



**MINUTES OF A MEETING OF THE LINCOLN COLLEGE AUDIT COMMITTEE HELD AT LINCOLN COLLEGE ON TUESDAY 28 NOVEMBER 2017 AT 17.00 HOURS**

<b>Present:</b>	Nick Cudmore Peter Horner Dean Graham Mark Speed Sam Yates	Chair  Vice Chair  Staff Governor
<b>In Attendance:</b>	Sarah Adams Thomas Dannatt Claire Love Richard Lewis James Wadsworth	Clerk to the Board of Corporation Director of Finance and Commercial (F&C) Group Financial Controller RSM UK Audit LLP Head of Quality Improvement
<b>Apologies:</b>		

**10/17 APOLOGIES FOR ABSENCE**

No apologies were received.

**11/17 ELIGIBILITY, QUORUM AND DECLARATIONS OF INTEREST**

It was reported by the Clerk that notice of the meeting had been given and that a quorum was present. Accordingly, the meeting was declared open. There were no declarations made.

**12/17 MINUTES OF MEETING HELD ON 19 SEPTEMBER 2017**

The minutes of the meeting held on 19 September 2017 were checked for accuracy and matters arising. The minutes were agreed as a true and accurate record and were signed accordingly.

**13/17 MATTERS ARISING AND NOTIFICATION OF URGENT BUSINESS**

5/17 – HSE survey. It was reported that the survey had a 62% return rate which was positive. The responses are being analysed and an update will be provided to Board on 12 December. An overview was given of the content and that a like for like comparison will be able to be made.

6/17 – Vice Chair. Following discussion Dean Graham agreed to take the role of Vice Chair.

It was reported that a lay-governor with audit experience is to be appointed and it may be that this appointment could take on the role of Vice Chair and potentially move to the position of Chair when Nick Cudmore retires.

It was agreed by the Committee that preferably the positions of Chair and Vice Chair should be filled by those with audit experience.

There were no matters arising or notifications of urgent business.

#### **14/17 SCHEDULE OF THE AUDIT RECOMMENDATIONS MONITORING REPORT**

The Schedule had been updated prior to the meeting. The Clerk was thanked for her work on pulling this together.

The D(F&C) gave an update and overview. The remaining outstanding items mostly link to Employer Provision and Business Development and this has been followed up with the MD(E&TD). It was noted there would be an update through Gold Group on 23 January.

The D(F&C) explained that audit follow up days will involve testing that those items approved for removal were valid. The Committee welcomed this cross check and follow up.

The Chair asked for the approval of the Committee to remove all items flagged as complete. Richard Lewis confirmed the items on page 8 related to fixed assets has been completed.

**Action: Clerk to remove all items flagged as complete.**

It was asked if there would be an action plan related to sickness management and this was discussed linked to the HSE survey recently completed. It was asked that sickness absence figures are followed up and the Committee agreed they would welcome the receipt of data. It was explained that Claire O'Hara (Head of Human Resources) will be attending Board on 12 December and providing a report on the Employee Wellbeing Survey that has recently been completed.

**Action: HR reports to be followed up. HR Representative to be invited to present the figures to a future Audit Committee.**

#### **15/17 4RISK**

James Wadsworth gave an overview of the dashboard and the Risk Register explaining how the 4Risk system worked in practice. Examples were given using the risk 'failure to main/improve teaching quality methods'. It was explained that the risk system feeds into both the Quality Improvement Strategy (QIS) and the Quality Improvement Plan (QIP). Two main risks were highlighted as 'learners' and 'staff'. Items that feed into the strategy include audits, learning walks, etc and these can be fed back into the 4Risk system as 'reactive'. It was asked how the RAG rating works and it was explained that this does depend on the risk and for learners this may be how it impacts rather than a financial risk. Under the QIP this is more 'proactive' and using the same risk an example was given of including planning.

