

Audit & Risk Committee

Minutes of the meeting held on 23 June 2021 at 10am via Microsoft Teams

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

In Attendance: Rob Cressey (Group Finance Director), Jennifer Foote MBE (Company Secretary & General Counsel), Alex Hire (RSM), 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 (KMPG), Gina Steele (Deputy MD TP) (for Minute No 15/21) and Caroline Wilson (Senior Financial Accountant).

Rob Cressey asked the Committee to note that his brother in law was a Partner at RSM.
The Chair welcomed Clare Partridge and Richard Lee to their first meeting.

Part A

13/21	Part A Minutes of the meeting held on 18 March 2021 The Part A Minutes of the meeting held on 18 March 2021 were approved as accurate to be signed by the Chair in electronic form.
14/21	Nomination of Chair The Committee agreed to nominate Philip Lanigan for the position of Chair for 2021/22.
15/21	PFA Audits – Total People Limited The Deputy MD TP provided a verbal update. The Committee understood that the full audit report had not yet been received and was provided with an update on the ESFA PFA Audits: <ul style="list-style-type: none">• AEB audit – ESFA confirmed the audit was complete with no actions;• ESFA audit – good feedback had been received noting improvements to paperwork and processes; and• Audit of 2019-20 – was satisfactory. <i>Gina Steele left the meeting.</i>
16/21	Internal Audit Reports (RSM) Risk Management Framework during Covid-19 The Committee received the report on LTE's risk management framework during Covid-19. The Group could take <i>substantial assurance</i> that the controls in place to identify and mitigate Covid-19 related risks were suitably designed and consistently applied. No management actions had been identified. The Committee commended the team for their unstinting efforts in this regard. Follow Up Part 2- Cyber Security Controls- Secure Remote Access The Committee received the report following the review of progress against management actions relating to Cyber Security Controls- Secure Remote Access. The Group could take assurance that good progress had been made against

management actions with one medium management action in progress at the time of review relating to the implementation of a colleague IT policy affirmation process. This was set to be rolled out via iLearn by the end of June 2021.

Estates Strategy – Manchester College Re-development

The report, with a focus on governance arrangements pertaining to the delivery of the Estates Strategy was received by the Committee. The Group could take *substantial assurance* in respect of the governance and reporting framework in place to support the ongoing monitoring of the Estates Strategy. No management actions had been raised. The report was positively received. In particular the Committee was pleased to note the mechanism for engagement with external stakeholders embedded in the process.

Internal Audit Progress Report

The Committee received the Internal Audit Progress Report Update 2020-21. The plan was on track save for three changes which have arisen subsequent to the last meeting. The first change related to the replacement of the Disaster Recovery and Business Continuity – Advisory Review with the Health and Safety Framework Part Two audit due to aspects of business continuity being covered in the Risk Management Framework During Covid-19. The second related to the cancellation of the LTE Group (Manchester College) subcontracting review due to threshold changes made by the ESFA. The Chair of the Committee had been apprised of the changes between Committee meetings. Thirdly a revised target date for the Staff Utilisation audit report was shared. The fieldwork had been completed including benchmarking of systems used in other organisations to record data. With the value of this work aligned to the assessment of efficiency of the Estates Strategy it was considered important that the extra time be taken on this.

Internal Audit Planning 2021-22

The Committee received a shortlist of audit assignments for consideration. It was understood that there was scope and budget to complete circa six assignments in the 2021-22 period. The Committee's discussion focused on determining those assignments deemed a priority for inclusion in the Internal Audit Plan 2021-22.

A member queried whether an additional audit, not on the list, focused on the bidding process should be included. The Committee tested the scope for this audit and the drivers for inclusion in the 2021-22 audit cycle. This included consideration of the timeliness of the audit aligned to the bidding timeline for future significant Novus contracts.

In principle (subject to RSM confirming mapping to budget) the following audit assignments were agreed for inclusion in the Internal Audit Plan 2021-22, with the formal scope and timeline to be shared at the next meeting.

