

Audit & Risk Committee

Minutes of the meeting held at 10:00am on 22 November 2021 at Openshaw

Present: Paula Cole, Phil Lanigan (Chair)

Via Teams: Malcolm Sugden

In Attendance: Alison Close (GFD), Rob Cressey (Chief Finance Officer), Jennifer Foote MBE (Company Secretary & General Counsel), Angela Hunter (MD Group Operations and Deputy CEO), Richard Lee (KPMG), Kate Mackenzie (Deputy Company Secretary and Solicitor), Sally Marchant (Group SHE and Risk Director), Clare Partridge (KPMG) and Caroline Wilson (Senior Financial Accountant).

Via Teams: Alex Hire (RSM) and Gina Steele (Deputy MD TP for item 34/21)

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

Part A

27/21	<p>Part A Minutes of the meeting held on 23 June 2021</p> <p>The Part A Minutes of the meeting held on 23 June 2021 were approved as accurate and signed by the Chair.</p> <p>With reference to Minute No. 25/21 the Committee sought and received assurance that all Executive colleagues had completed the mandatory cyber security training. The MD Group Operations and Deputy CEO provided an update on the work in train to centralise the co-ordination of all statutory, mandatory and role specific training throughout the Group. A rolling report on the progress of training against tolerance levels would be presented at future meetings.</p>
28/21	<p>Financial Statements and Regularity Audit 2020/21</p> <p>LTE Group Audit Findings Report</p> <p>The external auditors KPMG confirmed their independence. KPMG presented their Audit Findings Report including significant audit and accounting matters. The Committee discussed the risks in detail (Minute 18/21 refers). It was confirmed that work in respect of Going Concern and finalisation of TP revenue testing were still to be completed alongside some additional regulatory work. In relation to Payroll testing this was still in train for Total People.</p> <p>In respect of valuation of property, assurance was provided that no issues had been identified from the sample testing. In relation to the valuation of the LGPS pension liability and in particular the pension scheme assumptions applied, KPMG confirmed that they had received and tested the actuarial report which focused on employer specific assumptions and completed the work over the assumptions used by management to their satisfaction. The methodologies for deriving the assumptions had been fully documented and examined.</p> <p>KPMG provided their view on the key accounting judgements that had been applied by management in the preparation of the financial statements which related solely to the pension liability assumption methodology. The Committee gave scrutiny to</p>

this and sought and received further assurance from KMPG that these presented a true and fair view. It was deemed key that the methodology documented during the index year be applied to future years' valuations to ensure the valuation of pension assets and liabilities was prepared on a consistent basis year on year.

In respect of revenue recognition and management override of controls it was confirmed that there were no significant matters. The output of testing to date confirmed that the revenue recognised was considered reasonable. To complete the work on this, testing of evidence to support samples for the apprenticeship income in TP based on ILR analysis was still in progress.

The focus of the meeting moved to Going Concern. The work on this was articulated. It was noted that this had been a significant area of focus for the financing methodology to deliver the Group's estates strategy. Whilst it was confirmed that final drafting and consolidation work was in train, at this stage the Committee was provided with assurance that the output of the work to date indicated that the Group would have sufficient cash resources without breaching loan covenants over the going concern period assessed.

In response to a query it was affirmed that the Group CFO would present a Going Concern paper to the Group Board for assurance which would detail the underlying assumptions and sensitivities that had been adopted in presenting the organisation as a Going Concern for the forthcoming year, including the comfort in respect of headroom provided by the ability to draw down on the banking RCF if required. It was flagged that KMPG would also be in attendance at the Group Board.

In respect of uncorrected adjustments and internal control recommendations nothing of material significance had been identified.

Consolidated Financial Statements 2020/21

The Committee received the draft consolidated Financial Statements for 2021/22 for scrutiny and review prior to their recommendation to the LTE Group Board. The addition of the Modern Slavery and Human Trafficking Statement was highlighted. The section on principal risks and uncertainties including Covid-19 were flagged together with the detailed Group narrative.

The Group CFO reported on LTE Group's financial performance for 2020/21 which included confirmation of financial health grade 'Good'. Whilst the Group had planned for a deficit in-year aligned to the strategy of sustainability and maintenance of cash balance in the Covid-19 climate, this was confirmed as closing 55% lower than budgeted. The year-end cash balance was also highlighted as **exceeding the budgeted position**. The Committee noted the requirement to present a separate Education EBITDA table and received assurance from KMPG that they were comfortable with the clarity of this presentation. Total assets were noted as static.

RESOLVED that the Committee note

1. its assurance in respect of the scrutiny of the draft Financial Statements and Regularity Audit prior to their consideration by the LTE Group Board;
2. the expectation of KMPG to sign the Financial Statements as a Going Concern.

