

LEEDS COLLEGE OF BUILDING

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 22 November 2022 at 2.00pm, Meeting Room 1, North Street / Microsoft Teams.

PRESENT:

Matthew Shields (Chair) (MSh)
Elaine Armitage (EA) (*attended via Microsoft Teams*)
Rachel Lindley (RL)
Mark Roper (MR)

ATTENDANCE: 4 / 5 = 80% (KPI 80%)

IN ATTENDANCE:

David Pullein (DP) – Vice Principal, Finance & Resources (*following Item 1*)
Liam Mogan (LM) – Assistant Principal, Data & Employer Engagement (*following Item 1*)
Jonathan Creed (JC) – ICCA
Richard Lewis (RLe) – RSM (*via Microsoft Teams*)
Karen Rolinson (KR) – Director of Governance
Nancy Fearnside (NF) – PA to Strategic Leadership Team (minutes)

**ACTION
BY AND
TARGET
DATE**

1. OPEN DISCUSSION BETWEEN AUDITORS AND THE AUDIT COMMITTEE

JC stated he had nothing to raise, everything was covered within his papers.

RLe noted that there were several recommendations on controls within Income Recognition (ESFA) relating to Apprenticeships. The Funding Audit had initially raised a risk of £3m clawback, however all this had now been resolved; and was not included in the report, other than in recommendations relating to the controls. RLe acknowledged that this had been challenging. He stated that the Apprenticeship paperwork trail was not adequate and the College needs to be on top of this, particularly given the previous significant clawback relating to ATL.

JC stated that a review had been carried out on Apprenticeships in 2020/21 and a reasonable level of assurance was given. Six recommendations had been made at that point regarding paperwork and processes. He acknowledged that Apprenticeship rules had become more complex since then.

MSh noted that the management comments had not been included. RLe stated that these would be included in the final report presented to the December meeting.

RL asked how management had responded to the issues raised. RLe confirmed that DP, LM & RH had responded very proactively to sort these out.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Sarah Wilson (SW) and Rob Holmes (Assistant Principal – Quality & Student Experience) (RH).

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 12 July 2022 were approved as a true and accurate record.

6. MATTERS ARISING

6.1 Ref Min 10

Actioned. A reduction in fees of £1k was agreed.

6.2 Ref Min 10

Actioned.

6.3 Ref Min 13

Actioned. This took place and a paper to pay off £1.2m of the loan was agreed at October's Corporation.

6.4 Ref Min 17a)

Actioned.

7. UPDATE ON OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

DP presented Item 7 (Outstanding Internal Audit Recommendations). There were two outstanding recommendations and the due dates on these have been amended to be more realistic.

Members noted the update on outstanding internal audit recommendations.

8. INTERNAL AUDIT REPORTS

8a) Risk Management

JC presented the Risk Management Report and stated that a Substantial level of assurance had been given, with only two advisory recommendations. One recommendation related to the Risk Appetite and potentially strengthening this. The other recommendation related to a Board Assurance Framework.

JC noted that the College's approach to risk management is relatively 'documentation lite' but is culturally strong. There is a high level of Senior Management engagement and the College has a system that works and is effective.

8. INTERNAL AUDIT REPORTS (continued)

8a) Risk Management (continued)

RL stated that it is important to empower management and queried where we want to take risk management. It was agreed that conversation is important, together with the need to report to the Board periodically.

DP stated that an exercise regarding Risk Management / Risks is on-going, and a Board Assurance paper would be presented at the end of the academic year.

8b) Learning Support Funding

JC presented the Learning Support Funding Report and noted that a Limited level of assurance had been given. Six recommendations had been made, two High, three Medium and one Low.

JC stated that the College had directed Internal Audit to this area and requested this audit after the Internal Audit Plan had been approved. A follow-up would take place later in this year.

JC noted that of the 1,407 learners who had disclosed a learning difficulty / disability, only 341 assessments had been undertaken. Two thirds of these were 16-19 year old learners; the majority of Adults / Apprentices were not going through the assessment process.

JC stated that the issues raised did not relate to funding compliance, it was more about whether learners getting a fair deal and the support required.

JC stated that a low level of funding claims had been made and potentially more funding could be drawn down. Management had responded timely to the recommendations and plans are in place to address the issues.

DP stated that the report was disappointing but not unexpected.

EA queried if the lack of support for individuals had affected the learner's journey and whether this had caused them to drop out. If learners are not assessed and support not put in place how can we say we are supporting their learning journey.

DP stated that a triage process is now in place – did the assessment happen, was support put in place and was funding claimed. He noted that it was a complex area with a bottle neck at the beginning of the academic year.

RLe stated that the action that the College is taking to address the recommendations need to be stated in the Annual Statement of Accounts and also reflected in the Audit Committee's Annual Report. KR and DP agreed that they would ensure this was accurately reflected.

MSh asked whether any funding was at risk; RLe confirmed this was not the case.

