



MINUTES OF A MEETING OF THE LINCOLN COLLEGE AUDIT COMMITTEE HELD AT LINCOLN COLLEGE ON FRIDAY 14 DECEMBER 2018 AT 10.30 HOURS

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

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 2018 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
- P4 outlines the implementation of the Group Strategy
- P5-9 includes disclosures around ambitions, performance indicators and progress, the mainly green 'good' performance was noted
- P10 outlines KPIs and it was highlighted ratios are positive against the sector benchmarks
- P11 gives the headlines for the financial position
- P12 includes a going concern statement. RL explained that disclosures will be updated and finalised now that the letter from the Bank has been received giving confirmation of the rates, facility terms and covenants.
- P13 covers treasury management, cashflows, liquidity and reserves
- P14 highlights financial health and direction of travel
- P15 onwards identifies principal risks. It was noted a government funding review is expected in January
- P19 has a new disclosure relating to Trade Union Facility Time
- P21 is the governance report
- P23 sets out the work of the Audit Committee
- P25 includes the disclosure of the Audit Committee and confirmation statement
- P25 also includes the necessary disclosure on going concern and the conclusion of the Corporation that the College has an adequate and effective framework for governance, risk management and control
- P26 sets out the regularity statement and compliance with the ESFA terms and conditions
- P28/29 outlines the Auditor's unqualified opinion on the accounts

- P30 onwards outlines the statement of income, including remeasurement of net defined pension liability
- P31 shows the balance sheet
- P34 onwards are the notes to the accounts and accounting policies appropriate to the College and the sector
- P35 includes a going concern statement which will be amended following the letter from the Bank
- P43/44 figures on income and pay costs were noted
- P46 is the required declaration of emoluments of senior staff
- It was highlighted that the joint venture figures are excluded from accounts
- P50 includes detail on the Bank loan (note 14), which moved the debt from after 1 year to within 1 year which has an impact on net current liabilities
- P53/54 outlines pension costs. It was noted an increase is expected from next year which if unfunded will have an impact
- P55 explains actuarial gains
- The final page of the accounts outlines the Auditor's unqualified opinion

TD stated there were some final minor modifications required in the notes and asked the Audit and Finance Committee to approve the Annual Report and Financial Statements for recommendation to the Board of Corporation pending these minor amendments.

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

DG asked for more information on how the overdraft facility and loan works over a term and if it is expected to be repaid at that point or renegotiated to carry on with the facility. RL stated in terms of going concern it depends on what it is in place at the time and the relationship with the Bank. RL explained the Bank is working with the College so there is no going concern issue. Some of the large Banks are increasing interest rates, shortening borrowing terms and being stricter on such facilities. It is clear the Bank are willing to work with the organisation on the facilities in place.

GH queried the paragraph on page 50 relating to the Bank facilities and reclassification and if this was a statutory requirement. RL confirmed there was a requirement to include this detail but confirmed that an additional paragraph can be included to explain the background of the negotiation with the Bank, this can include the statement that this is a legal disclosure and the full background and explanation can be included.

Action: additional background information to be included in relation to the Bank facility

SUBSIDIARY COMPANY FINANCIAL STATEMENTS AND LETTERS OF REPRESENTATION – YEAR ENDED 31 JULY 2018

The UK subsidiary accounts were received by the meeting. RL explained that all have unqualified opinions.

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

The Finance Committee representatives left the meeting at this point.

15/18 APOLOGIES FOR ABSENCE

No apologies were received.

16/18 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. No declarations of interest were made.

17/18 MINUTES OF MEETING HELD ON 9 OCTOBER 2018

The minutes of the meeting held on 9 October 2018 were checked for accuracy and matters arising.

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

18/18 MATTERS ARISING AND NOTIFICATION OF URGENT BUSINESS

5/18 – it was explained there are 116 students outstanding and a further meeting is to be held next week

5/18 – student number funding audit has taken place and the report is included in the papers for the meeting

5/18 – the sickness report will be circulated

Action: sickness report to be circulated

9/18 – follow on Board Assurance training is to be arranged in February. It was explained that RSM are also running a workshop in February for the region and an invitation has been sent out and will be circulated

Action: RSM Workshop invitation to be circulated

19/18 SCHEDULE OF THE AUDIT RECOMMENDATIONS MONITORING REPORT

The Schedule had been updated prior to the meeting. The main addition is the ESFA funding assurance report. Good progress has been made on the reports from 2017/18. The report had been discussed at the ELT meeting held this week. For ease of reference it was asked if the items could be numbered and this was agreed.

