



**MINUTES OF A MEETING OF THE LINCOLN COLLEGE JOINT AUDIT AND FINANCE COMMITTEE HELD AT LINCOLN COLLEGE ON THURSDAY 12 DECEMBER 2019 AT 13.00 HOURS**

<b>Present:</b>	Nick Cudmore Tim Godson Nick Lyons Philippa Bratby Gary Headland James Pinchbeck Mark Platts	Chair of Audit Committee Vice Chair of Audit Committee Chair of Finance Committee  CEO (by telephone)  Vice Chair of Finance Committee
<b>In Attendance:</b>	Sarah Adams Thomas Dannatt Claire Love Richard Lewis Graham Gillespie	Clerk to the Board of Corporation Group Director (Finance and Commercial) Group Financial Controller RSM UK Audit LLP Wylie & Bisset
<b>Apologies:</b>	Danielle Lister Mark Speed Dean Graham Daniel Wilkinson Tim Calvert	

The Finance Committee members joined the Audit Committee for presentation of the Annual Reports and Financial Statements.

**CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS – YEAR ENDED 31 JULY 2019 AND LETTERS OF REPRESENTATION**

Richard Lewis gave his summary of the Annual Report and Financial Statements highlighting the following areas:

- P3 sets out the legal status, constitution and mission of the College and outlines how the College has delivered public benefit
- P4 outlines the implementation of the Group Strategy 2019 to 2022 including key areas of progress and student and College achievement
- P5 outlines achievement rates and how these have increased, improvement of pass rates and how engaging with IoT moving forward
- P6 onwards relates to international commitments including KSA and China. The detail on pages 7, 8 and 9 is very important to demonstrate to wider stakeholders
- P9 outlines UK commercial work, ie Escape Rooms and LCFC
- P10 outlines results and the surplus of £1.34m which goes on to cashflow forecast
- P11 relates to repayment of debt and long term finance
- P12 details financial objectives, treasury management, cashflow and reserves
- P13 details key future developments including Ravendale and long term contracts in KSA
- P14 highlights key reputation and significant risks
- P18 onwards are the Governance statements
- P23 includes the statement advising the Audit Committee that the College has appropriate frameworks in place. Following the meeting the Audit Committee will be discussing their

Annual Report and that there are the appropriate controls in place. P23 is the starting point of the conclusion and going concern. ESFA have received financial statements that one year from now the College will be in existence underpinned by adequate resources

- P24 is the statement to be signed by the CEO and Chair in relation to terms of funding and regularity. RL confirmed the Audit firms agreement with regularity
- P25 confirms unqualified accounts
- P28 onwards outlines the statement of income, surplus and exchange rate movement. There is a pension figures impact but remains a surplus after taxation as a Group of £1.4m
- P29 shows the balance sheet - £20m cash at bank and pension figure increased by £5m
- P32 outlines accounting policies appropriate to the College and the sector
- P33 includes a going concern statement
- P43, note 7 includes changes imposed by ESFA on executive pay and the bandings changed from £10k to £5k
- P44 is the required declaration of emoluments of senior staff which is adequately included
- P46 sale and leaseback was noted and that the buildings and land are still assets
- P50 shows liabilities and charges. It was noted debts consolidated from Banks to long term financing
- P52 outlines pension increase of liability to £9m. It was explained 2019/20 funded by ESFA following that there will be additional liability if not funded
- P54 RL explained the bespoke assumptions following work with the Actuary
- The final page of the accounts outlines the Auditor's unqualified opinion

RL reported on an interesting set of accounts showing a good direction of travel and a good position in terms of cashflow management. Key to note is to ensure that there is the cash to ensure the liabilities are met in relation to the long term finance deal.

The Chair asked how the results stand in the sector as a whole. RL explained not many have the significant amounts of cash on their balance sheet. Also not aware of any corporation having a surplus. Some Groups are showing a surplus but the pension liabilities have had an impact. The sector is struggling in relation to cashflow management.

It was agreed to send through any small points of accuracy through to the Finance Team so that these can be included in the final document for signing.

### **Agreed: Annual Report and Financial Statements recommended to the Board for approval**

The letters of representation were considered and the unadjusted errors. RL explained he had considered impact and carried out research in relation to GMP calculations. This will form part of the actuarial review but RL happy not to be booked. In relation to overseas issue linked to exchange rate RL was happy to accept the management response. RL stated that no issues were material to the accounts and therefore not included.