Management and Executive members left the meeting

	<p>Committee members met with representatives of both the internal and external auditors. KPMG reported that the audit had proceeded with good engagement from the finance team. It was confirmed that there were no significant issues that had been identified which needed to be brought to the attention of the Committee.</p> <p><i>Management and Executive members rejoined the meeting</i></p>
30/21	<p>Audit and Risk Committee Annual Report</p> <p>The Audit & Risk Committee considered its Annual Report. The report covered the work of the Committee throughout the year.</p> <p>RESOLVED that the Annual Report be recommended to the Group Board for approval.</p>
31/21	<p>Internal Audit Reports (RSM)</p> <p>Internal Audit Progress Report</p> <p>The Committee discussed the Internal Audit Progress report for 2020/21 and noted the themes that had emanated from control observations related to policies and/ or procedures and IT. In respect of the 2021-22 audit plan progress was shared and the Committee noted that the plan remained on track with no changes having arisen since the last meeting.</p> <p>Health and Safety Framework Part Two</p> <p>The Committee was presented with the Health and Safety Framework Part Two Report which concluded that ‘substantial’ assurance could be taken in regard to the design of the control framework and ‘reasonable’ assurance could be taken regarding application of controls. Three ‘medium’ and three ‘low’ priority agreed management actions were shared.</p> <p>GDPR Governance</p> <p>The Committee received the advisory report in respect of the Group’s current GDPR data governance processes, procedures and controls. The Committee positively noted that no management actions had been set. Testing had identified good practice in respect of business process and data discovery in the form of a comprehensive Information Asset Register. The development of a Data Protection Database was also highlighted as good practice.</p> <p>Procurement Framework</p> <p>The report on the Group’s procurement framework was presented. The Committee was provided with assurance that an established framework was in place to support the Group’s procurement processes. Two areas had been noted where enhancements could be made to controls. One ‘medium’ and one ‘low’ priority management action relating to these matters were shared. Substantial assurance could be taken in regards to the suitability of the design of the control framework and consistency of application of the controls.</p> <p>The Committee probed the level of comfort they could take in respect of review of quotations and value for money, having noted the benchmarking against other organisations. It was confirmed that value for money judgements were not within audit scope. The newly established requirement for three quotes to be obtained for purchases exceeding £10,000 was explained for reassurance. Furthermore the intention of making ‘No PO No Pay’ mandatory in early 2022 was also cited. The work in train was positively received by the Committee.</p> <p>Staff Utilisation Framework</p>

	<p>The report on staff utilisation framework was shared with the Committee. It was understood that the Group had a defined framework in place for establishing and monitoring staff utilisation and that business planning and staff utilisation processes had been undertaken consistently across The Manchester College and UCEN Manchester in line with Group procedures. One area where controls could be strengthened was flagged. The challenge identified in implementing a consistent approach for in-year review of over and under-utilisation of staff against the current curriculum and business plans due to the limitations in obtaining teaching contract hours from the HR system was alluded to. The timeline in respect of the management action was shared and endorsed. An update would be presented to the next Committee meeting.</p> <p>Overall the Committee noted that reasonable assurance could be taken that the controls upon which the organisation relied on to manage this risk were suitably designed, consistently applied and effective.</p> <p>ESFA Subcontracting Controls (TP) The Committee received the report on Subcontracting Controls for Total People in respect of the ESFA Contract as mandated by the ESFA. The three agreed management actions were shared alongside the implementation dates. The Committee positively noted the progress in this area as compared to prior year.</p> <p>Devolved AEB Subcontracting Controls (TP) The Committee received a report on Subcontracting Controls for Total People in respect of the GMCA (AEB) Contract as mandated by the GMCA. No management actions had been identified.</p>
32/21	<p>Annual Internal Audit Report and Opinion -2020-21</p> <p>The Committee received the year end Audit Report for 2020/21. The Committee received assurance that an adequate and effective framework for risk management, governance and internal control was in place. Some areas for further enhancements to the framework had also been identified to ensure that it remained adequate and effective.</p>
33/21	<p>Progress Against Internal Audit Recommendations</p> <p>The Senior Financial Accountant presented the Internal Audit Progress Report. Since the report in June 2021 there were nine outstanding actions with six actions having been implemented and one superseded. The Committee was informed that there were no 'high' level actions, four 'medium' level actions, four 'low' level actions and one 'advisory' action. An update was provided on the progress of the outstanding actions, and it was confirmed that a number of actions had been impeded due to the impact of Covid-19. Of the four 'medium' level actions all had their deadlines extended and all of them were currently paused due to Covid-19.</p> <p>The Committee gave direction that the TP End to End Process action be completed prior to the next meeting. It was understood that access to the sites due to Covid-19 had impeded progress in this area. The five actions relating to KPIs and Performance Management Framework would be on hold pending the strategic refresh.</p>
34/21	<p>Learner/ PFA Audits-TP</p> <p>The Deputy MD TP joined the meeting to provide an update on the outcome of the following learner and/or funder audits that had taken place over the last six months:</p>

	<ul style="list-style-type: none"> • ESFA Audit (KPMG funding assurance review) – this has concluded and population clawback relating to PDSAT testing was noted. Four recommendations relevant to the 2020-21 contract were outlined. • GMCA AEB compliance review – this had been finalised and no concerns had been raised. No clawback had been identified. Two recommendations had been made. • ESFA Article 125 - the final report was awaited but based on initial feedback there was no risk of clawback. • ESFA Provider Relief Fund assurance review – no formal report was to be provided but email confirmation had been received that no errors or issues had been identified and there was no risk of clawback. <p>It was confirmed that all recommendations had been incorporated into current year business processes.</p>
35/21	<p>Gifts and Hospitality Report 2020-21</p> <p>In compliance with the Anti- Bribery Policy aligned to the Group’s financial regulations the CFO presented the annual Gifts and Hospitality Annual Report and details of eight individual declarations were provided.</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>Date</p>