

LEEDS COLLEGE OF BUILDING

AUDIT COMMITTEE

Minutes of the meeting held on Tuesday 13 December 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) (*attended via Microsoft Teams – joined at 2.45pm*)
Mark Roper (MR)
Sarah Wilson (SW) (*attended via Microsoft Teams*)

ATTENDANCE: 5 / 5 = 100% (KPI 80%) Cumulative attendance: 9 / 10 = 90%

BOARD MEMBERS PRESENT FOR ITEMS 7 & 8:

Nikki Davis (ND)
Wasim Feroze (WF) (*attended via Microsoft Teams*)
Katherine Naisbitt (KN)
Peter Norris (PN)
Mick Norton (MN)
Derek Packer (DPa)

IN ATTENDANCE:

David Pullein (DP) – Vice Principal, Finance & Resources (*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

RLe noted that there had been lots of challenges to overcome around the funding audit but all information had been received at great pace since the last Audit Committee meeting. There were a number of control recommendations mainly related to challenges with Apprenticeships and he said that a training session was being arranged in the New Year for Governors and Management as the Apprenticeship funding rules have changed this year. He noted that it had been an interesting and very challenging audit, however he was happy to put pen to paper and issue an unmodified audit opinion.

MSh asked how common the concerns regarding Apprenticeships were. RLe stated that the College was behind compared to other providers and the Apprenticeship paper trail needs to be improved as the College was behind the curve in that respect. He stated that the College has more apprentices than most colleges and therefore more audit points because of that. The additional complexity involved with apprenticeship funding was discussed.

MR asked if the College was behind in terms of good practice or regularity. RLe responded that it was to do with new rules and increased administration (paperwork) and from what he understood, it was about obtaining paperwork from employers and because the College has more apprentices there was more chasing down to do. He acknowledged that employers also find the Apprenticeship process challenging. JC stated that the assumption is that employers should have a bureaucratic mind set regarding paperwork, but the majority just want their Apprentices training. RLe stated that non-compliance with funding regulations is unfortunately not an option.

1. OPEN DISCUSSION BETWEEN AUDITORS AND THE AUDIT COMMITTEE

(continued)

EA noted that details of the Apprenticeship checkpoints had been discussed at the Governors' Development event and the College had stated that they were doing a lot of the paperwork for employers because some didn't have the capability. JC noted that this was an issue for colleges with a large number of apprentices.

JC noted that a mock funding internal audit was scheduled for 2022/23. RLe stated that his audit looked at meeting the funding criteria whilst JC's internal audit would cover the whole realm of funding requirements. JC stated that it was more complicated with construction related apprentices as some lasted 4 years and the rules change over the years. He said that the audit sample (around 30) would need to be looked at; if apprentices started in 2019 they would have been compliant with the funding rules in place at that time. The audit would need to look at newer apprentices because of the funding changes over the years and if the newer ones highlighted issues this may mean that the older ones could be wrong.

SW noted that these issues had been raised last year but were not flagged as a major concern and asked if the College was in a better or worse position than last year. RLe stated that he did not have the paperwork to hand to compare but the College is in a high-risk category in terms of an ESFA audit, given the internal audit issues raised on funding that have had to be disclosed in this year's accounts. He said that JC's internal audit would be timely.

MSh noted that there were a number of unadjusted items. RLe gave a brief explanation but confirmed that these were not material issues.

MSh asked how the College compared to other providers regarding unadjusted items. RLe stated that it is not unusual to get a long list of unadjusted items; the College is in the middle ground regarding this.

SW asked if the apprenticeship issues were due to employers not providing documentation - could Governors from the private sector help the College and explain what is required and why. MSh agreed that this was a good idea but training would be needed.

EA suggested that smaller employers were targeted, rather than larger employers who are more aware of what is required. A workshop could be organised; KR suggested that this could be discussed with DP.

**KR/DP
Jan. 2023**

2. APOLOGIES FOR ABSENCE

All Audit Committee members were present. The following Board members apologised for their absence for Items 7 & 8: Simon Bray, Caroline Meehan, James Dunford, Dave Russell and Debbie Forsythe-Conroy.

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 22 November 2022 were approved as a true and accurate record.

6. MATTERS ARISING

6.1 Ref Min 8b)

Actioned. Annual Statement of Accounts & Audit Committee Annual Report updated.

6.2 Ref Min 9

Actioned. Audit Committee Annual Report updated.

6.3 Ref Min 13

Carried forward.

6.4 Ref Min 13

Actioned. Target score for COL02 updated to 18.

6.5 Ref Min 14

Actioned. Financial dashboard uploaded to Portal on 25 November 2022.

6.6 Ref Min 15

Actioned. Report covered in Financial Statements.

6.7 Ref Min 15

Actioned. Comments included from Internal Auditors.

