



**MINUTES OF A MEETING OF THE LINCOLN COLLEGE AUDIT COMMITTEE HELD AT LINCOLN COLLEGE ON TUESDAY 31 JULY AT 17.00 HOURS**

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|-----------------------|--|---|
| <b>Present:</b>       | Nick Cudmore<br>Dean Graham<br>Peter Horner<br>Sam Yates   | Chair<br>Vice Chair<br><br>Staff Governor   |
| <b>In Attendance:</b> | Sarah Adams<br>Tom Dannatt<br>Gill Fitzgibbon<br>Claire O'Hara<br>Richard Lewis<br>Lesley Hill<br>Tim Godson | Clerk to the Board of Corporation<br>Group Director of Finance and Commercial GD(F&C)<br>Finance Manager<br>Head of HR<br>RSM UK Audit LLP<br>AuditOne<br>Duncan Toplis |
| <b>Apologies:</b>     | Mark Speed<br>Claire Love  | Group Financial Controller  |

**37/17 APOLOGIES FOR ABSENCE**

Apologies were received from Mark Speed and Claire Love. Tim Godson was welcomed as an observer to his first meeting. Gill Fitzgibbon, Finance Manager, was also welcomed to the meeting. Sam Yates was thanked for her contribution to the Committee and it was noted this was her last Audit Committee meeting.

**38/17 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.

Richard Lewis and Lesley Hill declared an interest in item 10 (Appointment of Internal Auditors) as both RSM UK Audit LLP and AuditOne had tendered for the Internal Audit provision.

**39/17 MINUTES OF MEETING HELD ON 7 MARCH 2018**

The minutes of the meeting held on 7 March 2018 were checked for accuracy and matters arising. The minutes were agreed as a true and accurate record and were signed accordingly.

**40/17 MATTERS ARISING AND NOTIFICATION OF URGENT BUSINESS**

There were no further matters arising not included within the agenda and there were no notifications of urgent business.

#### **41/17 SCHEDULE OF THE AUDIT RECOMMENDATIONS MONITORING REPORT**

The Schedule had been updated prior to the meeting and areas were highlighted for removal.

There are 20 recommendations highlighted for removal from the report which have been confirmed as implemented by AuditOne following their recent follow-up audit.

It was noted that a student numbers funding audit is scheduled for September and there would be more recommendations to add on as internal and external audit commence in the Autumn Term.

The Chair asked the Committee for their approval for those items marked as complete to be removed. This was confirmed. The Clerk will update the rolling report.

The Committee were asked if there were any questions/queries arising from the report. Richard Lewis stated responses have been received in relation to the findings for the year ended 31 July 2017 relating to subsidiary companies which were not on the report and these would be picked up following the audit in the Autumn Term.

The Chair reported this was a useful document and it was a positive step to now be removing the legacy items.

**Action: Clerk to remove completed items and update the rolling report.**

#### **42/17 SICKNESS ABSENCE FIGURES – DEEP DIVE**

Claire O'Hara, Head of HR, attended the meeting. The Chair explained that more clarification had been requested as the Committee hadn't fully understood the sickness figures due to a lack of comparison previously. It was explained that three year trends and sector benchmarks are included within the report. Claire O'Hara explained that AoC use headcount figures and the College uses FTE which have therefore been converted to headcount to give a like for like comparison which shows the College has an absence rate of 8.6 compared to 5.5 days for the East Midlands and 8.9 days for the Sector as a whole. The monetary amounts attached were queried and it was asked whether there was a direct cost if immediate cover was needed and if there was a more accurate way of showing true costs. Claire O'Hara explained it is a loss of productivity and there is an impact on the staff covering, ie stress related absence, which is quite high. It was explained that the HR team have a focus on prevention. Sickness absence rates have been static for four years which is mainly related to long term sickness so the focus is on short term absence. Discussion took place on the levels in support-teaching and that these are a low cohort size which has a bigger impact on the percentages reported. The costs relating to management, which have risen significantly, were discussed and it was outlined that there are now more staff in management grades but also the absence rates have risen. It was agreed that the actual costs of any cover or additional hours worked, rather than the salary cost which will be paid anyway, is the important figure to consider and the impact on those who have to cover and if the quality of curriculum provision is maintained. The Chair asked if this information was available and this was confirmed.

**Action: Claire O'Hara will report the actual sickness cover costs back to the Committee.**

It was asked if HR were tracking any trends. It was reported that within the facilities area sickness figures are higher but overall there are no trends. It was reported that the reasons for illness are also tracked.

