



MINUTES OF A MEETING OF THE LINCOLN COLLEGE AUDIT COMMITTEE HELD AT LINCOLN COLLEGE ON TUESDAY 13 DECEMBER 2016 AT 15.00 HOURS

Present:	Nick Cudmore Peter Horner Dean Graham Nick Lyons Mark Platts Mark Speed	Chair Vice Chair
In Attendance:	Scott Winter Tom Dannatt Richard Lewis Claire Love Sarah Adams Margaret Serna Gary Headland Sam Yates	ICCA Group Director of Finance and Performance RSM UK Audit LLP Group Financial Controller Clerk to the Board of Corporation Chair of Corporation (Finance Committee) CEO (Finance Committee) Staff Governor (Finance Committee)
Apologies:	Mark Ashton-Blanksby	ICCA

ANNUAL FINANCIAL STATEMENTS 2015/16

Margaret Serna, Gary Headland and Sam Yates, representatives from the Finance Committee, attended for this agenda item.

Richard Lewis outlined the role of the Audit Committee, primarily advising on the adequacy and effectiveness of the College's assurance framework and also to be responsible to advise and explain the accounts/financial statements to the Corporation. It was noted the Annual Financial Statements were currently still in draft. Richard Lewis ran through the accounts and highlighted key areas. It was noted the content and layout was different to that of the previous year due to the new FRS102 accounting framework and SORP (Statement of Recommended Practice). Key points were highlighted as follows:

- P3 – Report of the Governing Body, including legal status, mission, value for money, Strategic Plan and how this was developed.
- P6 – Ofsted Inspection, which was noted.
- P7 – Numbers and Financial Results.
- P8 – Going Concern, Financial Objectives and Reserves Policy.
- P9 – Future Developments, Greater Lincolnshire Area Based Review, setting the scene and other operations. It was noted this was appropriate with good comments.
- P11 – Principal Risks and Uncertainties, including Government Funding, Tuition Fees and Employer Provision.

P13 – Equal Opportunities.

P15 – Statement of Corporate Governance and Internal Control.

P20 – Key Conclusion. Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control and has fulfilled its statutory responsibility for the *“effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets”*. Richard Lewis advised that Nick Cudmore, as Chair of Audit Committee, recommend to Margaret Serna, Chair of Corporation, and Gary Headland, CEO and Accounting Officer, that the statement is acceptable to sign off. Nick Cudmore reported that he agreed with the statement and would recommend to the Board that the framework is in place with relevant controls, is fulfilling obligations and the statements can be signed.

Further discussion took place related to ‘Going Concern’ and that there are adequate resources to continue in operational existence. The 2015/16 deficit in KSA and its impact on the balance sheet were noted. The balance sheet is still positive with no deficit funds. Richard Lewis asked if Nick Cudmore was happy to recommend this to the Board. Nick Cudmore confirmed his confidence in the statement of going concern and that he was happy to recommend this to the Board.

P21 – Statement of unqualified opinion on regularity. Confirmation was given there were no instances of material irregularity, impropriety or funding non-compliance and therefore it was recommended that Margaret Serna and Gary Headland sign this statement accordingly.

P24 – Comprehensive performance statement. It was noted this was only year 2 of a long term project. College Reserves were noted as £17.2m.

P27 – FRS1 cashflow note is yet to be completed.

P28 – Explains the notes to the accounts. It was noted that accounting policies are appropriate and compliant and that land has been revalued.

P31 – Includes new holiday pay accrual.

P36 – Critical Accounting Judgements. The key assumptions were outlined.

P44 – It was explained that capital grants are now treated differently and moved to liabilities.

P45 – Pension. A positive impact on liability this year.

P52 – SORP (Statement of Recommended Practice). It was explained this included revalued land and holiday pay.

Questions were welcomed. Richard Lewis was thanked for his comprehensive and clear explanation of the set of complex accounts.

[Margaret Serna, Gary Headland and Sam Yates (representing Finance Committee) left the meeting]

ANNUAL INTERNAL AUDIT REPORT 2015/16

Scott Winter explained the Annual Internal Audit Report is a requirement for the end of year Financial Statements and it was therefore agreed to consider this report prior to the main business of the Audit Committee.

