

Audit & Risk Committee

Minutes of the meeting held on 17 June 2020 at 10am via Microsoft Teams

Present: Paul Candelent, Paula Cole, Phil Lanigan (Chair) and Malcolm Sugden

In attendance: Rob Cressey (CFO), Jennifer Foote MBE (Company Secretary and General Counsel), Alex Hire (RSM), Angela Hunter (MD Group Ops), Sam Loughney (PWC), Kate Mackenzie (Deputy Company Secretary and Solicitor), Sally Marchant (Group SHE Director), Kim Ness (PWC), Paul Taylor (COO) and Caroline Wilson (Senior Financial Accountant).

Rob Cressey asked the Committee to note that his brother in law was a Partner at RSM

Prior to the start of the meeting, the Committee reflected on the loss of Sue Murphy as a member and her valued contribution to the governance of the Group during her tenure as Chair.

Part A

14/20	Part A Minutes of the meeting held on 19 March 2020 The Part A Minutes of the meeting held on 19 March 2020 were approved as an accurate record to be signed by the Chair in hard copy when feasible.
15/20	Nomination of Chair The Committee agreed to nominate Philip Lanigan for the position of Chair for 2020/21.
16/20	Covid-19 update The COO presented the Committee with an executive summary of the management of the Covid-19 across the Group response since February 2020. It was reported that a cross-functional Group Covid-19 response team had been immediately mobilised. The Committee was pleased to note that remote working was effected within 48 hours of the government announcement and support was provided to enable colleagues to work from home and ensure continuity of service. The meeting understood that technology was a top priority and action had been taken to ensure employees could undertake their tasks from home and that essential services such as payroll could be undertaken remotely. The Committee was pleased to note the strong emphasis on comms and the two Wellbeing surveys to understand how employees were feeling. In response to a query from a member, assurance was provided for the undertaking of risk assessments as part of the planning for medium to longer-term homeworking.

	<p>It was reported that for phased re-opening of campus' and other buildings, the intent had been to develop a consistent group-wide approach, which would also allow flexibility for the individual businesses. The Committee understood that overall accountability for the phased return plan rested with the Executive Team. It was noted that a risk managed approach would ensure that the health and safety of employees and learners remained a key focus.</p> <p>It was confirmed that in the short term (up to September 2020) the current plan was to open one college building (Shena Simon) to reduce and mitigate costs. The Committee noted that UCEN Manchester, Total People and MOL were not expected to open before September.</p> <p>The current priorities were drawn to Members' attention. The Committee commended the team on the management to date of the impact of the current pandemic.</p> <p><i>Paul Taylor left the meeting.</i></p>
<p>17/20</p>	<p>External Audit Plan</p> <p>The External Auditor, PWC, presented the External Audit Strategy for 2019-20. The Committee noted that materiality was consistent with prior year and the rationale was understood. The Committee endorsed the 'clearly trivial' threshold for the audit. The areas of focus were detailed including the triennial valuation of the LGPS fund. The CFO gave assurance that there was no cash contribution impact due to no increase in the charge for 18/19.</p> <p>The Committee understood that a number of the risk areas were ISA prescribed. The Committee noted that Accounting for Pension Scheme (valuations) had been classified as a significant audit risk focus for the Group. The Committee directed that, unlike in prior years, the testing and agreement of actuarial assumptions in respect of pension valuation needed to be completed in a timely manner and in readiness for the next committee meeting. Assurance was provided in respect of the strategy to attempt to mitigate against any timing issues in respect of this. It was noted that for the current year the estates and campus development was not deemed as an elevated risk.</p> <p>PWC confirmed that their assessment in respect of the financial implications of Covid-19 had not yet been completed, whilst management continued to assess the impact of Covid-19 on the Group. Once the assumptions were understood, post the Group Board in July, this would be revisited. Should extended procedures be necessitated in line with any heightened risk then it was flagged that the fee schedule quoted would need to be revised.</p> <p>In response to an enquiry, PWC provided assurance of the feasibility of carrying out an effective audit remotely in the current Covid-19 climate. The Committee satisfied itself in respect of the robustness of the external auditors' internal independence procedures.</p> <p><i>Sam Loughney and Kim Ness left the meeting</i></p>
<p>18/20</p>	<p>Internal Audit Reports</p> <p>The following audit reports were presented to the Committee :</p>

