



MINUTES OF A MEETING OF THE LINCOLN COLLEGE AUDIT COMMITTEE HELD AT LINCOLN COLLEGE ON WEDNESDAY 29 JUNE 2022 AT 15.00 HOURS

Present:	Tim Godson Lucy Goodier	Chair Vice Chair
In Attendance:	Sarah Adams Thomas Dannatt Graham Gillespie Claire Love Paul Oxtoby Tom Marsden	Clerk to the Board of Corporation Group Director (Finance and Commercial) Wylie & Bisset Group Head of Finance RSM UK Audit LLP Director of Strategic Growth (<i>item 50/21 only</i>)
Apologies:	Stephen Pringle Peter Price Dean Graham Danielle Lister	Wylie & Bisset

44/21	APOLOGIES FOR ABSENCE Apologies were received from Dean Graham, Danielle Lister, Peter Price and Stephen Pringle.
45/21	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.
46/21	MINUTES OF THE MEETINGS HELD ON 26 APRIL 2022 The minutes of the meeting held on 26 April 2022 were checked for accuracy and matters arising. The Chair asked for an update on recruitment into the Finance Team. It was explained there are four new starters and only one vacant post which will be filled on 18 July 2022. This will address the current backlog. There is a plan in place to build capacity within the team. The number of new projects has slowed down which is helping. It was asked if there had been any reaction to the Gainsborough announcement now it is in the public domain that the site is to be leased out. It was explained that Sir Edward Leigh had reacted positively. There have been some concerns from local councillors and it is expected they will release a statement. The lease will create income for the College and bring that part of the town to life. A lot of the Castles students are local which will enable them to be educated in the town rather than having to travel out. The minutes were agreed as a true and accurate record and were signed accordingly.

<p>47/21</p>	<p>MATTERS ARISING AND NOTIFICATION OF URGENT BUSINESS</p> <p>The action points were reported on:</p> <p>36/21 – Drill Hall – W&B are in College currently carrying out this review. It was explained from initial findings the cash discrepancy issue related to when the Panto was on and some missing records from December. From March onwards the record keeping is much better with no concerns. It is unclear if a definite conclusion can be reached as to whether any theft or fraud has taken place. The draft report should be ready shortly for management review. It was asked if External Audit would need to consider this issue. External Audit confirmed they would see the Internal Audit report. It is expected this will not be material in relation to the Group. It was noted that ACOP regularity extends to the subsidiary companies.</p> <p>37/21 – Due Diligence reports have been reviewed. The scope wasn't to make recommendations. There was nothing to be added to the rolling report as an action.</p> <p>38/21 – LCI payments. Some payments have been received but this is still an ongoing risk. Semester 1 payments for 2 Colleges have not yet been made. These date back to January. Should these payments not be made in July this may have an impact. Delays are modelled in the cashflow.</p> <p>40/21 – KPIs are to be developed in relation to the Risk Management Group. GD(F&C) will bring these to the Committee for review</p> <p>Action: KPIs to be brought to Committee</p> <p>40/21 – 4Risk links have been sent to the Governors.</p> <p>40/21 – Draft Risk Management Group minutes are being circulated</p> <p>41/21 – Draft Health and Safety Committee minutes are being circulated</p> <p>42/21 – There will be input from LCI to main Board potentially in September. The Chair highlighted the need to be able to answer the question as to 'why are we working in KSA'. It was recognised that you can often only change things from the inside. The Saudi Vision 2030 and supporting the drive to change was highlighted.</p> <p>There were no further matters arising.</p>
<p>48/21</p>	<p>FRAUD, IRREGULARITY, IMPROPRIETY AND WHISTLEBLOWING</p> <p>An anonymous letter received in April was reported. The content was outlined. The ESFA have been worked with and the issues investigated. No wrongdoing was found. A report is awaited.</p>
<p>49/21</p>	<p>SCHEDULE OF THE AUDIT RECOMMENDATIONS MONITORING REPORT</p> <p>The monitoring report had been circulated. It was noted there are five items. Items were discussed:</p> <ol style="list-style-type: none"> 1 This relates to Risk Appetite and the deadline has been amended to September 2022 recommended via Audit Follow Up 2 It was noted this links to the first action with a deadline of October 2022 3 This has been added as part of the Follow Up Review relating to the location on Teamshare of COSHH Assessments. It was outlined all are in place but the issue is where they are stored electronically. There are still some to be rectified.

