

Audit & Risk Committee

Minutes of the meeting held on 22 November 2017 at 2pm in Room OP117

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

Apologies: Paul Candelent

In Attendance: Rob Cressey (Group Finance Director), Jennifer Foote MBE (Company Secretary and General Counsel), Gill Mangnall (Head of Finance), Jennifer McKenna (Assistant Company Secretary), Simon Newall (Head of SHE) and Paul Taylor (COO),

Rebecca Gissing and Ian Roberts (PwC), Lisa Randall (RSM)

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

Part A

23/17	<p>Election of Chair</p> <p>Phil Lanigan was nominated and elected Chair for 2017-18. There were no other nominations.</p>
24/17	<p>Pre Agenda Review</p> <p>Prior to the start of the formal business committee members met with representatives of both the internal and external auditors. The external auditors (PwC) reported that the audit had gone smoothly with good engagement from the finance team. A Member queried and it was confirmed that the timeliness and quality of the information provided had been excellent. It was confirmed that no issues had been identified which needed to be brought to the attention of the Committee. Staff and management joined the meeting.</p>
25/17	<p>Part A Minutes of the meeting held on 25 May 2017</p> <p>The Part A Minutes of the meeting held on 25 May 2017 were approved as a correct record.</p>
26/17	<p>Regularity Audit and Annual Financial Statements 2015-16</p> <p>LTE Group Audit Findings Report</p> <p>The external auditors confirmed their independence and declared that, post year end, they had been awarded the contract for GDPR consultancy for the Group following a tender exercise.</p> <p>The external auditors presented their Audit Findings Report including significant audit and accounting matters. The Committee discussed the risks in detail. In respect of the risk around revenue recognition the auditors confirmed they were satisfied there would be no funding clawback. The Committee received assurance that the ESFA funding audit had been completed and the reconciliation statement was expected in mid December. The Novus funding audit was still in progress and was due to be completed by the end of November, no issues were anticipated.</p>

The Committee discussed the assumptions around the pension liabilities in the accounts, which were outside the range the auditors would have expected. It was confirmed that the Group's actuaries Hyman Robertson had concurred with our proposed rate of 1.7% (compared to the PwC recommendation of 1.9%) and the bespoke assumptions which underpinned it. It was agreed that that the matter would be settled after the meeting and that a note on the bespoke assumptions should be raised with Hymans.

The auditors noted that some minor issues around the impairment of assets in respect of the campus estate had been discussed and resolved with management.

The auditors confirmed that they had reviewed the new HR payroll system and were comfortable that the data had been migrated successfully. However sample testing had revealed that a number of leavers had continued to be paid after they left the organisation. The auditors confirmed that the amount (£50k since April 2017) was not material to the accounts and was being recovered. The Committee received assurance that the issue was not due to any inherent flaw in the system but had been caused by managers failing to log the relevant employees as leavers on the self service HR portal. The new recruitment model would ensure that managers could not commence recruitment for a replacement until the leaver had been logged. A monthly report on overpayments would be also submitted to the Executive team so that prompt action could be taken in each business unit. A Member noted that 10% was a high level of error and it was agreed that an update report on overpayment levels would be provided to the next meeting.

It was confirmed that the Group was actioning the other two recommended internal controls. Funding grants disbursed by the Group as an agent were excluded from the statement of income and this was covered in note 24 to the accounts.

Other than as stated above there were no major concerns and all basic audit controls were in place demonstrating good practice across the board. The Committee received assurance that the Group remained a Going Concern for the year 2017-18.

Consolidated Financial Statements 2016-17

The Committee received the draft consolidated Financial Statements for 2016-17 for scrutiny and review prior to their recommendation to the Board. The Group Finance Director reported on the College's financial performance for 2016-17 which included confirmation of financial health grade 'Good'. It was confirmed that figures in the accounts referred to as "the College" included the figures for Novus and MOL. The Committee agreed that the terminology should be clarified and a definition which reflected a more accurate picture of the organisation inserted in the accounts.

Subsidiaries

It was confirmed that Total People Limited would have a profit for the year after making a charitable gift aid payment to LTE Group. Novus Cambria would likewise made donations/distributions to its two charitable members. It was confirmed that these movements were included in the consolidated accounts and would also be going to their respective boards for approval. A Member queried the reference to another subsidiary Manchester Education and Training and it was confirmed that further details were provided at note 13 to the Accounts – College Investments.

A Member queried the date of valuation of the Teacher's Pension Scheme. It was confirmed the latest valuation was underway based on April 2016 data and could take up to fifteen months to be agreed and implemented. The auditors confirmed