It was noted that in the sector the figures are not high but are still at a level to cause concern and in relation to cost it shows that the organisation is managing without £0.5m of staff. The Committee welcomed the comparison next year following the actions being put in place and the preventative measures being introduced. Lesley Hill asked what support systems the College has in place for those on long term sick. The range of support was outlined including home visits and keep in contact which commences following 20 days of absence, the use of occupational health, phased returns, etc. It was asked if there was an impact on staff following the recent cost saving measures. Sam Yates reported that within her team there had been an impact and the staff were feeling under more pressure. Claire O'Hara offered to provide support through HR and asked if risk assessments were in place. Dean Graham asked if there was a pattern of the staff who are on sickness absence and it was explained that yes there was a pattern of the same staff hitting trigger points, returning to work and then going off sick again. It was also asked if this was being managed and this was confirmed.

**Action: figures to be reported on an annual basis.**

#### **43/17 INTERNAL AUDIT REPORTS**

The reports to complete the Audit Plan for 2017/18 had been circulated and it was noted there would not usually be this number of reports at one meeting. Lesley Hill was thanked for the hard work of her and her team in completing a number of audits required in the time available. Lesley Hill outlined how the reports were presented and that the areas of work were those agreed with ICCA at the beginning of the year. Lesley thanked the Management and Clerk for their work in facilitating and coordinating the audits.

##### Management Accounts

It was explained that the work had mainly focused around the production of the P8 accounts. The improvement in the style of the reports was noted. The only recommendation was related to clarification of the ESFA income headings. Overall this was a positive report and substantial assurance was given.

##### Student Records and Funding

Good assurance had been given and minor remedial action is required. Three areas had been looked at during the audit: the controls in place to mitigate risks, a review of 30 learner files and DSAT reports. Five recommendations had been made. At the time the Data Quality Officer had only been in post a number of months and it has taken time to develop the capacity to get the most from the reports and address any underlying issues. Further work on reports has been identified. Invoices for apprentices was identified as an area requiring development and this will be picked up again later in the year. It was explained that invoices need to be recorded within the ILR when the income is received. It was explained that the organisation needs to ensure this funding is collected as this can result in the ESFA not funding which may be a risk in future. A review has been recommended to ensure invoices have been raised and income recorded in the ILR. It was noted that for the majority it was clear the invoices had been raised but not been recorded. GD(F&C) explained there would be a catch up and process to follow to ensure the recording is in place.

The move to ProSolution may have had an impact and this should be streamlined in future. Richard Lewis explained a DSAT review is to take place over the summer prior to the Audit in September to support this. It was explained how the process worked and that there would be an opportunity to correct any errors before any clawback. Controls will be a focus and it will be asked if the Governors understand ILR and DSAT reports and the control environment. The Chair asked if there was a percentage tolerance before clawback. Richard Lewis explained there were tolerances in place but not connected to this process. Discussion took place on what the Audit would cover related to which academic year.

#### Fundamental Financial Accounting Controls

The highest level of assurance had been given. Two areas were covered: accounts payable and accounts receivable.

Three low level recommendations had been made which were accepted. The assurance received relating to what are fundamental controls was welcomed. It was noted that following a cyclical review of all areas would then give the opportunity to look at areas in detail and this could then move to a sample based review. It was recommended that payroll is an item for next year. It was also felt that the whole group should be reviewed and bring in KSA. It was agreed that this was a different process and that the figures involved were much larger.

The Chair asked for an idea of the value of bad debts. GD(F&C) reported c.£45k in 2016/17 which was due to a review of outstanding debts and that generally it is only small amounts. Gill Fitzgibbon reported that c.£8k had been written off but the rest is still being actively chased.

#### Curriculum Planning and Efficiency

The highest level of substantial assurance had been given. The area involved a review of many different streams of information and meetings with a number of staff. It was noted there would be more change as ProSuite is fully rolled out and utilised which will be fully embraced next year. There is a clear framework in place including areas to be factored in and considered. It was explained that elements expected to be included were seen to be. It was outlined that once the final plan was produced it was not clear when exactly this had been signed off and it was recommended that for next year the point of clarification should be documented so that ELT are clear what is being signed off and when. There is a recommendation to streamline timetabling using ProSolution and have final clarity on when this is approved.