Dean Graham reported that the risk register is not effective unless risks are being added immediately. It was explained that at Gold Group held the previous week it was identified that a number of students were not currently enrolled. This was considered to be a significant risk by the Group but he could not see where the risk had been added on the risk register. It was agreed that the Audit Committee should be asking 'where is the failing' for this to not be added.

Discussion took place on whether this specific issue should be highlighted as an individual risk or whether it already fell within a current risk. It is clear that this issue is being managed but it was agreed that follow up should be carried out.

**Action: D(F&C) to follow up on risk register processes.**

It was explained there was mitigation in place but even so issues should be put onto the Risk Register. Sam Yates explained that as a member of staff there may be consideration given to at which point you add a risk rather than in practice just immediately dealing with it operationally and also whether you consider it is a separate risk area or otherwise.

Discussion also took place on Health and Safety specifically and where the visibility is for H&S on the risk register. Discussion also took place on ACA 4 which is a red risk (inherent and residual) which has been reviewed but no additional action has been added when there are issues with both apprentices and sub-contractors.

**Action: D(F&C) to follow up on ACA4.**

Richard Lewis suggested that for a future meeting a risk is selected and a 'deep dive' carried out by the Committee and this was agreed.

**Action: 'deep dive' of an agreed risk to be carried out at a future meeting.**

The D(F&C) explained that training has been arranged with the provider for key staff on 6 December 2017. The Clerk reported that she would be attending the training and asked that if there were any specific questions the Committee members would like asking that they sent them through to her in advance.

Questions might include:

- Can you see which are the most recent risks added
- Can a report of all overdue actions be run

**Action: Clerk to request a report to be run to show where actions have not been reviewed so that the reasons behind this can be investigated.**

### **Quality Improvement Plan (QIP)**

James Wadsworth gave an update on the QIP. He explained there were 47 actions lifted from the Ofsted inspection report. The actions are categorised by CIF. Figures are now being finalised for outcomes for 2016/17 and are moving positively in many areas. The RAG ratings will be updated accordingly. Data is provided by ProObserve.

The remaining Red areas are related to apprenticeships and these will be brought forward into this year's QIP. These are being addressed through the Gold and Silver Groups for Apprentices. The high level SAR should be complete this week and will go to Performance and Quality Committee in December and also to full Board in January.

## **16/17 EXTERNAL AUDIT FINDINGS – UPDATE**

Richard Lewis explained that the Audit had commenced on 23 October and it was extremely positive that a report is available at this early stage.

The report is currently in draft but there are no major concerns expected. Richard Lewis thanked management for their responses and the files presented during the Audit. One outstanding issue is linked to the management charge related to KSA. This is outstanding due to delayed information from the Audit Team in KSA that is required for the Group position.

It is expected there will be unqualified opinions on both audit and regularity. It is not expected that any of the outstanding issues will raise any concerns. Areas will be updated as soon as possible to enable the report to be finalised.

An update on areas to finalise on pages 3 to 6 was given including:

- Income recognition – now received.
- Pension scheme liabilities – now received and management used a bespoke route which has been reflected and are appropriate. Actuarial gain for this year.
- Going concern – wording now being completed – no concerns around the framework. There are appropriate levels of facilities in place.
- Management override of controls – actions seen are reasonable.
- Regularity – no issues have been brought to the attention of the auditors.

There will be an adjustment for taxation related to KSA as the figures have now been received.

Richard Lewis gave an update on Section 3 of the report. It was explained there was currently an ongoing dispute with a sub-contractor linked to documentation. An internal investigation is being undertaken. A mediation meeting is being held on 5 December.

Richard Lewis stated that financially this is not a concern but a conclusion can't be reached at this time linked to the ILR and student data. The D(F&C) reported that the sub-contractor will be asked to provide the documentation and evidence required to enable payments to be made. Richard Lewis explained the regularity issue linked to the ILR and SFA.

Other items were outlined, including assets in KSA and corporation tax compliance which is being worked on currently.

Section 6 was explained and a point highlighted related to a cost sharing agreement with subsidiaries.

It was noted that the internal control recommendations raised in the report last year have all been implemented.