6.8 Ref Min 15

Actioned. Attendance figure updated.

MSh stated that it was good to see that actions are being closed off.

7. AUDIT FINDINGS REPORT COVERING THE STATUTORY AND REGULARITY AUDIT FOR 2021/22

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 Report was being presented today. RLe stated that the Report was an unqualified opinion and this was the best opinion a college could get from an auditor.

**7. AUDIT FINDINGS REPORT COVERING THE STATUTORY AND
REGULARITY AUDIT FOR 2021/22 (continued)**

RLe stated that the accounting treatment within the accounts was appropriate. A number of control recommendations were included in the report, which were accepted by the College; however, these did not affect the outcome of the audit.

RLe noted that the ESFA clawback would be repaid over three years but at the year end date no formal agreement for repayment was in place. It was reflected in the financial statements according to the assumed categories (within the year / greater than a year), rather than within the year. He noted that this was a presentational issue and did not affect this year's performance.

RLe noted that the issue regarding journals posted by the Vice Principal - Finance & Resources is raised every year but there was no evidence of manual override of controls identified.

RLe stated that the pension scheme assumption did not take into account the current experience of CPI. Management were challenged to request an updated valuation to take this into account. This was actioned and reflected within the final report.

RLe noted that the Governors agreed the College is a going concern and has sufficient funds to meet its liabilities. He also noted that in terms of regularity the College had complied. He drew attention to the controls mainly related to Apprenticeships and also stated that the unadjusted statements were not material.

MSh raised the question of the Vice Principal – Finance & Resources posting journals and what could be done to address this. DP stated that this has been raised over many years; the College only has a small finance team and there was no-one else in College with the knowledge to post these journals. He did not feel this posed an issue and the funding report confirmed there was no element of irregularity.

KN noted that if DP was away for a length of time the College would need someone else with the qualifications to do this. If it was not DP, would members have assurance that it is being done right. ND stated that if necessary, a temporary person would be sought. She noted that the College would have to look at the long-term view as and when DP decided to retire.

MSh noted the Apprenticeship funding points and asked if all other funding areas were audited by the audit team. RLe confirmed that all income streams were audited but the area found to have audit concerns was Apprenticeships.

MSh asked about the management responses relating to the control points and how these were being dealt with. DP stated that he was aware of previous issues and LM is now leading on this. It is a standing item on each Audit meeting to update members on progress on audit recommendations / control points.

7. AUDIT FINDINGS REPORT COVERING THE STATUTORY AND REGULARITY AUDIT FOR 2021/22 (continued)

PN noted that the next Audit Committee meeting is on 28 March 2023. MSh suggested that a training session on Apprenticeship funding for Governors could be included. RLe felt this would be of benefit for all including management to understand the new funding rules. KR suggested that this training could be delivered at the Governors' Development event in February 2023.

KR
Feb. 2023

DP noted that the College has not had an ESFA funding audit for some time and was in scope for this.

The Audit Committee and Board members noted the Audit Findings Report covering the Statutory and Regularity Audit for 2021/22.

8. MEMBERS REPORT AND FINANCIAL STATEMENTS FOR THE ENDED 31 JULY 2022

8a) Leeds College of Building Group Consolidated Accounts
8b) LCB Enterprises Ltd

RLe provided his views on the financial statements and highlighted a number of key points:

- Going Concern (page 11).
- ONS reclassification of colleges (pages 12 & 54).
- Statement of Corporate Governance and Internal Control, including the College's commitment to undertaking an External Review of Governance by 31 July 2024 (page 17).
- Statement from Audit Committee (pages 19/20), including the conclusion that "the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets" (page 21).
- The Audit Committee Statement highlighted the Learning Support Funding Internal Audit Report. JC confirmed that this was not a funding issue but more about whether learners are getting the support required.
- The regularity, propriety and compliance statement (page 22).
- The Statement of the responsibilities of the members of the Corporation (page 24).
- The Independent auditor's report to the members of the Corporation (page 25).
- The net defined benefit pension liability of £13,613,000 (page 27).
- Principal Actuarial Assumptions, including current experience of CPI (page 50).

MSh queried the proportional deficit based on turnover. RLe responded that he had seen much worse over the last year.

RLe thanked DP and his team for their help during the audit.

**8. MEMBERS REPORT AND FINANCIAL STATEMENTS FOR THE ENDED
31 JULY 2022** (continued)

8a) Leeds College of Building Group Consolidated Accounts (continued)
8b) LCB Enterprises Ltd (continued)

MSh felt that the management team should be congratulated on the accounts, bearing in mind the challenges faced this year.

