SCHEDULE 9 – COLLEGE GOVERNANCE

KR reported that the additions to Schedule 9 of the ESFA Funding Agreement was provided to the Committee to raise awareness of the future requirements particularly in relation to Governor development, additions to the annual report and external board reviews.

The Audit Committee noted the Report.

22. DRAFT AUDIT COMMITTEE ANNUAL REPORT FOR 2020/21

KR presented the draft Audit Committee Annual Report for 2020/21. RLe confirmed that the report should cover the assurances that it has received and what it has been doing over the year.

MR thanked KR for pulling the Report together.

The Audit Committee approved the Audit Committee Annual Report for 2020/21 and recommended it to the Board for approval.

DATE OF NEXT MEETING

The next meeting is scheduled for Tuesday 14 December 2021 at 2.00pm, North Street, Meeting Room 1.