Dean Graham asked if the Committee could be informed what curriculum has been cut as part of the planning so that they were able to ask what and why. It was agreed this was a useful question and the team should be asked to come and report on why, ie numbers, outcomes, funding, etc, as it would be helpful to understand the thought process of why. Lesley Hill reported this was touched on in the review and the reasoning was clear.

The Clerk reported on the Programme Approval and Deletion Group that met to consider this. GD(F&C) reported on looking at quality as example and possibly closing one course to open another. Discussion took place on the many different reasons for decisions taken around curriculum and also the funding methodology. It was agreed to invite a member of the Group to a future meeting.

**Action: invite James Wadsworth or Kevin Williams to a future meeting. GD(F&C) agree to follow this up with Mark Locking.**

#### Risk Management and Board Assurance

Lesley Hill gave an overview of the Audit which had examined the framework looking at identifying new risks, scoring, reviewing, actions and responsibilities, together with reporting to ELT, Audit and Board to enable the College to manage their risks. It was outlined there had been a lot of development over the last 18 months following a decline but there was now a resurgence and reemphasis. The College uses 4Risk and risk owners are all able to access and update their risks. The system was reviewed to ensure it was working as expected. The Risk Management Policy, Risk Register and Action Planning had also been reviewed. Six recommendations had been given and second level of assurance 'good' given to support bringing the system on. Management responses have been agreed on all recommendations.

The Risk Management Policy had been reviewed and updated by ELT. This will be taken to Board for approval. 4Risk has a large number of users and 30% hadn't been on the system since 2016 and it is recommended a review is carried out if these are still current users or the accounts require removal. It is a straightforward process to see when staff have accessed the system.

Terms of reference have been suggested so that these can be reviewed and updated alongside the policy. The Policy does give membership, etc but not detail of quoracy for example.

The timeliness of items being added to the system needs to be followed up. The Action Plan had a number of dates for actions that were in the past and a review of these is required to follow up on whether actions are still relevant and if they have been completed or not. Some descriptions need to be clearer so that the College can move these to mitigating controls section once they are complete. It was clear that the College had been on a journey of improvement over the last two years. GD(F&C) explained there had been a push to keep the impetus and this is continuing.

It was explained that some of the inactive accounts were linked to Board members and also Gainsborough Academy staff which can now be removed. Dean Graham asked what a figure might be for utilisation and how often risk owners access the system and that it would be helpful to know the ongoing usage rate. He felt that analysis of the risks show there are some that are too small and some too big to be included as they are on the register. GD(F&C) reported on the tightening of controls around using the system and that a deep dive is now scheduled on a regular basis for ELT which will help encourage updates. It was felt that the system was more embedded than previously but there was still a lag. A training package is being put together. Lesley Hill reported through her sample the risks she looked at had been reviewed within the last three months. It was recommended that the results of the deep dive are included in the annual report. It was also agreed that this should be added to the Risk Management Group agenda as a standing item. It was recognised that 4Risk can be improved and used as a Board Assurance tool.

**Action: ELT review to be added to Audit Committee Annual Report.**

**Action: Deep Dive to be added to RMG agenda as standing item.**

**Action: outcomes to be included on agenda for Audit Committee.**

### Follow Ups

This report is AuditOne's opinion on where the College is with any outstanding recommendations. 27 recommendations were followed up. Over 75% (23 out of 27) were confirmed as fully implemented and therefore green substantial rating given. Four recommendations that were advisory are included. Outstanding actions have been added to the rolling report and it was reported this was a pleasing level of completion. The four remaining matters are clearly on the way to being addressed as they were already partially complete. Richard Lewis stated this was a very good point which should be included in the annual report as a positive step.

Dean Graham commented that the work carried out over the past couple of years has been excellent and good progress made. The Committee agreed.

### Internal Audit Progress Report

Lesley Hill gave an overview of the audits carried out over the last two months to complete the internal audit plan. The report on GDPR is still to come which will be available for the Autumn meeting. Six reports have been issued, there is one remaining and the QIP audit had been cancelled following agreement it was no longer required due to the Ofsted Inspection taking place.

**Action: GDPR and annual summary report to Autumn meeting.**

The Chair thanked Lesley and her team for the amount of work carried out and the comprehensive review carried out. It was agreed this gave a good starting point for the coming academic year. GD(F&C) and his team were also thanked for their input.

## **44/17 LINCOLN COLLEGE AUDIT PLAN 2018**

Richard Lewis gave an overview of his report. The document outlines the scope of the audit of the financial statements and the regularity assurance engagement. It was highlighted that the new Audit Code of Practice have noted for the first time the level of fraud classes as significant is that in excess of £10,000.