DP presented an overview of the Group Consolidated Accounts. He noted that last year was the first full year back after COVID, there has been the ATL clawback and the change from Apprenticeship Frameworks to Standards had resulted in the EPAs falling into this year so there were no Apprenticeship Standards achievements in last year. He confirmed that the Audit Findings Report provided an unqualified opinion, and the accounts gave a true and fair view. The Regularity Audit was clean. The Going Concern had been discussed by the Board previously and noted again today. The adjusted and unadjusted differences were not material.

In terms of the Statement of Comprehensive Income and Expenditure for 2021/22, the operating surplus stood at £1,170,000 (before the FRS102 pension figures), which DP felt was a strong achievement. The Consolidated Balance Sheet showed Current Assets less Current Liabilities of £2,350,000 (compared to (£2,927,000) in 2015/16).

In terms of key performance indicators, the cash balance confirms that the College is in a good position, with a consistent health score of Good.

The operating surplus target in the plan was £843,000 but actual was £1,170,000 which was a very good result.

DP confirmed that the College is above all FE Commissioner Benchmarks apart from Staff Costs as a % of Adjusted Income; the College was at 67.71% compared to the benchmark of <65%. DP noted that this was mainly due to the large number of Apprenticeships delivered by the College which attract higher costs. MR queried whether the recruitment difficulties were affecting this figure. DP noted that this figure has reduced to 58% in the November Management accounts.

DP noted that the College has received Good financial health status over the last five years.

RL felt it would be helpful to have a copy of DP's presentation; this would be circulated.

**KR/NF
16 Dec. 2022**

RL noted the clawback and asked if this had been taken into account. DP stated that this had been restated in prior accounts as it took place in 2018/19; it did not affect last year's accounts. £501k was taken from reserves as it related to 2018 year.

**8. MEMBERS REPORT AND FINANCIAL STATEMENTS FOR THE ENDED
31 JULY 2022** (continued)

8a) Leeds College of Building Group Consolidated Accounts (continued)
8b) LCB Enterprises Ltd (continued)

RL stated that if the College is doing so well, what will the cash balance be utilised for. DP noted that the Board had previously agreed not to progress a Phase 3 project but to concentrate on refurbishing North Street. A T Level bid would be submitted and the District Heating Project is being investigated. A plan is being progressed and would be brought to Governors for approval. RL asked if the money could be used to invest in staff as the College is struggling to recruit, or a bonus for staff. DP stated that the balance sheet health and Bank Covenants have to be considered and could not be put in jeopardy.

MSh asked what would have happened if the £500k was returned in 2017/18. DP replied that this could have happened in 2018/19 if it had been an issue then but the College is in a better position now. MSh queried whether there were any obstacles to the accounts being signed. DP confirmed that there were none.

MSh raised the question of LCB Enterprises Ltd given the intercompany balances. DP stated that as a Phase 3 new build is no longer being progressed then potentially LCB Enterprises could be closed down and he would bring a paper for consideration by the Board in the New Year.

DP
28 March 2023

The Audit and Board members recommended the Members Report and Financial Statements for the year end 31 July 2022 to the Board for approval and signing by the Chair and Principal.

9. LETTERS OF REPRESENTATION 2021/22

**9a) LCB Group Consolidated Accounts / 9b) LCB Regularity Assurance
Engagement**

DP stated that both letters need to be signed by the Chair and Principal. 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.

RL noted that the salutation 'Dear Sirs' was very old fashioned and should be amended. It was agreed that this would be changed.

DP
14 Dec. 2022

The Audit Committee recommended these letters for approval by the Board and signing by the Chair and Principal.

10. RISK MANAGEMENT POLICY & STRATEGY

DP presented the revised Risk Management Policy & Strategy; changes were highlighted in yellow.

10. RISK MANAGEMENT POLICY & STRATEGY (continued)

RL felt the Policy was very clear but queried the College's Risk Appetite of 14 and whether this was still appropriate. She asked if all risks below this threshold were accepted. RL felt that the Board should look at this at some point to ascertain what management are doing to reduce these risks. DP noted that the Risk Appetite had been approved by the Board a number of years ago. He agreed to bring this back to Audit for further discussion in March 2023.

**DP
28 March 2023**

The Audit Committee recommended the revised Risk Management Policy & Strategy to the Board for approval.

11. TREASURY MANAGEMENT POLICY

DP presented the revised Treasury Management Policy; changes were highlighted in yellow.

The Audit committee recommended the revised Treasury Management Policy to the Board for approval.

12. VALUE FOR MONEY POLICY

DP presented the Value for Money Policy, which had been reviewed and no changes required.

The Audit Committee recommended the reviewed Value for Money Policy to the Board for approval.

13. FRAUD AND WHISTLEBLOWING REGISTER

DP confirmed that no incidences had been reported.

DATE OF NEXT MEETING

The next meeting is scheduled for Tuesday 28 March 2023 at 2.00pm, North Street, Meeting Room 1.