



**MINUTES OF A MEETING OF THE LINCOLN COLLEGE AUDIT COMMITTEE HELD AT LINCOLN COLLEGE ON TUESDAY 30 JULY 2019 AT 16.00 HOURS**

<b>Present:</b>	Nick Cudmore Tim Godson Danielle Lister Mark Speed	Chair Vice Chair
<b>In Attendance:</b>	Sarah Adams Tom Dannatt Richard Lewis Stephen Pringle Neil Clark Mark Taylor	Clerk to the Board of Corporation Group Director (Finance and Commercial) RSM UK Audit LLP Wylie and Bisset Wylie and Bisset Director of Business Development and Partnerships (agenda item 57/18 only)
<b>Apologies:</b>	Dean Graham Claire Love	Group Financial Controller

**41/18 APOLOGIES FOR ABSENCE**

Apologies were received from Dean Graham and Claire Love.

**42/18 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.

**43/18 MINUTES OF MEETING HELD ON 5 MARCH 2019**

The minutes of the meeting held on 5 March 2019 were checked for accuracy and matters arising. It was explained the Board Assurance Framework is still under consideration and when the best time is for this was discussed.

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

**Action: Board Assurance Framework to be scheduled in.**

**44/18 MATTERS ARISING AND NOTIFICATION OF URGENT BUSINESS**

All other actions had been completed. There were no notifications of urgent business.

**45/18 SCHEDULE OF THE AUDIT RECOMMENDATIONS MONITORING REPORT**

The Schedule had been updated prior to the meeting. There are 28 outstanding items on the report of which 9 are flagged for removal. The Clerk explained that the report had been updated slightly since circulation and that item 18 now had an implementation date of December 2019 and item 19 is to be recommended for removal.

Item 1 - Transfer Pricing Policy has now been approved by ELT and will be taken to the Board and LCI Board for final approval before implementation. It was confirmed that this will be effective from 1 August 2016. Richard Lewis confirmed that dealing with items was a positive move as the ESFA are taking a strong position on issues that hang over from one year to the next. It is important that matters are kept on top of and followed up by the Committee to ensure timely completion of actions.

The Chair asked if Item 17 – Subsidiary Company payroll could be removed as this has an implementation date of 1 August. The Clerk explained the payroll would run on 23 August and it was therefore agreed to leave the item on until the process has taken place smoothly.

It was explained that the outstanding report had been checked by the Clerk and Internal Auditors to ensure that the items were a true reflection of those picked up by the Follow Up Report recently carried out.

The Committee was asked for approval for those items flagged as green to be removed.

**Approved: items noted to be removed from the report**

The Chair asked if a record was kept of previous reports. The Clerk explained there is both electronic and hard copy of each report so that a comparison can be carried out of those being added and removed throughout the year. RL confirmed that this was good practice and an important part of putting together the Annual Report of the Audit Committee.

There were no further questions.

**46/18 AUDIT NEEDS ASSESSMENT 2019-2021 – FOR FINAL APPROVAL**

It was explained that the March meeting had approved the areas to cover and this had then been approved by email by ELT and the Committee. The first batch of visits, resulting in five reports have been undertaken and the second visits are now underway with draft reports due on four areas on 9 August.

SP highlighted Appendix A on pages 10 and 11 which sets out the Operating Plan for the first three years. The Annual Report and Annual Plan for 2019/20 will be brought to the next meeting.

**Approved: Final Audit Needs Assessment Plan**

**Agreed: To bring Annual Report and Plan for 2019/20 to the next meeting**

**47/18 INTERNAL AUDIT REPORTS**

**48/18 Follow Up Report**

It was agreed to take the report as read. The follow up report covered off the outstanding issues brought forward from previous audits. A strong level of assurance was given.

It was noted that of the 30 recommendations, 26 had been fully implemented, 1 had been superseded and 3 were not yet implemented. Attention was drawn to Appendix A which outlined those not yet implemented. It was noted there were reasons for this and RL stated the importance of the College being able to defend these when the Annual Report is produced.

SP explained that this was a very positive report and good in comparison to other organisations they are involved in auditing. This was welcomed by the Committee.