8. INTERNAL AUDIT REPORTS (continued)

8b) Learning Support Funding (continued)

EA noted that there were vacancies for staff who assess learners. DP stated that recruitment is a No. 1 priority but acknowledged that it is very difficult. EA asked if it would be possible to partner with others who could help. DP stated that the recruitment problem is across the board, everyone was struggling, with vacancies unfortunately in every area.

MSh stated that the numbers disclosing a learning difficulty / disability had doubled from 695 to 1407 and potentially there was now a better awareness but the increase may make the issues noted in the audit more understandable.

JC stated that once all learners were on the system, a comparison to the ILR should be carried out to check that Learning Support is being claimed; he felt that the College may be underclaiming.

JC said he had asked for the WBL tracker but this had not been provided; DP asked that any issues like this were reported to him in future and he would follow up.

MR acknowledged that there was no funding risk and that it was a funding opportunity to draw down more funding.

DP felt that additional support was being done in the main but was not recorded properly; however, he was not convinced all learners were getting the support they required.

LM stated that a wider piece of work was required to identify what is / is not learning support. Staff training was also recommended.

RL felt that it would be worth looking into potential partners / external providers who could help.

EA asked if anything could be done before learners joined in September. DP noted that learners are assessed before they join the College. DP stated that this could be revisited next year, Rob Holmes – Assistant Principal, Quality & Student Experience, is taking on this responsibility.

8c) Key Financial Controls - Corporate Credit Card

JC presented the Key Financial Controls – Corporate Credit Card Report and stated that a Substantial level of assurance had been given, with only one Medium recommendation.

JC noted that the College has 22 credit cards with an overall College monthly spend limit, with individual spend limits in place.

JC noted that the recommended action was to update the Financial Systems and Procedures Manual in relation to corporate credit cards and roll this out to Finance staff and cardholders. He emphasised that a paper trail needs to be in place.

8. INTERNAL AUDIT REPORTS (continued)

8d) Follow-up of previous recommendations

JC presented the Follow-up of previous recommendations Report and stated that a Substantial level of assurance had been given; all previously agreed internal audit recommendations had been fully implemented.

MSh congratulated the management team on this achievement.

Members noted the Internal Audit Reports.

9. ANNUAL INTERNAL AUDIT REPORT

JC presented the Annual Internal Audit Report for 2021/22.

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.

JC stated that the important aspect of his Annual Internal Audit Report was his opinion in Section 2.1:

“Based on the work undertaken this year, and the implementation by management of previous internal audit recommendations, we can provide the Audit Committee and Corporation with **Reasonable Assurance** that Leeds College of Building’s governance, risk management and, with the exception of its Learning Support Funding arrangements, systems of internal control were operating adequately and effectively, and that there were no instances where any breakdown of control resulted in a material discrepancy”.

JC stated that Reasonable Assurance was the strongest level offered.

RLe stated that the ESFA would read the Annual Audit Committee Report and it should be emphasised that the Learning Support Funding report related more to providing a service for learners rather than claiming funding.

RL queried what materiality meant. JC explained that a high recommendation could be a material breakdown but it was basically a judgement call, was the system effective etc.

The Committee noted the Annual Internal Audit Report for 2021/22.

10. AUDIT PROGRESS REPORT AND UPDATE ON LEEDS COLLEGE OF BUILDING GROUP CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 JULY 2022

RLe presented the Audit Progress Report. He explained that the external auditors work was substantially complete, subject to the outstanding items to be resolved.

KR
Nov. 2022

10. AUDIT PROGRESS REPORT AND UPDATE ON LEEDS COLLEGE OF BUILDING GROUP CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 JULY 2022 (continued)

RLe stated that with regard to Pension Scheme Liability, management were challenged to request an updated valuation from the actuary to take into account the current experiences of CPI. This was actioned, adjusted appropriately and reflected within the final actuarial report.

RLe stated that during the Funding Audit there was potentially some funding at risk. However, work was carried out on this and the issue resolved. There is a significant number of control points in the report, management responses were awaited and would be included in the final report. RLe acknowledged that Apprenticeships is a complicated area.

RLe thanked LM / R Smith for the flow of information and their help.

RLe noted the ongoing issue regarding management override of controls. DP explained this was because no-one else could do the transactions as he is the only qualified accountant. RLe confirmed there was no evidence of manual override of controls identified.

RLe noted that a paper on Going Concern was on the agenda. Members need to be confident that the College is a Going Concern.

DP confirmed that a lot of the outstanding items noted in the report had been resolved. LM stated that the management responses were being progressed and would be picked up in the final report in December.

RLe said he was not concerned between now and the sign-off of the accounts. He acknowledged that Apprenticeships is the most difficult funding stream. DP stated that compared to other colleges we are 65% Apprenticeship funded which makes it more difficult and we are more at risk than other colleges due to the volume of Apprenticeships. EA agreed that the Apprenticeship process is complicated and that a lot of the employers' parts are falling back on the College. LM noted that the evidence for Apprenticeships was much greater than for 16-19 and AEB. He stated that WBL was restructured earlier this year and processes would be streamlined.

