

LINCOLN COLLEGE

CONFIDENTIAL

AUDIT COMMITTEE MINUTES

TUESDAY 8 MARCH 2016 1700HRS IN THE EXECUTIVE MEETING ROOM, LINCOLN COLLEGE

Present	Nick Cudmore (Chair)	Peter Horner	Nick Lyons
In Attendance	Dean Graham Wenke Geddert (Clerk to the Corporation)	Mark Platts Rachel Lewis (Group Financial Controller) – until 1847hrs	Lorraine Tomlinson- Hall (Chief Operating Officer) – until 1847hrs
Apologies	Scott Winter (ICCA) Richard Lewis (Baker Tilly)		

20/15 APOLOGIES

Apologies for absence were received and accepted from Richard Lewis.

The Chairman welcomed Rachel Lewis, Group Financial Controller, who had been invited by the COO to join this meeting.

21/15 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.

22/15 MINUTES OF MEETING HELD ON 15 DECEMBER 2015

The minutes of the meeting held on 15 December 2015 were reviewed.

Subject to the following amendment: item 17/15, page 7, last sentence: “Richard Lewis went on to state that he believes the College is a going concern.”, the Committee approved the minutes of 15 December 2015 which will be signed by the Chair at the next meeting.

Action: Clerk to amend – Chair to sign the minutes at next meeting.

23/15 MATTERS ARISING AND NOTIFICATION OF URGENT BUSINESS

The Chair stressed that it was essential for reports to be distributed with the agenda seven clear days before the meeting. Reports arriving later would need to be tabled at the meeting, with the possibility of being deferred to the next meeting so that an informed decision can be made by the Committee.

The action points of the last meeting were reviewed.

It was noted that future dates of the Risk Management meetings had been circulated by the Clerk.

The COO was asked to give an update on the Reporting and Assurance Report over Operations

in China. She informed the Committee that she will go out on Sunday with the revised version of the report, which includes growth and expansion, signed off.

The COO further informed the Committee that she would be leaving the College on 3rd June 2016.

There was no urgent business.

24/15 RISK MANAGEMENT UPDATE/ BOARD ASSURANCE FRAMEWORK

The Chair commented that the Standard Risk Register report had been received later than anticipated and pointed out that it was a big document to read in such a short space of time. The COO apologised for the timing of it. She said that it was a comprehensive document and individuals who owned the risks had to be chased for their input. The risk register had subsequently been recreated. The COO outlined that she was a great believer in quality not quantity, although the report showed both, and went on to explain that the report had been reviewed, revised and challenged by the management team. She said that it now reflected all the identified risks in the whole organisation. The COO outlined that the reason for the software programme was to progress the items going forward as there were a number of high risks. An update of the report will be circulated to the Committee after the next Risk Management meeting.

Action: Clerk – include updated Standard Risk Register for next meeting.

The COO was asked to explain how the software worked in comparison to the previous programme. She outlined that the prompting had changed. It had been a decision by the committee and owned by that committee. The software assigns each risk to an individual. The reviewing process prompts a management response. It is a proactive rather than reactive “live” process, a working document rather than a reporting function. It will also feed into the capital investment programme and report to the Audit Committee as much as to the senior leadership team.

The COO was then asked to explain how exceptional risk was handled. She stated that, in the process of worst case scenarios, people were asked to think about what they would do. Previously, these issues had not been identified as risks. Judgment and weighting of individual risks as well as probability were essential.

The Chair noted that some items still had still empty boxes where no risk control or required actions were recorded. The COO pointed out that no empty boxes should be shown at this point. She assured the Committee that in the last meeting all boxes had been populated and pointed out that the generated report would be checked and redistributed. Possible reasons for this omission were discussed.

Action: COO – recirculate Standard Risk Register report via Clerk.

It was noted that the maximum inherent risk priority score was 25.

The IT section was taken as an example. The Chair pointed out that in case of a residual risk there should still be actions required.

The Committee requested for a summary of changes to be distributed rather than the whole report. The COO pointed out that a trend analysis was available and suggested that a login could be given to the Committee to be able to regularly check on progress.

Action: COO – ensure Committee has logins for the Standard Risk Register.

With a view to actions being completed, the Committee noted that there was also a history page where any changes could be traced.

The COO pointed out that it was a new process for everyone.