	<p>The GD(F&C) is assisting with completion of this action and there is just one area to follow up.</p> <p>4 Added as part of the Follow Up Review. It was reported that Mark Taylor and James Foster have been met with. The CRM system is not actively being used. An alternative system on account plans is being used. All activity is linked against customers. This has been tested out. Records have reduced from 27,000 to 8,000. GDPR compliance has been checked for all active and lapsed records. A further 2,000 records are to be cleansed with a target date of October.</p> <p>5 This is a new recommendation with a deadline of August 2022</p>
50/21	<p>TOP LEVEL SCORECARD/RISK REGISTER</p> <p>The updated Risk Register and Top-Level Scorecard had been circulated.</p> <p>It was explained that Ravensdale has still not been through Planning Committee. An update was provided. Only 15% of the plot would be developed to renew and upgrade the other 85% of the plot.</p> <p>[Tom Marsden joined the meeting]</p> <p>DEEP DIVE – ASI</p> <p>The Group Director of Strategic Growth provided an update on ASI. The risks are understood and being mitigated as best they can be. The team are looking at treatment of VAT, whether capital be realised in any other way and working with N&SDC. The reputational risks were highlighted. Other developments are being considered and a launch in the House of Commons is being investigated. Student recruitment is a focus and staff are going out to the Schools in Newark and using social media. There is a focus on ensuring the quality of provision is good. Helen Sharman is coming in September to launch recruitment for the following year.</p> <p>The risk of getting too far into a project that you can't back out was discussed. There are options with the College should the facility not be filled by aviation students to repurpose the new site which then provides options for the current campus. There is a degree of flexibility. There are layers of mitigation.</p> <p>It was asked if there was an appetite for what the facility can provide? It was explained that recruitment started in April/May 2021, and has risen to over 100 applicants this year. Ground operations are not seen as being as attractive as the pilot and engineering routes but there are new pathways including avionics, etc. Numbers are realistic rather than optimistic. The potential to work the Nottingham Trent University on L4, 5 and 6 provision should help to provide momentum.</p> <p>It was asked if any of the funding expires. It was explained not until 2025/26. The contractor is comfortable that the funding can be spent in year. There is a £4m gap between the funding available currently and that required. There is significant pressure to go ahead with the project. £2.6m is linked to construction and £1.4m linked to equipment.</p> <p>It was confirmed the Board has the final approval at the meeting in July.</p> <p>It was asked if some of the students have signed up expecting to be in the new building. It was explained this was a risk as new students will expect to go into the new build in year 2. The aim is for completion in August 2023. There is some detail on terms of the grant linked to security on the building to be finalised.</p>

	<p>The potential impact on financial health was explained. Payback periods linked to financial health and new builds was explained. Current facilities were outlined and it was explained there are risks linked to the bank and overdraft facilities. It was felt that the political risks can be lived with but the financial risks need to be considered in much more detail. It may be that the funding for the build needs to be looked at in relation to timing.</p> <p>It was asked, in terms of funding, if there would be any clawback. It was explained there were no conditions other than spending in Newark and on education and training.</p> <p>The Chair felt there was enough challenge and discussion taking place to ensure the decisions were well founded.</p> <p>[Tom Marsden left the meeting]</p>
51/21	<p>INTERNAL AUDIT REPORTS</p> <p><u>Safeguarding</u></p> <p>Strong assurance overall with no recommendations made. 26 areas of good practice. Under limitation of scope it was reported that due to GDPR the Single Central Record was not released in full electronically and, due to the audit being virtual, testing had been carried out on screen. Sexual Harassment was queried and it was asked how well this had been covered and what work had been undertaken around this area. It was explained that all Policies were reviewed and a review and assessment of the 'it's not ok' campaign that was implemented by the College during the year.</p> <p><u>Cleaning</u></p> <p>Substantial assurance with one medium recommendation. VfM was included in scope. Summary of costs were highlighted including benchmarking for outsourcing and also for another College by square metres. The conclusion was that this is value for money. three areas of good practice were highlighted. The risk relates to staff absences and costs of maintaining high standards.</p> <p>It was noted that costs are marginal and there are also costs related to sickness. It was highlighted that should the cleaning be contracted out there is always the potential that external contractors don't turn up so this issue can apply to outsourcing as well as inhouse staff. It was asked if additional equipment costs were related to Covid. It was felt this may be the case and this will be checked. The work of the procurement officer was explained and specifically that facilities are being worked with on costs.</p> <p>Action: to follow up on equipment costs in relation to Covid</p> <p>It was asked, and discussed, what controls are in place over cleaning products so that they were only being used for the purpose intended. It was felt that stock control could be subject of a future audit.</p> <p>Action: include stock control to a future audit</p> <p><u>Follow Up</u></p> <p>The follow up report was noted. Strong assurance was reported. There were ten recommendations brought forward. Five have been fully implemented, one superseded and four partially implemented which are included on the outstanding rolling report. This was a positive report and it is hoped all items will be fully signed off by the next follow up.</p>