Richard Lewis reported that an updated regularity questionnaire had been published and the College needs to ensure the correct questionnaire is used.

Richard Lewis asked the Committee if any issues of fraud have been reported or brought to the attention of the Committee. The Committee reported there were not.

GD(F&C) gave an update on treasury management including current cashflow and borrowings and outlined loans and credit facilities available. Richard Lewis reported on going concern statements included in financial statements. Discussion took place on Banks, the insolvency regime and the sector as a whole.

Richard Lewis asked that the Board as a whole are made aware of Appendix E- Emerging Issues, contained within the report as this gives a useful overview of the issues currently affecting the sector as a whole and details of recent developments.

**Action: Clerk to circulate document and draw attention to Appendix E (page 27 onwards).**

The following issues were highlighted to the Committee:

- Annual Report of the FE Commissioner (p 31)
- Ofsted Annual Report (p 32)
- College Accounts Direction (p 37) it was highlighted that the AD introduces the option for Colleges to adopt the Charity Governance Code. Richard Lewis explained that this may be more relevant to the College than the Financial Reporting Council (FRC) UK Corporate Governance Code and the currently adopted AoC Code of Good Governance for English Colleges and suggested the College considered adopting this code.

#### **45/17 FURTHER EDUCATION RISK MANAGEMENT 2018**

The RSM document that has analysed College Risk Registers and highlighted key risks themes had been circulated for information. Richard Lewis highlighted that if there are risks included in this report they should also feed into the Risk Register.

GD(F&C) reported that the College was using RSM to audit the KSA accounts. The year end is actually December but a project has commenced to align the financial years of Lincoln College (International) LLC and Lincoln College. It is expected this won't complete until July 2019.

#### **46/17 APPOINTMENT OF INTERNAL AUDITORS**

GD(F&C) explained that a tender process had been completed and seven responses had been received which were formally opened on 19 July. The next stage is to review the evaluation that is currently being undertaken before a decision is made on appointment.

**Action: The Committee will be kept up to date on progress.**

#### **47/17 BOARD ASSURANCE FRAMEWORK FEEDBACK**

A training session had taken place in April which had been very useful. It was recognised that this needs to be followed up on but it is unclear how it can be developed. Whether a further session should be arranged to follow up on this was discussed and agreed.

Board assurance is seen as a way forward and a powerful tool to use. It was outlined that AoC are keen for Board Assurance to be rolled out across the sector. It is therefore important that the Committee consider this and the benefit to Governors.

**Action: RL to be contacted for follow up session in the new year.**

#### **48/17 ETS UPDATE**

GD(F&C) gave an update on the current position. Mediation had taken place and an agreement was reached on information sharing and timeliness. There were a number of reasons why the actions agreed had not taken place. A handover has been made to the operational team and the data is being analysed. Of the first batch of 10, 7 were withdrawals, and only 1 completed, the outcomes have been agreed with both parties. A further batch is being sent for analysis.

Payments will be made for on-programme and completions. It was reported that the ESFA are aware of progress and supportive of the actions being taken.

The Chair asked for continuing regular updates and this was agreed.

**49/17 RISK MANAGEMENT UPDATE**

This item was covered during the discussions relating to the Audit Report on Risk Management in agenda item 44/17.

**50/17 HEALTH AND SAFETY UPDATE**

An update was given on developments from the Health and Safety Team. It was noted that the recommendations made by the external consultant included some capital spend requirements which will need detailed consideration. GD(F&C) reported that the Strategic Asset Management Group will restart and will score bids.

A Working Group has been set up with the University of Lincoln and Bishop Grosseteste to share knowledge and expertise across the organisations. Siemens is also being worked with in relation to industry knowledge of mechanical engineering safety. It was noted there had been less reportable accidents in the last quarter of the year. An improved system of contractor management has been implemented to tighten up on who is on site and why. The team have been developing the health and safety policies and procedures which are to be refreshed by the end of December 2018. The external advisor is supporting on this work.

It was asked if there was a process for near miss reporting and this was confirmed. It was explained these are currently too low which indicates that there is a lack of understanding on what should be reported.

**51/17 URGENT BUSINESS**

There was no urgent business to consider.

**52/17 DATE OF NEXT MEETING**

The next meeting will be held on Tuesday 9 October at 1600 hours.

**The meeting closed at 19.02 hours.**

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Chair

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Date