The Chair appreciated that the Committee had a good starting point, and stressed that the Committee had to follow things through with logins to check on actions to see that items had been monitored appropriately.

The COO informed the Committee that the rolling programme of replacement had stopped. To replace items that are over five years old would cost £560,000 which the College does not have. This, together with all the other financial demands like replacement of roofs, is a high cost factor. However, they have not all failed, although this may not be ideal for teaching and training. The COO informed the Committee that affordability was a decisive factor. Previously, the College did not have a proper risk management programme. There are a number of interlocking aspects that are not visible. The SAM (strategic asset management) meeting was subsequently set up. Feasibility studies are being produced to sell off some land in Newark as this will pay for the roofs which will amount to £1.8 million minus the building that can be sold off. COO confirmed that this would ultimately feed through to the budgeting process.

The Chair stressed the necessity that the report remained focused on risks.

The COO outlined that the College had spent approximately £50,000 to increase the memory going forward. After SAM, the capital spend would not be decided at the risk management. This feeds into the SAM meeting. She stated it was work in progress but acknowledged the points made.

The Chair thanked the COO for her report.

25/15 KSA UPDATE

The Chair informed the Committee that the KSA Audit Report would be deferred to the next meeting due to the late circulation of papers. The Chair subsequently invited the COO to give a verbal update.

The COO reported that she had visited KSA on 28 January 2016, at which time she met with the Interim COO of Colleges of Excellence (CoE) and providers: Career First and Ingeus. During this visit, the COO was made aware that the contracts held with Ingeus and Career First were advantageous to the suppliers. Committee members were made aware that operations in KSA have been subject to media scrutiny over the past few weeks, however, items reported on bear little truth. It was reported that the two colleges in Al Aflaj were not financially viable due to insufficient student enrolment numbers; therefore the decision was made to close them. This decision was presented to the Board of Corporation and is viewed as a good news story. The COO reported that the Al Qatief College has a healthy profit margin of circa 33%. The COO briefed the Committee on the development made in relation to the employment of a new General Manager and outlined details of exceptional costs outstanding to the Lincoln College Group from Colleges of Excellence, totalling approximately £2.6 million, with a further request for additional exceptional costs. The COO described plans for healthier contracts following negotiations with Ingeus and Career First, and stated that overall her visit to KSA had been very successful. The COO advised Committee members that the revised financial forecast would be available in due course from the Managing Director.

A request was made for clearer communication with the Audit Committee in terms of operations in KSA. The COO noted this request and reported that the CEO had shared information on the

college closures with Board Members at the Corporation meeting held in January 2016 and went on to explain that the communications management process is highly sensitive in terms of KSA operations.

The COO explained that new interim staff have been put in place at CoE and highlighted potential opportunities going forward.

The Chair thanked the COO for her report.

26/15 INTERNAL AUDIT REPORTS

Final Audit Report 01.15/16 – Safeguarding

Scott Winter reported on the Final Audit Report 01.15/16 Safeguarding (including Prevent Duty) which was circulated with the agenda. He drew the Committee's attention to the overall assurance conclusion on the front page. He explained that all aspects of safeguarding including a single central record were looked at. He pointed out that on page 5, two medium level recommendations were made which were summarised on page 6. With a view to safer recruitment, he explained that two Corporation Members did not have a DBS check, which had now been actioned. The number of staff who did not have safeguarding or prevent training was very low, consisting mainly of new starters. The completion of the safeguarding training was being monitored. The Committee noted that overall it was a good report.

As far as subcontractors are concerned, the College does require them to complete safeguarding training but it is not explicitly written in their contract, which would be an essential requirement.

External Assurance Review: Sub-Contracting (Action Plan and Certificate)

The COO informed the Committee that the number of subcontractors had been reduced to around 7 or 8 from 20 and explained that the contractual lifetime lasted a year. She pointed out that a lot of financial penalties were written into their contracts. She went on to explain that the College has had problems with subcontractors. The SFA had decided on an external review on controls for subcontractors with the College being required for the first time this year to have a control. The COO outlined that a report and a certificate were now available, which go back to the SFA.

The Chair drew the Committee's attention to page 3 & 4 of the Advisory Report 2015/2016 External Assurance of Sub-Contracting Controls, which was circulated with the agenda, that shows the summary results with respective recommendations and action required. The COO assured that this would be addressed in the new contracts issued and monitoring would be essential.