	<p>The Committee asked which audits are expected to be finalised shortly. It was explained the following audits are underway or scheduled:</p> <ul style="list-style-type: none"> • Drill Hall • Student Experience • Budget Setting and Monitoring Procurement <p>It was explained that the Internal Audit Annual Report due in December will include any audits carried out in September.</p> <p>The Auditors were thanked for their reports.</p>
<p>52/21</p>	<p>EXTERNAL AUDIT PLAN 2021/22</p> <p>The External Audit Plan for the year ended 2021/22 had been circulated to the Committee. Key items were highlighted:</p> <ul style="list-style-type: none"> • New Senior Audit Manager, Nicola Bentham, providing more senior time for audit management to ensure a smooth process • Group structure has been amended to include the Drill Hall • Significant components for the Group accounts are Lincoln College and Lincoln College International LLC • Materiality figures are based on last year and will be updated for the current year once draft year end results are available • The timetable works backwards from 31 December 2022 taking into account dates for Audit/Finance and Board meetings • Income testing is planned for August • Key risks were highlighted, including income recognition and management override noted as significant risks, pension scheme liabilities, going concern (including utilities, pay, etc), regularity and international operations • Fees were explained and the impact of inflation, noting rises from the previous year and work required in respect of regularity and propriety in accordance with the ACOP.
<p>53/21</p>	<p>NEW AUDIT CODE OF PRACTICE</p> <p>The Post-16 Audit Code of Practice was published in April 2022 and had been circulated. The changes in this addition are outlined on page 5 of the document.</p> <p>The Clerk explained that the Terms of Reference for the Audit Committee would be updated to include the requirements outlined on pages 14 to 18 and this would be brought to the Committee at the first meeting of the 2022/23 academic year.</p> <p>Action: Clerk to update Terms of Reference for 2022/23</p>
<p>54/21</p>	<p>RSM – FURTHER EDUCATION EMERGING ISSUES – SPRING 2022</p> <p>The document had been circulated. The following was highlighted:</p> <ul style="list-style-type: none"> • 2022 College Accounts Direction – new requirements and disclosures were outlined including the requirement to state if an internal or external review of Governance has taken place. There is also an increased focus on related parties and related party transactions • Main changes to the ACOP including assurance over regularity being the responsibility of the audit firms.

	<ul style="list-style-type: none"> • A minor point to note was related to when a change of auditors needs to be reported. The main point highlighted was that regulatory and propriety work must include all subsidiaries. <p>It was agreed that the document was a very useful overview of the current issues in the sector and should therefore be shared with full Board.</p> <p>Action: Clerk to circulate to full Board</p> <p>The External Auditor explained that ONS are due to review whether FE Colleges are in or out of the public sector. The background to this was outlined. It may be that Colleges go back into the public sector. The implications were outlined. One concern is the amount of governance and compliance that may be brought in which may include different year ends, different accounting standards, etc.</p> <p>The Internal Auditor explained that Colleges in Scotland were brought back in to the public sector in 2013. He outlined that all reserves then go into the public fund and there was a move to a monthly draw down of funds.</p> <p>It was reported that information has been requested from the College and access to banking facilities requested.</p> <p>It was noted the ONS are a fully independent body and when a decision is reached on how FE Colleges the reason why would not be given there would just be a yes or no.</p>
55/21	<p>RISK MANAGEMENT UPDATE</p> <p><u>Board Assurance Framework Model</u></p> <p>It was explained this was the first BAF and that feedback from ELT was that they felt it was unwieldy. The Committee's view was that this was a good document and good governance and that they would like to receive a termly update.</p> <p>GD (F&C) asked if the Committee felt the level was appropriate. It was agreed it was.</p> <p>It was asked if the risk appetite was going to be tied to this? It was confirmed this would be the case.</p> <p>External Audit asked that where there is an external process that provides assurance that a date is added to this so it is clear how current this is. This was agreed.</p> <p>Action: GD(F&C) to add dates Action: BAF to be included on Audit Committee on a termly basis</p>
56/21	<p>HEALTH AND SAFETY UPDATE</p> <p><u>Health and Safety Policy Update – for approval</u></p> <p>The Health and Safety Policy had been reviewed and updated. The changes made were highlighted. It was outlined as best practice to review the policy annually. The Chair noted a couple of typos to be corrected and the Clerk will share the word document for amendment.</p> <p>Action: Clerk to send word version to the Chair for update</p>

57/21	<p>APPOINTMENT/REAPPOINTMENT OF EXTERNAL AUDITORS</p> <p>Following discussion with RSM it has been agreed that they will continue for the academic year 2022/23. It was explained that a tender process would have been put in place earlier in the year for 2022/23 but due to the due diligence process this had not been possible. It was outlined that a tender process will go out for 2023/24.</p> <p>It was reported that many firms have dropped out of the sector.</p>
58/21	<p>URGENT BUSINESS</p> <p>There was no urgent business discussed.</p>
59/21	<p>DATE OF NEXT MEETING</p> <p>Date of Next Meeting: the next meeting will be held in the Autumn Term at a date to be arranged.</p>
<p>The meeting closed at 1659 hours.</p>	

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Chair

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Date