### **SUBSIDIARY COMPANY FINANCIAL STATEMENTS AND LETTERS OF REPRESENTATION – YEAR ENDED 31 JULY 2019**

The UK subsidiary accounts were received by the meeting. RL explained that all have unqualified opinions. There is no change to activities and results are as stated.

### **Agreed: the meeting recommended the subsidiary company Financial Statements to the Board for approval**

The Finance Committee representatives left the meeting at this point.



**MINUTES OF A MEETING OF THE LINCOLN COLLEGE AUDIT COMMITTEE HELD AT LINCOLN COLLEGE ON THURSDAY 12 DECEMBER 2019 AT 13.00 HOURS**

<b>Present:</b>	Nick Cudmore Tim Godson	Chair Vice Chair
<b>In Attendance:</b>	Sarah Adams Thomas Dannatt Claire Love Richard Lewis Graham Gillespie	Clerk to the Board of Corporation Group Director (Finance and Commercial) Group Financial Controller RSM UK Audit LLP Wylie & Bisset
<b>Apologies:</b>	Danielle Lister Mark Speed Dean Graham	

**17/19 APOLOGIES FOR ABSENCE**

Apologies were received from Dean Graham, Danielle Lister and Mark Speed.

**18/19 ELIGIBILITY, QUORUM AND DECLARATIONS OF INTEREST**

It was reported by the Clerk that notice of the meeting had been given. It was reported that in light of apologies received the meeting was not quorate, however the Chair suggested that the meeting go ahead and that the minutes would be circulated to those not in attendance for their confirmation of any actions and/or agreements. Those present agreed this way forward. Accordingly, the meeting was declared open. There were no declarations made.

**19/19 MINUTES OF MEETING HELD ON 15 OCTOBER 2019**

The minutes of the meeting held on 15 October 2019 were checked for accuracy and matters arising.

6/19 it was agreed to remove the final sentence of the last para.

The minutes were agreed as a true and accurate record and were signed accordingly.

**20/19 MATTERS ARISING AND NOTIFICATION OF URGENT BUSINESS**

7/19 – OfS. TD explained he had attended an OfS workshop. The OfS have a framework and conditions which are very clear. There is a need to map out the requirements. TD committed to map this out to ensure the conditions are met. OfS regulate the organisation not just the HE so there may be an overlap with compliance requirements.

In terms of financial health the OfS will take an interest and they will issue their own accounts direction. They will also take the ESFA grade into account. RL confirmed this would be the case.

The Clerk explained that the newly formed Higher Education Committee meets next week and that she had been in discussion with the Associate Director of HE in relation to compliance and regulatory requirements and that this will be built into the cycle of business for the Committee.

There were no notifications of urgent business.

It was explained that the updated Internal Annual Report had been sent to CL and this will be shared with the Clerk for circulating.

**Action: CL to forward updated report for circulating**

## **21/19 SCHEDULE OF THE AUDIT RECOMMENDATIONS MONITORING REPORT**

The Schedule had been updated prior to the meeting. There are 22 items remaining including 5 flagged for removal. The remaining items are either ongoing or have not yet reached completion date. TD thanked the Clerk for following up recommendations and the explanations included on reasons for any delays.

The Clerk explained that following the meeting the recommendations from the Final Audit Findings Report and the Funding Assurance Review Report will be added

Item 5 was discussed and it was suggested that this completion date is brought forward. TD explained a cost sharing agreement with LCI has been put in place. CL explained the non-completion of cost sharing with subsidiaries had been an oversight. It was agreed that this would be in place by March 2020 and the Annual Report would be updated to reflect this change.

**Approved: items can be removed that are flagged as green.**

**Action: FARR and FAFR to be added in**

**Action: change of completion date in Annual Report**

## **22/19 INTERNAL AUDIT PLAN 2019/20**

Graham Gillespie explained this was the plan for year 2 of 3 in the rolling plan and highlighted the following:

- Timescales on p6
- The operating days on p7/8
- Assurance map on p9 to 11
- Grading Structure on p12
- Performance indicators P13

Questions were invited.

The Chair noted that there was an increase of operating days on page 8 and asked if the increase been approved. GG explained that this was due to the movement of some areas over the life of the plan. TD explained there had been discussion at ELT on what areas to cover at what point in time.

The minutes will be circulated for input from the Committee members not in attendance.

**Action: any comments to be added following circulation of the minutes.**

**Approved: the Committee approved the plan subject to any minor changes required.**

## **23/19 EXTERNAL AUDIT FINDINGS REPORT**

The draft report had been circulated and RL explained the list on page 2 will reduce following the meeting and a revised report will be published. The Funding Audit will be discussed today so this will be removed. RL is awaiting the College's response to ESFA and this will be forwarded for consideration. TD gave the background information to the letter and the response. RL stated his opinion was unqualified. There are no concerns in relation to accounting and regularity.

