

LEEDS COLLEGE OF BUILDING

JOINT AUDIT & RISK AND FINANCE & RESOURCES COMMITTEE

Minutes of the meeting held on Monday 25 November 2024 at 4.00pm, North Street, Meeting Room 1 / Microsoft Teams.

PRESENT:

Matthew Shields (MS)	Chair & External Governor
Steve Carmody (SCa)	External Governor
Nikki Davis (ND)	Principal & CEO
Laurence Kendall (LK)	Associate Governor
Rachel Lindley (RL)	External Governor
Michael Norton (MN)	Staff Governor
Peter Norris (PN)	External Governor

ATTENDANCE: 7 / 9 = 78% (KPI 80%)

IN ATTENDANCE:

David Pullein (DP)	Vice Principal – Finance & Resources
Robert Holmes (RH)	Vice Principal – Curriculum, Quality & Innovation
Jonathan Creed (JC)	ICCA
Richard Lewis (RLe)	RSM
Sara Mitchell (SM)	Management Accountant (observer)
Jane Taylor-Holmes (JTH)	Director of Governance

Min. Ref.	Minutes	Actions
1.	A&F/24/101 – Apologies for Absence Apologies for absence were received from Sarah Wilson (External Governor) and Mark Roper, External Governor and Corporation Chair.	
2.	A&F/24/102 - Determination of Observers / Attendees Members agreed attendees / observers at the meeting as per the attendance list above.	
3.	Committee members welcomed SM to the meeting as observer.	
4.	A&F/24/103 – Declaration of Interests in any Agenda Items There were no declarations of interest in agenda items.	
5.	A&F/24/104 – Draft Audit Findings Report RLe presented the Draft Audit Findings Report, it was noted that this would be updated and finalised once the audit was complete. RLe confirmed that this was very close to completion.	
6.	RLe confirmed that it was anticipated an unmodified independent reporting accountants assurance report on the accounts and regularity, subject to the satisfactory clearance of any outstanding / unresolved matters outlined within the report. It was noted that nothing outstanding would impact on materiality within the report.	

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7.	RLe commented that the biggest significant risk was around apprenticeship income recognition and there had been work focused on this area. The work undertaken had been really quite positive, RSM had looked at PDSAT and ILR returns and no material errors had been identified. There were a few data quality and low recommendations, but these were not material. It was noted that the full benefit of the significant work undertaken would be seen when auditing the July 2025 accounts.	
8.	RLe confirmed that there was the same message from internal audit; there had been an improvement over the last year; but the work was a journey. DP confirmed that a 100% file audit had now been undertaken.	
9.	RLe highlighted that one of the highest risks was in relation to the ESFA funding audit. RSM had been mindful of this and there were no material errors to bring to the attention of the Committee.	
10.	DP confirmed that the College had resolved the recommendation in relation to journals being posted by the Finance Director and the Finance Team had cleared this risk because SM (Management Accountant) was now in post. RLe confirmed that there was nothing fundamental in terms of errors.	
11.	RLe referred to the nil position in relation to the pension scheme, discount rate and restricted actuary undertakes the work and concluded that asset should not be recognised in the accounts. The pension scheme had been duly accounted for appropriately in the financial statements.	
12.	In relation to the going concern assessment, RLe explained that the College had made the decision to repay the bank loan. RSM had assessed the budget and forecast and confirmed that RSM believed that the College was a going concern to July 2026; based on assumptions at the time (noting that there were matters to be finalised in relation to the support DfE were to give in relation to NI contributions etc).	
13.	RLe referred to a small adjustment recognition of grant but explained that this was not material misstatement,	
14.	Control points were included in the report, two in relation to pre-payments and override of controls. RLe confirmed that some changes had been suggested but these were not material and were forward looking. RLe confirmed that there were some potential errors but these were not materially misstated.	
15.	Control points and points on data quality of ILR - RLe confirmed that, in relation to one point, RSM was working with follow up and management, the rest had been accepted and some detailed responses made.	
16.	RLe confirmed that the Audit this year had found fewer control points and more data quality points, it was noted that the points this year did not result in funding at risk.	
17.	RLe referred to the summary of unadjusted items included within the report.	
18.	OfS grant one year out - it was noted that this was a balance sheet matter. From the work performed RLe explained that this suggested a small error of £35,000; not enough to impact on the financial position.	