	<p>that any new valuation would be outside the accounting period and would be treated as a post balance sheet event. It was agreed that the final draft of the accounts would be provided to the Chair prior to submission to Group Board.</p> <p>RESOLVED that the LTE Group Board be recommended to approve the Regularity Audit and the Financial Statements 2016-17, Statement of Compliance/Going Concern, together with the associated letters of engagement and representation as required.</p>
27/17	<p>Strategic Risk Update</p> <p>The Committee received an update on the strategic risk framework. The Committee heard that new Risk Management Policy had been awarded a satisfactory rating by the internal auditor. All business units except one now had finalised risk registers and the feedback on the new format had been positive. The Committee reviewed the summary of significant risks for each of the business areas and noted that it was discussed at leadership team meetings, divisional boards and executive meetings. It was confirmed that it contained both business and health and safety risks. A Member queried how consistency of risk scoring was achieved across the Group. It was confirmed that a guide to the levels/scoring had been issued and the scoring was also discussed and calibrated by the Executive team. It was agreed that the FE and HE units should establish separate risk registers to ensure adequate oversight of the risks specific to each area.</p>
28/17	<p>Health & Safety Update</p> <p>The Head of SHE presented the Group Health and Safety Scorecard. The Committee heard there had been 168 incidents and 7 Riddor reportable incidents in the year to date. Following the launch of the Group Incident Management Standard in 2016-17 the reported incident rates in the College and Novus had trebled. This reflected the increased level of awareness about reporting both incidents and near misses throughout the organisation. Frontline responsibility for health and safety was now embedded in the business units with the SHE team providing education and support. The Committee understood that in future, the FE and HE businesses would report separately. A Member noted that three Riddor incidents within three months was relatively high for the college and an update was provided on the incidents which were sport and dance related. The Committee received and discussed the significant incidents report in detail and received assurance that the incidents were both dealt with appropriately and that remedial action was implemented to prevent future similar occurrences.</p> <p>OHSAS 18001</p> <p>The Committee received an update on the OHSAS 18001 Occupational Health and Safety Management standard. It was confirmed that the stage 1 Audit was due to take place imminently, after which the Group would be authorised to proceed to the next stage.</p>
29/17	<p>Internal Audit Progress Report</p> <p>The Head of Finance presented the internal audit progress report. It was reported that 14 actions had been completed in the last quarter and seven new recommendations had been added. An update was provided on the nine outstanding recommendations and their likely completion dates. The internal auditor confirmed that she was satisfied with the progress made. The Chief Operating</p>

	<p>Officer confirmed that a number of the recommendations in his area would either be resolved or superceded by the implementation of new IT systems.</p>
30/17	<p>Internal Audit Report 2016-17</p> <p>The internal auditor (RSM) presented the year end Audit Report for 2016-17. The Committee received assurance that an adequate and effective framework for risk management, governance and internal control was in place. Some opportunities for further improvements to the framework had also been identified.</p> <p>Subcontracting Controls The Committee received a report on Subcontracting Controls. It was noted that the Certificate of External Assurance on Subcontracting Controls for 2016-17 had been submitted in line with SFA guidance and that the guidance for 2017-18 was awaited.</p> <p>Internal Audit Plan 2017-18 The Committee received and discussed the Internal Audit Plan for 2017-18. In view of the recent successful PFA Audits, it was agreed that the scheduled review of Student Records would not now be required. It was agreed that management would liaise with the internal auditor to finalise the internal audit schedule for 2017-18, to include clarification of the scope of the work required on the estates strategy.</p>
31/17	<p>PFA Audits</p> <p>ESFA Funding Assurance Audit The Chief Operating Officer reported that the Group had been selected (at random) for a substantive ESFA funding assurance audit. Whilst the formal report was still awaited, a detailed post-audit review had been provided and the auditor had been complimentary about the team's response during a busy time of year. The total funding adjustment required as a result of the audit was £22,717 against a funding total of £39.705m, an error rate of only 0.06%, which compared favourably to other institutions audited this year. The internal auditor had also reviewed the results and concurred that it showed a strong performance.</p> <p>ESFA's ESF Match Funding Assurance Review In addition to the substantive funding audit above, the ESFA Provider Assurance Team attended for a day on the 21 September to review 60 learner files from the 2016/17 funding year against the ESF Match Funding contract requirements. All aspects were satisfied, with the final evidence being returned to the ESFA by the required deadline of 30 October.</p>
32/17	<p>Gifts and Hospitality Report</p> <p>The Group Finance Director presented the Gifts and Hospitality Annual Report and details of eight individual declarations were provided. A Member queried and it was confirmed that the receipt of gifts and hospitality were not a significant part of the learning and skills sector.</p>
33/17	<p>Total People Financial Regulations</p> <p>The Committee received the Total People Financial Regulations for information. It was confirmed they would also be submitted to the Total People Board for approval. The Committee noted that all of the Group's Financial Regulations would be revised and updated as the Group Operating Model progressed.</p>

<p>34/17</p>	<p>Audit & Risk Committee Annual Report</p> <p>The Company Secretary and General Counsel presented the Audit & Risk Committee Annual Report. The report covered the work of the Committee throughout the year and would be submitted to the Board of Governors.</p> <p>RESOLVED that the Annual Report of the Audit & Risk Committee, as set out as an appendix to the minutes, be recommended to the LTE Group Board for Approval.</p>
<p>35/17</p>	<p>EU General Data Protection Regulation</p> <p>The Company Secretary and General Counsel reported that following a tender exercise PwC had been appointed to undertake scoping and consultancy work for the Group in respect of the GDPR which was due to come into force in May 2018. It was noted that the Audit & Risk Committee would maintain oversight of the project and report to Group Board. A Member queried and it was confirmed that the project plan would cover matters including communications to staff and the appointment of project champions in each area.</p>
	<p>RESOLVED that as the items to be considered are deemed confidential, the Committee move into confidential session.</p>
	<p>-----</p> <p>Chair</p> <p>-----</p> <p>Date</p>

The meeting closed at 4:30pm