Scott Winter presented the Annual Internal Audit Report. Based on the work undertaken the Assurance Opinion was Reasonable. It was noted that this is the highest possible assurance. Confidence was reported in all three sub-opinions areas of Corporate Governance, Risk Management and Internal Control.

It was explained that the Audit Committee plays a crucial role in the development of the Annual Statements and as part of this has considered the Ofsted Inspection, the Funding Agencies Shared Service Team (FASST) Funding Audit and the External Assurance Review of Sub-Contracting Controls to guide opinion.

It was noted there was only one area of limited assurance during 2015/16 linked to Learning Support and High Needs Funding.

Reasonable progress was noted relating to implementation of internal audit recommendations. It was noted however that 68% was low and it was hoped to improve this to 80% or above over the next year.

It was explained that two additional pieces of work had been undertaken during the year: External Assurance Review of Sub-Contracting Controls and Support related to the FASST Funding Assurance Review.

14/16 APOLOGIES FOR ABSENCE

Apologies were received from Mark Ashton-Blanksby.

15/16 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.

16/16 MINUTES OF MEETING HELD ON 11 OCTOBER 2016

The minutes of the meeting held on 11 October 2016 were checked for accuracy and matters arising. The minutes were agreed as a true and accurate record and were signed accordingly.

17/16 MATTERS ARISING AND NOTIFICATION OF URGENT BUSINESS

There were no matters arising or notification of urgent business.

18/16 SCHEDULE OF THE AUDIT RECOMMENDATIONS MONITORING REPORT

The Group D(F&P) reported that the team had reviewed the Outstanding Internal Audit Recommendations. It was reported that it has been agreed to follow up on all items with the individual senior responsible person. Each individual will be asked for a formal response and update on progress. It was explained therefore that there would be no recommendation to remove any items at this point. This would ensure that once this exercise is complete there will be a full and clear document.

It was noted that responses are to be requested by the end of January. It was explained that many items will have closed but currently this isn't clear in the document, for example The Group D(F&P) has spoken to the Senior Duty Manager in Deans and all items have been actioned but it was agreed there is a need for full positive assurance before items are finalised and removed from the report.

It was agreed that the document will be circulated once completed and considered at the next meeting.

Dean Graham asked how the Committee could stand by the report when there are numerous outstanding issues.

The Chair responded that this is a new document completed just prior to the last meeting to allow the Committee to track through the recommendations and that there were more included than expected. It is now important to decide what should be included and what has been dealt with to give a clear picture and starting point for the Committee. Mark Speed agreed it was important for staff to have ownership. The Chair queried if the owners should be invited to attend the Committee, however he did not want to delay progress on the completion of the document. It was agreed the Committee were happy with the approach of inviting owners to clearly state what actions have been carried out to mitigate any risks and bring the document to the next meeting.

Nick Lyons noted there were some red risk priorities due to time imperative rather than severity and it was felt timeliness seems to be an issue. The Group D(F&P) agreed and stated this will be a good mechanism so that items are tracked and also give the Committee confidence that issues can be removed. The document will be up-to-date and circulated prior to the next meeting.

Scott Winter assured the Committee that the Auditors follow up on an annual basis to ensure items are clear and they are the control mechanism to give confidence.

Action: Rolling Audit Recommendations Report to be circulated and signed off at next meeting.

19/16 INTERNAL AUDIT REPORTS

- a) Report 06.15/16: STEP – Review of revised Budgetary Control and Accountability Framework 2015/16
- b) Report 10.15/16: Lincoln College Directorate
- c) Report 01. 16/17: Employer Provision Cost Model
- d) Sickness Absence Management
- e) Progress Report

It was agreed that due to time constraints these audit reports will be considered at the next Audit Committee meeting.

Action: Audit Reports to be brought forward to next meeting.

20/16 PWC/SFA FUNDING AUDIT REPORT – UPDATE

ICCA were thanked for their assistance on this. It was explained that the report has now been concluded and was received today. There were no issues or concerns raised and good positive assurance was given. The report will be circulated to the committee for information.