**49/18** Corporate Governance

The report was taken as read. The purpose of the audit was to ensure there are appropriate governance arrangements in place. The scope of the review was outlined. A strong level of assurance was given. Only one low level recommendation was given. SP reported on the benchmarking and a very positive report.

RL explained that when internal audit was mandatory for FE, as part of the programme of work there was a requirement to have governance covered each year. This was removed when internal audit became optional, therefore it was pleasing to see this example of best practice and the positive report received. It was also good to see the benchmarking figures and RL stated that Committee should be pleased with the outcome of the report. The Clerk explained that TD and JP (Chair of the Board) had supported the recommendation and the CEO was to be met with to progress this.

**50/18** Marketing Promotions/Student Journey

Neil Clark presented the report. His main contacts had been Jim Newall and Clare Lloyd. The scope of the review was outlined.

Finding Ref 2 on page 14 relating to attendance registers was discussed. The Chair asked about the attendance records and those not being completed in a timely manner which he felt was a concern. TD responded that there are occasions when registers may be marked late, ie if out on field trips, etc. There should be no reason for registers to not be completed. RL reported on ESFA interest in this area and that this is a risk linked to funding. Management should follow up that funding rules are being complied with.

**Action: TD to follow up**

RL stated that an announcement would be made soon on whether a student funding audit would be carried out this year. It was expected that this would be the case.

**51/18** E-enabling the College

It was explained that for clarity the scope was amended to look at online learning. The main contacts were Sean Knight and Tom Dickinson. Substantial assurance was received for the audit. Ten areas of good practice were noted and the two medium and one low recommendation.

**52/18** Safeguarding/Student Services

A strong report with 20 areas of good practice. No recommendations were made and there was only one area of observation relating to the use of ProSuite linked to safeguarding cases.

The Chair thanked the auditors for their work on the first batch of reports and it was noted the second batch of audits are being undertaken currently. These will feed into the annual report of the Audit Committee and reports be received at the first meeting of the Autumn Term. Neil Clark thanked the College and those involved for their engagement in the work.

Richard Lewis presented the Audit Plan and gave an overview of the contents.

It was explained that the auditors are engaged to give a true and fair opinion of the financial statements and also to form a conclusion in relation to regularity. Two key areas were highlighted: making sure the College complies with conditions of funding and also compliance with regulations, for example, if a grant is received for building works checks will be carried out that the terms and conditions are being followed. Impropriety will also be covered and this will be reported to the Chair but will not have an impact on the finding for the regularity assurance.

Key points were highlighted, including:

- Section 2 – Financial Statements. It was noted that Greater Lincolnshire Apprenticeships Ltd would not be included in the audit as it was felt this Joint Venture was not material for this reporting period.
- Section 3 – Key Areas of Audit Focus. These will include: Pension Scheme Liabilities; Going Concern; Management Override of Controls; College Estate, noting that funding has been a challenge for the Sector, including consideration of the accounting treatment in relation to the long term financing agreement as a novel transaction; Regularity Review and Lincoln College International.
- Section 4 – Fees. The fee structure was outlined. The slightly increase is linked to the requirement for more disclosures, including disclosure relating to CEO remuneration and it was noted non-disclosure would result in a qualification. There will be increased costs to cover off these requirements.
- Appendix D – covers governance, control and independence. The key areas of note were highlighted.
- Appendix E – Emerging Issues. This section includes a number of key issues affecting the sector. It was suggested this was shared with all Board members for information.

Key points highlighted to note from the Emerging Issues included:

- Financial Health – Teachers' Pension Scheme with employer contributions set to rise. There is a contribution from the Government for the current financial year but it is currently unclear if this will continue. The Spending Review should give further information on this. In relation to the Local Government Pension Scheme (LGPS) RL recommended that management engage with the Actuary in relation to the contribution rate, this could be a financial shock as contributions will increase.
- Non-compliance with funding/sub-contracting rules which is an addition to the triggers for intervention.
- Good governance – it was explained that the DfE have updated their governance guide which highlights the main duties of Governors as Charity Trustees and has a number of matters for discussion.
- RL recommended that the Committee read the FE Commissions Annual Report and also the report on Hadlow College which gives interesting background on what went wrong.
- Remuneration – The AoC released The Colleges Senior Staff Remuneration Code in December 2018 with a new direction and focus on the use of public funds. This includes a number of 'must' and 'should' statements and links to the increased reporting.