Richard Lewis reported that he has confidence in the arrangements in place to manage cashflow.

The Emerging Issues within the sector were highlighted including Area Review, Exceptional Financial Support, Non-Levy Apprenticeships and AEB Funding, ESFA Business Plan 2017 to 2018, GDPR/Cyber Security and the requirements for information to be made available on College Websites.

Richard Lewis asked the Committee if there were any issues related to fraud or theft that the Committee were aware of. A negative response was given and noted.

The Chair thanked Richard Lewis and also Tom Dannatt and his team for the work carried out to bring the report to the Committee at this point.

#### **17/17 REGULARITY SELF-ASSESSMENT QUESTIONNAIRE**

It was explained that this was a requirement of the Audit Code of Practice. Richard Lewis commented that the responses provided are full and appropriate. This is part of the requirement to inform the process and is for the purpose of External Audit only and is a level of assurance for the Committee.

**Action: Document to be signed by the Chair and CEO once approved and copy provided to RSM.**

#### **18/17 RISK MANAGEMENT ANNUAL REPORT**

The D(F&C) gave an overview of the Annual Report. It was explained that only one meeting had been held last year but it was noted that at least one meeting a term should be held. A meeting had been held earlier in the month.

A high level report for the current risks had been provided for information and as an example of the style and type of report that can be extracted from the 4Risk system.

The risks have been topics on Executive Leadership Team (ELT) meetings and monitored through the Committee.

The Chair commented that he would find it helpful to have a list of the individuals on the Risk Management Committee and also their areas of responsibility.

**Action: Clerk to circulate information and terms of reference of the RMC.**

#### **19/17 ANNUAL REPORT OF THE AUDIT COMMITTEE**

The Clerk gave an overview of the report. It was explained that it is not a mandatory requirement to have an internal audit service. The report gives a round-up of all the work undertaken during the year to provide assurance on the governance, risk management and control arrangements in place and an Audit Committee Annual Opinion to support the preparation of the Annual Corporate Governance and Internal Control Statement within the Annual Report and Financial Statements.

The sections within the report were outlined as:

- Highlights of the items considered at each of the five meetings held during the year
- The Corporation membership and composition
- Training undertaken
- The risk areas covered by the internal Audit Strategy
- Internal control and audit coverage
- The schedule of reports received and respective assurance opinion
- Financial Statements
- Regularity Audit

Richard Lewis explained that the Committee need to be happy that assurances have been provided based on the reports received.

Discussion took place on the wording of the Assurance Opinion and high level recommendations. It was agreed that there are amendments required to the Assurance Opinion, additional information required on follow-ups carried out related to high risk recommendations and updates following the completion of the financial statements and regularity audits. The Clerk and Richard Lewis will update the report accordingly and circulate for final approval prior to signing.

**Action: Clerk and Richard Lewis to amend the annual report prior to circulation to full Board and sign off.**

### **FINALYSIS REPORT**

This report has been shared with Finance Committee and has been included within the papers for this Committee as part of providing assurance and good practice. It was explained that benchmarking had been carried out. The report shows that the College is in a good position to restructure borrowing and to obtain additional working capital.

Discussion took place on cashflow and profiles and drawing down of additional funding. Levels of payments, sub-contractors and apprenticeships were explained in more detail.

### **20/17 DELIVERY OF 2017/18 INTERNAL AUDIT PLAN**

It was explained that work has been suspended currently with ICCA but there is a responsibility to deliver the Internal Audit Plan for 2017/18. An update was given and potential options to deliver the plan outlined.

Richard Lewis gave an update and reported that in some cases the change from one internal audit firm to a range of specialists to provide assurance linked to an assurance framework could be beneficial should this route be followed.

**Action: Board Assurance: Toolkit document to be circulated.**

### **21/17 URGENT BUSINESS**

There was no urgent business to consider.

### **22/17 DATE OF NEXT MEETING**

The next meeting will be held on Tuesday 6 March at 1700 hours.

**The meeting closed at 1847 hours.**

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Chair

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Date