Action: Clerk to circulate the report for information.

21/16 AUDIT FINDINGS – UPDATE

Richard Lewis gave an update on the Final Audit Findings Report for the Year Ended July 2016. It was agreed that once finalised this would be circulated to the Committee for information.

Action: to be circulated.

The document will include the agreed audit adjustments. It was noted that completion of the Audit and production of Financial Statements had proved challenging for both the Auditors and College staff who have been working together to make sure any gaps, currently shown in yellow on the financial statements, are completed. The teams have also been working together on the Group aspect and the Auditors had been asked to audit the July 16 figures for Lincoln College International. These are still being audited and figures are therefore in draft.

The report is in draft with a few items to complete. Key points were highlighted as follows:

- Unqualified regularity and audit opinions.
- Cashflow for 2 years for the group.
- Link to financial position and banking facilities.
- Final land valuation required – draft included in accounts.
- Usual post balance sheet review.
- Areas of audit focus FRS102, new SORP.
- Land revalue and appropriate disclosures around holiday pay and in line with transition.
- SFA annual report is awaited, due this week, then clawback can be reconciled. Clawback of just under £1m included in accounts.
- Any control weaknesses.
- Adjustments – balance sheet.
- Dual entries and fixed assets need to follow process.
- Letters of representation
- Issues for consideration including Brexit, fraud, etc.

Richard Lewis invited questions.

The Chair asked if filing deadlines will be met. It was explained this is still the ambition. The UK was not an issue but overseas information is still awaited.

The Group D(F&P) outlined some of the key issues behind the potential delay to filing in 2015/16.

Richard Lewis stated he was confident there would be no slippages in future as the management team are clear on deadlines and requirements. A Financial Controller is commencing work in KSA in January and has already been working in the UK so is familiar with the work required. The team in the College has been strengthened by the appointment of Claire Love as Group Financial Controller.

Mark Platts queried if there should be a detailed timetable for accounts requested to show that everything would be ready for audit? The Chair stated it was the responsibility of the Finance Team and Audit Committee to provide assurance rather than be too involved.

The Group D(F&P) explained the recent staff turnover in the Finance Team. Richard Lewis stated that he is confident the team will be able to give assurance and stated there has been a big impact because of the staff changes. The Chair hoped that any legacies would be finished and the team would now ensure an adequate plan is in place that is adhered to.

22/16 REGULARITY SAR

Richard Lewis gave the background to the Self Assessment Questionnaire which is required for regularity. Additional responses were noted.

23/16 RISK MANAGEMENT ANNUAL REPORT

The report was taken as read. It was noted the Risk Management Committee was well attended and contributed to. It was explained 4Risk is a live online system. Managers are automatically emailed to ensure the system is updated regularly.

The Group D(F&P) encouraged the Committee to log on to 4Risk and to ask for support if required.

Scott Winter referenced the positive audit opinion on risk management and that this should be included in the annual report. The Chair responded that confidence is gained that risk management has been reviewed both externally and internally.

It was asked if updates could be provided on what has come off and gone on to the system, perhaps a summary to following through would be helpful or a report run. The Group D(F&P) explained he was currently looking at the reporting and may be able to provide bullet points as to what has changed.

Richard Lewis encouraged the members of the Committee to regularly log in to 4Risk to ensure they keep up to date. It was agreed that new log-ins will be sent to the Committee members.

Action: New log-ins/reminders to be sent out.

24/16 ANNUAL REPORT OF THE AUDIT COMMITTEE

The Group D(F&P) thanked the Clerk for pulling together the Annual Report. The key areas were outlined.

Richard Lewis explained that when Audit Findings are finalised page 11 will need to be completed.

Action: additional items to be included.

Scott Winter explained that related to English and Maths funding the College is within tolerance so there would be no EFA funding issues.

25/16 URGENT BUSINESS

There was no urgent business.

26/16 DATE OF NEXT MEETING

The next meeting will be held on Tuesday 7 March 2017 at 1700 hours.

The meeting closed at 16.15 hours.

.....
Chair

.....
Date