**Action: Clerk to separate out Appendix E – Emerging Issues and share with the full Board**

As a component of the audit RL formally asked if the Committee had been notified of, or become aware of, any incidents of fraud. The Committee confirmed they had not.

TD explained that the ESFA had placed the College in early intervention several months ago this was a trigger linked to liquidity and specifically cash days. Projections showed these dropped to c.15 at a snapshot in the year. TD explained the positive engagement with the ESFA Territorial Lead on the issue and discussions relating to the long term finance deal that they were aware of has improved this position. It was explained that the ESFA had asked that the College submits 2018/19 accounts and the financial plans for 2018/19 and the next two years so they can assess the current position. The ESFA will then respond formally.

#### Funding – Income

RL had circulated a briefing document which outlined areas of risk across the sector that were helpful to be brought to attention of Governors for review and challenge, including: AEB; Apprenticeships; Study Programmes and Advanced Learning Loans.

#### FE Risk Register Analysis

RL had circulated a document following analysis of risk registers. It was highlighted that the key risk themes continue to be finance and strategy. Governors were asked to note the top five themes identified.

Each section includes a section on 'Considerations for Governors' and RL also highlighted the need for the right KPIs and asking 'Are we doing what is needed?'

### **53/18 NEW POST 16 AUDIT CODE OF PRACTICE (ACOP)**

The latest ACOP had been published in February following its annual update. The changes to the addition and useful sections were highlighted including:

- The Regularity Self-Assessment Questionnaire has been aligned to reflect the changes in the Code.
- The additional guidance on preventing and managing fraud including a 10 point anti-fraud checklist with useful tips to help review arrangements (Annex D).
- Summary of Regularity Concerns related to Governance and Management (Annex C).

The Terms of Reference for the Audit Committee will be amended to reflect the changes in the document.

**Action: Clerk to amend Audit Committee Terms of Reference**

### **54/18 INSOLVENCY REGIME – OVERVIEW**

The DfE Further Education Bodies: Insolvency Guidance had been circulated. RL gave an overview. Governor responsibilities and penalties of insolvency were outlined.

Information on the Toolkit produced by RSM in conjunction with Stone King had been circulated and RL explained this is available to the Audit Committee or full Board should it be considered helpful. It was explained the presentation covers the guidance and also early intervention including outlining a number of areas to be aware of. It was felt the Toolkit was a useful refresher for those organisations who may not have an issue but want to keep up to date with this key piece of government legislation.

The Committee felt this could be brought together with the Board Assurance framework training. It was agreed to arrange the training in the Autumn Term and invite all Governors and any Managers who wished to attend.

**Action: Arrange Insolvency Toolkit and Board Assurance training for Autumn and invite Governors and Managers**

#### **55/18 RISK MANAGEMENT UPDATE**

TD explained that the Risk Management Group had met twice since the last Audit Committee meeting and also that a meeting with key managers had been held on how to increase the effectiveness of the Risk Management Group.

The meeting attendees had been asked that if they had any risks that are remaining as red that they should be raised as a key issue and brought to the attention of ELT to address. The aim is to get some issues moving and send proposals through for action and/or investment. TD reported that the meetings had been positive.

#### **56/18 HEALTH AND SAFETY UPDATE**

Two meetings had been held, one in March and one in July. The March meeting had reviewed the Terms of Reference and Membership. At this point membership had been reduced but on reflection it was later increased to ensure all areas across the College are well represented. Near misses had been discussed and the quality of the monthly and annual Health and Safety Reports and whether these were effective. Near miss calls are now being recorded from calls to the helpdesk as well as paper reporting which it is hoped will give a clearer reflection of the actual numbers.

#### **57/18 CRM/KPIs**

Mark Taylor attended the meeting as a follow up from discussions at the last meeting in relation to the outstanding issues on KPIs and CRM.