	<p>Performance Management – KPI’s and Performance Monitoring Framework</p> <p>The output of the review in respect of the KPI’s and performance monitoring framework associated with the Group’s strategic plan 2020/25 was detailed. Reasonable assurance was provided that the controls in place to manage the risks were suitably designed and consistently applied. Two low priority and three medium management actions designed to support the further development of the groups KPI’s and aligned to the Group’s Performance Monitoring Framework were noted.</p> <p>It was understood that as this work was completed pre Covid-19 there was a need to revisit some elements. In light of this, the Committee endorsed the revised timeline for submission of final KPI’s to the LTE Group Board in October.</p> <p>Internal Audit Progress Report</p> <p>The Committee received the Internal Audit Progress Report Update 2019-20. The plan was on track save for two changes which had arisen subsequent to the last meeting. The changes as a result of timing issues and audit scope aligned in part to the impact of Covid-19 were articulated and the revised timetable was endorsed.</p> <p>The internal auditors provided assurance of their ability to continue to carry out a robust audit remotely in spite of the current Covid-19 challenges</p>
19/20	<p>Internal Audit Strategy and Plan - 2020/21</p> <p>The Committee received and reviewed the Internal Audit Plan for 2020/21. The potential impact of Covid-19 was acknowledged with assurance provided that RSM would work closely with management to deliver an internal audit programme, which remained flexible and agile to meet needs in the current circumstances.</p> <p>The timeline was scrutinised and tested. As the Covid -19 response was placing heavy reliance on IT infrastructure it was agreed that the cyber security review should be moved forward from January 2021. Discussion centred on the need to test the capacity for this to grow in the next 6-12 months with the requirement to receive assurance that control frameworks were robust.</p> <p>The review of staff utilisation was equally considered premature now in light of considerations about new ways of working aligned to Covid-19 challenges.</p> <p>A firm direction was given however that there should be no slippage on the January date for the TP follow up audit.</p> <p>The Committee endorsed a review by RSM of the audit prioritisation, scope and timings and for this to be reviewed in due course.</p>
20/20	<p>Progress against internal audit recommendations</p> <p>The Committee received the internal audit progress report. One action had been implemented and three superseded since the last report and the number of outstanding actions remained eighteen. It was confirmed that the VLE action was now closed (Minute No. 5/20 refers). The Chair reflected on the excellent quality of the virtual learning experienced first-hand during a recent virtual TP Board engagement visit. An update was provided on the progress of the outstanding actions. It was acknowledged that the business disruption due to Covid-19 had and may continue to have an impact on the level of progress that can be made on some of the actions during the lockdown period.</p>

21/20	<p>LTE Financial Regulations</p> <p>The CFO confirmed that it had been timely for a review of the LTE Group Financial Regulations. The review had taken place and revisions had been made. As part of the consultation process prior to submission for approval at LTE Group Board, it was agreed that the revised regulations be circulated to the committee for review and comment following their review by the Executive Team scheduled to take place during the week.</p>
22/20	<p>Policy Reviews</p> <p>The following policies were submitted for review:</p> <ul style="list-style-type: none"> • Public Interest Disclosure Policy • Anti- Bribery Policy • Gifts and Hospitality Policy <p>It was noted that the anti- bribery and gifts and hospitality policies had been revised to reflect the recommendations made in an advisory audit of the policies by RSM (Minute No. 38/19 refers).</p> <p>RESOLVED that the following LTE Group policies be approved:</p> <ul style="list-style-type: none"> • Public Interest Disclosure Policy • Anti- Bribery Policy • Gifts and Hospitality Policy
	<p>RESOLVED that as the items to be considered are deemed confidential, the Committee move into confidential session.</p>
	<p>----- Chair</p> <p>----- Date</p>