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19.	SCa asked for further information in relation to the review of apprenticeship learners and undertaking in line with the ESFA guidance; RLe confirmed that the Auditor looked at a sample of 100 learners. DP confirmed that of the 100% file check undertaken, there was confidence that 75% were compliant, work continued on the remaining 25%.	
20.	It was noted that the ESFA were working with colleges in relation to funding audits with the next cycle due to commence after Christmas.	
21.	DP commented that he and the apprenticeship team were well aware of a potential audit and preparations were ongoing.	
22.	In terms of preparation, there would be a deep dive review of a % of files in scope. JC confirmed that Internal Audit had also scheduled a funding audit for later in the year, this would seek to obtain further assurance from the Team.	
23.	RLe commented that ICCA were looking at the review of files from a funding perspective which was different to a review of the granular consideration of the complex rules, this would not be the same as the review undertaken by RSM.	
24.	PN asked whether there would be any impact of the change from ESFA to DfE. RLe confirmed that it was likely to be 'business as usual' with all staff being TUPE'd over, so it was likely that this would continue in the same way with the same resources available.	
25.	MS commented on the continued improvements noted by ICCA and RSM year on year and that the statement on material misstatement had reduced. It was agreed that the Committee would note the improvement in terms of the testing.	
26.	MS asked about double entries and the cash accounting for income and the P&L adjustment of £84,000; which was a year late from 12-15 years. DP explained that many years ago, there was a rule that OfS could do this two years after the year end and the College had been doing this consistently over the period.	
27.	Resolved; Committee members received the draft Audit Findings Report and noted the improving audit report picture from RSM and thanked all staff at the College in relation to the improvements and support of the external audit.	
A&F/24/105 – Draft Financial Statements – year ended 31 July 2024		
28.	Committee members reviewed the draft Financial Statements for year ending 31 July 2024 and thanked SM who had led on the preparations.	
29.	RLe confirmed that he was proposing an unqualified, unmodified statement.	
30.	RLe referred to the highlights in the report that the College had paid the loan off, which it had received for South Bank	
31.	The £2.4million surplus included the £2million allocated to pension.	
32.	There was a reported £25.6million turnover, which was an increase of around £4million on the previous year. DP commented that when he joined the College, 20 years ago, turnover was £4million.	
33.	DP commented that the College had good cash reserves, was in a good place, with an outstanding financial health score rating (which was forecast for the next two years).	

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34.	Committee members were referred to the significant increase in relation to EBITDA.	
35.	Committee members noted that there was only a 50% increase in rates due to 16-18 year old students.	
36.	RLe referred to key disclosures in relation to ONS reclassification and the first Handbook. It was noted that cashflow had been impacted by the repayment of the loan.	
37.	It was noted that the report included success stories of students and referred to Ofsted providing transparency around the inspection.	
38.	RLe referred to JTH's comments around the governance review; and the performance and actions; RLe commented that this was well written and provided a summary of the work undertaken.	
39.	It was noted that the Report did highlight the principal risks	
40.	Income, and the significant increase was referenced within note 2 in the report. In terms of other disclosures and pensions these were also included.	
41.	RLe referred to disclosures in relation to the accounts direction and write off and losses and compensation payments and commented that there had been none made.	
42.	SCa asked whether the College was utilising all the positive feedback and the impact of the College in terms of supporting young people, to present the success of the College and the community and the sector.	
43.	ND explained that the College had commissioned an economic and social value report for the College which it was hoped would be available by February 2025. It was noted that the focus of the report was the impact of the College on the wider community and sector.	
44.	RH commented that there was a significant Self-Assessment report to be presented to the Quality, Curriculum and Performance Committee which would comment in detail on progress during 2023/24. The Quality Improvement Report provides a narrative around the future action to be taken.	
45.	MS commented that he was pleased to see the wider narrative and that this read very well.	
46.	RLe asked whether Committee members were aware of any fraud risk or evidence of any fraud. Committee members confirmed that they were not aware of any matters to raise.	
47.	DP commented that the Audit Committee have a report to each meeting to confirm no instances of fraud and irregularity to report.	
48.	Items recommended to the Board for approval: <ul style="list-style-type: none"> • The Financial Statements for the year-ended 31 July 2024 • The Audit Findings for the year-ended 31 July 2024 	