Action: Audit Recommendations to be numbered

Discussion took place on the follow up audit relating to LSN funding and that the implementation date changed from 2018 to June 2019. It was asked that a reason for why there has been the change is included so the Committee can understand the background. The Clerk explained the link to the timing of the change to the ProSolution suite. DG asked that specifically where items are a high risk priority that there are clear reasons for any delay. The Committee was asked for approval for those items flagged as green to be removed. This was agreed.

Approved: items flagged as green to be removed from the report

RL explained that his actions from the recent audit linked to the financial statements will be added to the report. RL also explained that a report showing comparison to other Colleges will be produced using the FARR report.

20/18 APPOINTMENT OF INTERNAL AUDITORS AND DELIVERY OF 2018/19 INTERNAL AUDIT PLAN

TD explained that following the recent tender exercise Wylie and Bisset LLP have been appointed as Internal Auditors. The team are now working on a programme of meetings for introduction and to work up the audit plan for 2018/19 and beyond and the Audit Committee will be consulted on what key items should be included. The original long term internal audit plan will be used to base decisions. ELT have suggested some areas including safeguarding for example.

For specific areas some audits may be carried out by other audit firms who are 'cherry picked for their speciality areas' this may include Audit-One or RSM. This will be linked to specific areas as has currently taken place in relation to health and safety to enable assurances to be received from the best organisation.

21/18 EXTERNAL AUDIT FINDINGS REPORT

RL explained that the report will be updated prior to the Board of Corporation to be held next Tuesday. RL gave a summary of the report to the Committee and the following was highlighted:

- P3 – internal controls – all journals sampled were appropriate and there were no inconsistencies with accounting records
- P4 – nothing to bring to the attention of the Committee apart from outstanding monies from LC(I)LLC. It was highlighted that management are confident the payments will be made and there is no need for bad debt provision at this point
- P5 – pensions – the College has adopted bespoke assumptions within acceptable ranges
- P6 – going concern – this will be updated based on information now received relating to the Banking facility
- P7 – no issues to highlight relating to estates or regularity.
- P8 – confirms the joint venture is excluded based on materiality
- P9/10/11 covers tax compliance
- P12/14 outlines unadjusted/adjusted misstatements which are considered 'trivial'
- P16 – no points to draw to the attention of the Committee and implementation dates are in place
- P18 outlines financial statement disclosures
- P19 includes uncertainties and RL highlighted the impact of pension changes if not funded. Changes to gift aid distributions were noted
- P20 covers fees and confirmation of the independence of the Auditors. RL reported on the timing of the audit and close out meetings and thanked the Finance Team for their hard work over this time to bring the audit to a close on a short timescale and with a positive outcome
- Appendix A includes letters of representation which are standard letters. The only points to note relate to CoE and taxation as already highlighted
- Appendix B highlights emerging issues in the sector. RL gave an overview of the sector including that in relation to benchmarking, the insolvency regime, T levels, Apprenticeships, etc. RL asked the Committee to read this section and consider the information included. A government funding review will need to be considered when available and it is expected that Executive Pay in Colleges will be a future focus for the funding agency.

DG asked for further detail in relation to the IT in storage in KSA and is it something that can be made use of in the UK? TD explained the equipment, which is not high level, will come into use in KSA. Discussion has taken place with Graham Harrison and due to shipping and compatibility it is expected it will be brought into use either for the capability programmes or new provision under wave 3.

DG also asked for additional information on the Banking facility and the time taken to reclassify the facilities. TD explained that the delays were outside the control of the College including the request for the independent report by the Bank. Further background was given on the covenants in place. How the Bank view and assess the College as a Group was outlined. RL explained that he has experienced other independent reviews being sought by other Banks in the sector. In relation to the ESFA the key point is the Financial Health score. The relationship with the Bank and a strong relationship with the ESFA is a positive in this case. TD explained that the report following the review was positive.

DG also asked about the outstanding payments in KSA and TD reported on the discussions currently taking place. There is no history of bad debt but a lack of consistency on payment dates, some of which have been late and some early. The oversight by the Lincoln College (International) LCC Board was outlined. TD explained that the repayment of the Murabaha loan has been delayed to fit with receipt of payments in KSA which is positive.