RLe suggested that a session for Governors on the Apprenticeship pitfalls may be useful. DP stated that he would meet with RLe first, as agreed, before any session was organised. KR also suggested training on funding for Governors would be useful, which she had discussed with RLe. RLe noted that the ESFA are aware of the gaps in Governors' knowledge.

MR noted that a lot of the Apprenticeship Levy had not been claimed last year. LM emphasised that the system is massively flawed and there are lots of barriers for employers.

Members noted the Audit Progress Report and update on the Accounts.

11. LEEDS COLLEGE OF BUILDING GOING CONCERN

DP explained that, following the South Bank building projects, the Balance Sheet is now strong. A prudent budget has been produced and the College has around £6m in the bank. No issues were noted with the budget. Apprenticeships are over target on numbers, which would mean more income but there would also be more expenditure due to rising fuel / material costs etc. DP felt that there were enough safety nets in place to ensure the College is a 'Going Concern'.

DP stated that we need to be confident we can pay our debts and emphasise this to the Corporation. He acknowledged that there were challenging times ahead due to fuel costs, pension increases, pay awards etc.

RL asked how far external auditors looked at stress testing. RLe confirmed that this was 2 years. RL noted that her company produces a long-term viability statement and asked whether colleges looked beyond 2 or 3 years. RLe stated that some colleges do an extra 3 years but the information was not helpful due to the number of ESFA funding changes that occur. DP noted that the CFFR submitted to the ESFA shows 2 years but internally we do a 3 year plan.

Members noted the Report and recommended this to the Board for approval.

12. EMERGING RISKS (HORIZON SCANNING)

DP outlined the key risks for the College:

- Recruitment / retention of staff in the economic climate (there are vacancies everywhere in the College and this is reflected nationally).
- The pending pay award will be challenging.
- Increased fuel costs (DP noted that he was still progressing this).
- 16-19 numbers – target is 1,126 and we should finish up around that number. This figure has been used in the budget for next year.
- Apprenticeship numbers are above target.

MR / EA agreed that recruitment is very challenging.

MR raised the question of T Levels and asked if this was a risk. LM stated that we have one cohort this year on T Levels, the number of Work Placements required is a massive issue. LM stated that if we get this right there is more funding on T Levels compared to BTECs.

MSh noted that a key issue is the ONS review and the reclassification of colleges within the public sector. DP stated that the decision on this was due 29 November 2022. MSh also noted that Apprenticeships is also a key issue.

Members noted the Emerging Risks.

13. RISK MANAGEMENT TERMly UPDATE

DP presented Item 13 (Risk Management Termly Update). He noted that an exercise had been carried out and the number of risks has now reduced to 104; some risks have been deleted and some risks have been merged. He thanked NF for her work on this. Further work would be done to reduce the number of risks to 50 or 60 manageable risks, with 10 or so key priority risks to be focused on. A Board Assurance paper would be brought to the June 2023 meeting.

DP
June 2023

RL noted that COL02 on the list of risks shows both the Risk Score and Target Risk Score as 27. DP agreed that the Target Risk Score should be lower than the actual Risk Score and he would look at this and amend appropriately.

DP
28 Nov. 2022

Members noted the Risk Management Termly Update.

14. ESFA LETTER DATED 25 OCTOBER 2022 – REVIEW OF COLLEGE FINANCIAL FORECASTING RETURN

DP reported that the College had submitted the College Financial Forecasting Return (CFFR) to the ESFA. This has been reviewed by the ESFA and the appropriate assessment grade, based on our financial plan, is:

- Good for 2021/22 (the latest outturn forecast year), and
- Good for 2022/23 (the current budget year).

The financial dashboard is not yet available, although NF had managed to download screen shots of the dashboard. DP felt that the dashboard was interesting to see; he said that the College was above all the benchmarks with the exception of pay as a % of income at 68%. The financial dashboard would be uploaded to the Governors' portal for information.

NF
28 Nov. 2022

Members noted the ESFA letter.

15. AUDIT COMMITTEE ANNUAL REPORT

KR presented the Audit Committee Annual Report for 2021/22 for approval. She confirmed that the Report covered the work of the Audit Committee for 2021/22. Details from this Report would be included in the Financial Statements.

KR
28 Nov. 2022

As stated earlier in the meeting, comments from the Internal Auditors would be checked and included in the Report if necessary.

KR
28 Nov. 2022

MR noted the attendance for one Governor was incorrect; KR would amend this.

KR
28 Nov. 2022

Members approved the Audit Committee Annual Report for 2021/22 and recommended it to the Board for approval, subject to the amendments noted above.

16. FRAUD & WHISTLEBLOWING REGISTER

DP confirmed that no incidences had been reported. Audit members also confirmed that they were not aware of any incidences.

17. COMPLIMENTS AND COMPLAINTS REPORT 2021/22

KR noted that this paper was not on the agenda but had been sent out separately and placed on the Governors' portal. The paper was for noting only but if members had any questions they could raise them with DP or RH.

DATE OF NEXT MEETING

The next meeting is scheduled for Tuesday 13 December 2022 at 2.00pm, North Street, Meeting Room 1.