Page 8, item 9.7 "Fees and Charges". The summary states that this policy is reviewed annually by the College and currently meets the funding requirements. However, the policy is not reviewed and signed by the Corporation (Governors) nor the Accounting Officer, as required by the SFA. The action taken "completed in full" was queried. It was decided for this policy to be presented to the next Corporation meeting for approval.

Action: Clerk – put "Fees and Charges Policy" on agenda of next Corporation meeting.

Progress Report

Scott Winter outlined the Internal Audit Progress Report & Sector Update, which was circulated with the agenda, and said that the plan was balanced. He highlighted page 2 and said that it

was anticipated for the same number of audit reports to be presented to each meeting with subcontracting and KSA being in negotiations. The COO considered the audit titles and agreed that they should be spread more evenly throughout the year with a discussion to be had at the beginning of the year. She stressed that a lot was recorded for March, which coincided with Easter, a time where people in the education sector are on leave. The Committee acknowledged that although a report could be planned for a certain month it could still be commenced earlier on. The Chair pointed out that a robust timetable for the audit to be carried out as equally as possible during the year was essential unless there was a good reason for deferring something. The COO said that the previous year was very unique as the systems did not have enough information.

Scott Winter drew the Committee's attention to page 2 where an additional column from the original audit plan had been added to highlight the movement from the original plan. The Chair stated that a record of what had been deferred would be beneficial in order to have the reassurance that is had been done and stressed that once the schedule has been agreed it should not be changed. The COO insisted that there should be a proactive contribution at the beginning when the plan has been agreed.

The individual reports with their commencement dates were discussed. The Committee was concerned that a total of nine audit reports were due to be commenced in May 2016. It was noted that the College was closed for two days week commencing 31st May 2016, and that the reports would be produced within the last three days before the COO's leaving. Scott Winter stated that the audit plan was flexible and could be brought forward on request. The COO requested to see an update with the details approximately three weeks before her leaving.

Scott Winter drew the Committee's attention to the process of how the auditors' opinion on pages 7 and 8 was formed. Amongst the questions arising was formal benchmarking, which was done as a cross reference with expert opinions with limited assurance, reasonable assurance and substantial assurance being used to form individual judgments. A Committee member felt that the same auditor should carry out the audit throughout the College group in order to consistently apply the same level of judgment.

It was noted that improvements in the College like for example in Mark Locking's directorate in the field of Maths and English were made all the time.

The COO outlined that with changes to the common inspection framework, an area review will be due in September 2016.

Conditions of Funding

The Chair informed the Committee that the report Conditions of Funding would be deferred to the next meeting due to its late circulation.

Action: Clerk – put on next agenda.

Scott Winter drew the Committee's attention to the conditions of funding which may have an effect on the College as outlined in the conclusion of the audit report. He further stated that this report was advisory but nevertheless important for the College.

The Chair thanked Scott Winter for his reports.

27/15 AUDITORS TO MEET THE COMMITTEE WITHOUT MANAGERMENT PRESENT

The COO and Rachel Lewis left the meeting at 1847 hours.

The Chair invited Scott Winter to raise further issues.

Scott Winter explained that, in future, a KSA report would be received at every meeting.

Action: Clerk – put KSA on agenda as standing item.

Among the questions on the agenda items presented earlier on were the following points which triggered a discussion:

Audit report recommendations – A summarised schedule of outstanding audit recommendations should be presented at every meeting to ensure appropriate actions have been taken.

Action: COO – produce reports for each meeting.

Conditions of funding report – An update has to be circulated. The report has not been reviewed to its lateness but is essential for the work of the Committee.

Timely circulation of papers – It was stressed that all papers have to be received by the Clerk in due time for the agenda to be sent out seven clear day before the meeting. The lateness of reports is a cause of concern.

Risk management software – The committee felt the software was making the risk management process more complicated.

Positive marketing and the media – A focus on positivity should be embraced and highlighted accordingly.

28/15 URGENT BUSINESS

There was no urgent business.

29/15 DATE OF NEXT MEETING

It was agreed that an **additional** meeting will take place on **Wednesday 20 April 2016 at 1700.**

The meeting closed at 1931 hours.

.....
Chair

.....
Date