**Action: RL to update the report following the meeting**

**Action: TD to share letter and response to RL**

RL ran through the Audit, Accounting and Regularity issues on pages 3 to 9. There have been no issues to bring to the attention of the Committee. There are no regularity concerns as the costs related to overseas travel are recharged back to KSA. The Board however may want to consider carbon footprint of overseas travel.

The Chair asked if approval for overseas trips are brought to Board. It was explained most of trips are related to LCI and approved via this Board. This was discussed in detail. TD explained there is a cultural need for face to face visits. The travel of the CEO is approved by the Chair and the CEO approves other travel as outlined in the Financial Regulations. RL stated there is zero impact on Lincoln College as costs are recharged directly to LCI.

RL outlined the position in relation to LCI and deferred tax on pages 8 and 9.

Section 4 unadjusted/adjusted misstatements were highlighted and noted as not material to the College. Figures are currently below limits and management calculations accepted. Unadjusted error in relation to exchange rates was explained.

Page 15 – RL highlighted the recommended addition to the Procurement Policy.

Emerging Issues were highlighted and specifically page 29 and the letters from Eileen Milner. RL also reported on the new financial model. This is to be reissued as there is a bug in the current model circulated. It was recommended that the Committee have oversight of this. Discussion took place on the support available.

## **24/19 REGULARITY SELF-ASSESSMENT QUESTIONNAIRE**

It was explained this is a requirement of the financial statements audit as part of the process. The Committee were asked to note the final version circulated.

**The Committee noted the document.**

## **25/19 DRAFT FUNDING ASSURANCE REVIEW REPORT (ESFA)**

The report had been circulated to the Committee. It was noted there were no adjustments or clawback. The actions will be added to the outstanding audit recommendations report.

## **26/19 ANNUAL REPORT OF THE AUDIT COMMITTEE**

Chair explained this sets out the work of the Audit Committee over the year and is a fair reflection of the activities undertaken.

The report will be amended to reflect the change of date in relation to cost sharing agreements for subsidiaries.

**The report was approved subject to agreed amendment.**

**27/19 RISK MANAGEMENT UPDATE**

Risk Management Terms of Reference

The Risk Management Group ToR had been circulated for information.

Risk Management Group Minutes 28 October 2019

The draft minutes of the meeting held in October had been circulated for information. The next meeting to be held in January 2020.

Risk Management Group Guidelines 2019/20

Improvements have been made to the processes and the guidelines had been developed and circulated.

TD explained that proposals are being fed through ELT for consideration.

It was agreed this approach was sensible and hopefully ensures that small items to mitigate risks can be dealt with at low cost.

**28/19 HEALTH AND SAFETY UPDATE**

Health and Safety Committee Terms of Reference

The ToR had been circulated for information.

Health and Safety Support Proposal – to note

It was explained that there had been a commitment to set some KPIs. TD reported on the IOSH training undertaken by ELT. The compliance figures were explained and GJC Risk Management had been invited in to put a proposal together to meet ISO 45001. This has been split into four phases, possibly over 3 years. A health and safety audit will be carried out to assess the current position. The next H&S update will include KPIs for the year.

**Action: H&S KPIs to be included in next update.**

**29/19 URGENT BUSINESS**

There was no urgent business to consider.

**30/19 DATE OF NEXT MEETING**

The next meeting will be held on Tuesday 24 March 2020 at 15600 hours. This replaces the meeting previously scheduled for Tuesday 3 March 2020.

**The meeting closed at 14.55 hours.**

Chair

Date

## Action List

### Actions from the Audit Committee Meeting held on 12 December 2019

<b>Minute Number</b>	<b>Description</b>	<b>Action by</b>	<b>Target Date</b>	<b>Status/Note</b>
20/19	Updated report to be sent to Clerk for circulating	CL	Following meeting	
21/19	Green items to be removed	Clerk	Following meeting	
	FARR and FAFR to be added	Clerk	Following meeting	
	Completion date to be changed in annual report	Clerk	Following meeting	Completed
22/19	Comments to be sent through to Clerk	All	Following meeting	
23/19	External Funding Report to be updated	RL	Following meeting	
	ESFA letter and response to be sent to RL	TD	Following meeting	
29/19	H&S KPIs to be included in next update	TD	March meeting	