22/18 REGULARITY SELF-ASSESSMENT QUESTIONNAIRE

RL explained this document is a requirement of the accounts. A new question was included on fraud risk as this is now quantified as over £10k. The document is for RL to focus his work during audit. The Committee noted the report. This will be signed at main Board of Corporation by the Chair and Accounting Officer.

23/18 FUNDING ASSURANCE REVIEW REPORT

Becky Ward, Group Head of Information Services joined the meeting. She explained the auditor had followed the new regime for apprenticeship funding which was perhaps a learning curve for the auditors as well as the team. Many of the points were related to apprenticeships. An Employer Provision team member has been on training to ensure all areas are covered and included in the action plan in place.

The importance of Committee members engaging with the reports (DSAT) was highlighted. BW reported the student reports are covered on a monthly basis and a deep dive audit is to be carried out with EP in the next term to ensure everyone responsible for the audit data is very clear on what is required of them.

Recommendations have been added to the outstanding audit summary so these can be tracked and monitored

RL highlighted an unqualified opinion and no clawback which was a positive outcome.

Becky Ward left the meeting.

24/18 RISK MANAGEMENT ANNUAL REPORT 2017/18

The Annual Report on Risk Management had been circulated. The Risk Management Group had met three times during the year. A positive audit had also been carried out during the year and the outcome is attached to the report. Deep dives are now scheduled in a part of the ELT meetings and additional training and awareness raising is carried out. RSM were thanked for their workshop. Training on 4Risk videos are now available and a link will be circulated

Action: circulate link to training video

The Chair noted the Terms of Reference suggest meeting four times a year and asked if that would be possible giving other workloads. It was agreed this was.

It was asked that attendance at the meeting is included in the annual report for next year. It was noted that Danielle Lister as a new audit member requires a login. Audit Committee were invited to attend the Risk Management Group meetings and the dates will be circulated.

Action: add the attendance in the annual report for next year

Action: Danielle to be set up with a log in for 4risk

Action: circulate dates for Risk Management Group meetings to Audit Committee

25/18 HEALTH AND SAFETY ANNUAL REPORT 2017/18

The report had been circulated. TD explained that three meetings had been held in the year. An independent audit carried out previously had been a focus for the team during the year. The policies and practices had been reviewed as part of the independent audit and the related scoring has improved following a review. KPIs were highlighted. The Committee were asked to accept the report and also agree the continuation of the work following the independent audit.

The report was accepted and the continuation of work agreed

26/18 ANNUAL REPORT OF THE AUDIT COMMITTEE 2017/18

The Annual Report which highlights the work of the Committee over the year had been circulated. The report provides assurance to the Board of Corporation that the College has in place an adequate and effective assurance framework. It was highlighted that the internal audit opinion was substantial assurance.

RL highlighted a positive point to note on page 10 which includes the explanation of monitoring of recommendations.

The report was approved by the Committee as a full record of the work carried out during the year and will be signed by the Chair.

Action: the report will be signed by the Chair

27/18 GDPR ANNUAL SUMMARY REPORT 2017/18

A summary of the data breaches reported had been circulated. The Clerk explained that a report is being produced for each Risk Management Group meeting. The types of breaches reported were outlined and that a number relate to sending of emails. Only one breach had required reporting to the Information Commissioner's Office (ICO) as this related to the sharing of sensitive data with an incorrect recipient. The response from the ICO advised on action and made recommendations on safeguards to be put in place. The Clerk explained that as DPO she is part of a GDPR working group which also includes the Group Directors of HR and Marketing, the Group Head of Information Services, Director of Student Services and the IT Project Manager. They are meeting regularly in relation to GDPR and progressing the actions from the internal audit carried out earlier in the year. The Committee were asked how much detail they would like to receive in future and it was agreed only those that have needed to be reported to the ICO.

Action: GDPR report to only cover ICO reportable breaches

28/18 URGENT BUSINESS

There was no urgent business to consider.

29/18 DATE OF NEXT MEETING

The next meeting will be held on Tuesday 5 March 2019 at 1600 hours.

It was noted that additional meetings may need to be called in relation to the planning for the new internal audit firm.

The meeting closed at 12.11 hours.

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Chair

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Date