MT explained that in relation to the KPIs a lot of work has been done over the last 12 months in relation to managing the work of the sales team at the College. These have been broken down into soft and hard KPIs that cover the outcomes required to create revenue and the work leading to this. The apprentices, AEB and full cost work equates to a total value of c.£8.5m. This is broken down to best manage an individual's performance and give an understanding of what is expected of them. This includes numbers of appointments, telephone calls, ratio of levy and non-levy business. This then feeds into quarterly outcome targets for those working in the sales team. These are further broken down to monthly targets which therefore gives time within the quarter to take any actions required. The team now have a much wider portfolio to use to discuss the options and solutions available for business and individuals. In addition the use of a formal performance management has been put in place. The performance management is a very supportive process. There are currently only four members of staff but they are confident that they will deliver 70% of the apprenticeship target within the first quarter of the year. This stems from a clear focus on the numbers and activity. For next year there will be an increased focus on the team doing the delivery, ie the assessors. They will be encouraged to meet the employers when they visit their learners in organisations and make the most of these visits. This will include leaving the portfolio of products. It is recognised they are not sales people but they can help to maximise the contact with employers. This has been started as a pilot with a small group of staff. The meetings in place for the team were explained. MS asked how the team target which employers they go out to. MT responded that the CRM is used for this and that 1208 employers have been engaged with over the last 12 months.

There are account management opportunities but one stream is to follow up on those that have not engaged more recently. The split between levy and non-levy was important (currently 40/60). The College came very close to running out of non-levy funding. This year the split is more 50/50 with the aim of moving this to 60/40). In some areas there is not the capacity, so the areas where there is capacity are a focus.

There are lead agents working with the team also who help with prioritising. MT reported that it is a much quicker process to bring a non-levy company on Board and with some of the bigger levy companies it can take on average 9 calls to get through to a decision maker. There are not many big organisations with the Head Office decision makers in Lincolnshire.

In respect of the CRM system MT explained that this moved to the Compass ProSuite a couple of years ago and the data transferred over. The challenge at that point was that the data wasn't clean and often resulted in duplicate results and examples were given. This can lead to confusion and staff not finding the correct record. It is essential that the latest and correct contact with an organisation is complete and accessible. Temporary staff had been brought in to cleanse the system but this was not entirely complete. The system has been used on a daily basis since but there is a danger this has undone some of the cleansing carried out previously. MT explained that before the end of October, between the sales and CIS team, there will be a clear plan on how the system will be cleansed and the training to be given on how to use it to its maximum. This will include the ability for staff to print up to date reports off prior to visits to organisations. This is still a work in progress. MS asked if there was the ability to restrict the numbers of staff able to create customer master records and allow others just to have input and this was discussed. It was asked if this was an achievable timescale. MT stated there would be a clear plan with people allocated and deadlines in place by the end of October.

Following discussions it was agreed that the KPI item could be removed from the Outstanding Report and that the CRM item would have an updated implementation date for October 2019 in respect of a plan in place to complete the actions required.

**58/18 URGENT BUSINESS**

There was no urgent business to consider.

**59/18 DATE OF NEXT MEETING**

The next meeting will be held on Tuesday 15 October at 1500 hours.

**The meeting closed at 17.40 hours.**

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Chair

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Date

**Action List**

**Actions from the Audit Committee Meeting held on 30 July 2019**

<b>Minute</b>	<b>Description</b>	<b>Action by</b>	<b>Target Date</b>	<b>Status/Note</b>
43/18	Board Assurance to be scheduled in	Clerk/Audit	Autumn Term	
45/18	Green items to be removed	Clerk	Following meeting	

46/18	Annual Report and Plan for 2019/20 to the next meeting	Internal Audit	October meeting	
50/18	Late completion of registers to be followed up	TD	Following meeting	
52/18	Emerging Issues document to be separated and shared with Board	Clerk	Following meeting	
53/18	Audit ToR to be amended in line with ACOP	Clerk	October meeting	
54/18	Insolvency Toolkit and Board Assurance to be arranged for Autumn	Clerk/Auditors	Autumn term	