- Cyber Security
- General Data Protection Regulation (GDPR) Governance
- Governance Arrangements - Board effectiveness and review base line
- Staff or Student Mental Health and Wellbeing
- Business Continuity Planning including agile working / return to work arrangements
- Bidding Process

The attention of the Committee was drawn to the refreshed RSM assurance level terminology which would be used in future reporting.

17/21	<p>Progress Against Internal Audit Recommendations</p> <p>The Senior Financial Accountant presented the Internal Audit Progress Report. Since the report in March 2021 there were sixteen outstanding actions with seven actions having been completed. During this time, eleven actions had continued to be paused due to Covid-19. The Committee was informed that of the outstanding actions there were no 'high' level actions, five 'medium' level actions, four 'low' level actions and seven 'advisory' actions.</p> <p>Since March 2021 there continued to be significant business disruption due to Covid-19. This ongoing uncertainty had, and may continue to have, an impact on the level of progress that was able to be made on some of the actions during the roadmap out of this period.</p> <p>Of the five "Medium" level actions, four have had their deadlines extended, with four of them paused due to Covid-19. The remaining one "Medium" action related to cyber security.</p>
18/21	<p>External Audit Plan 2021-22</p> <p>The External Auditor, KMPG, presented the risk assessment and planned external audit strategy for 2021-22. The identified risk areas for focus were noted as: valuation of property, valuation of LGPS pension liability, revenue recognition, management override of control and Going Concern. Access and participation expenditure was also an area of focus. It was noted that the cessation of the ESFA assurance over the amount of apprenticeship income recognition within the financial statements had increased the volume of work required in this area. In relation to Going Concern the revised ISA requirements and impact on testing requirements were alluded to. The Committee noted the materiality and reporting threshold and the rationale was understood. The Committee satisfied itself in respect of the robustness of the external auditors' internal independence procedures.</p> <p>The potential impact of the proposals contained within the BEISS White Paper on the regulatory framework and audit for the Group, in particular in relation to the definition of Public Interest Entity and threshold test, was flagged as an area to be aware of. The Committee requested to be kept apprised of any relevant developments in this area.</p>
19/21	<p>Post 16 Audit Code of Practice (ACoP)- Update following ESFA review</p> <p>It was brought to the attention of the Committee that from March 2021 a number of revisions had been made by the ESFA to the ACoP as they related to the operation of the Audit Committee. The Co. Sec and GC provided the Committee with a report highlighting those revisions by way of providing assurance to the Committee that it remained compliant with the ACoP. The Committee noted the additional requirement for the external auditors to attend the December LTE Group Board meeting to present their findings to the Group.</p>
20/21	<p>Total People Limited Financial Regulations</p> <p>The Committee received the TP Financial Regulations for scrutiny and ratification. It was confirmed that these had been reviewed and approved by the TP Board. The main change to the new bids and contracts approvals matrix was highlighted to the Committee, which more accurately reflected the current reality. The Committee sought assurance that there were controls in place to mitigate against the risks pertaining to any change in existing supplier details. This would ordinarily sit within the procurement manual which was referenced in the regulations. An action was</p>

	<p>taken to ensure this position and if not the regulations be amended to cover this situation.</p> <p>RESOLVED that subject to the mitigation of risk from change of existing supplier details being adequately covered as detailed above the approval of the Total People Limited Financial Regulations be ratified.</p>
21/21	<p>Review on Compliance Framework – Modern Slavery Act 2015</p> <p>The Co. Sec and GC provided an update to the Committee on the anticipated change in Government approach to the annual reporting requirements pursuant to the Modern Slavery Act 2015. A revised reporting methodology was proposed which included that from the 2020/21 financial year an overarching policy statement be adopted with the annual reporting within that policy statement to be undertaken via the Financial Statements. It was understood that this practice had been widely adopted in both the FE and HE sector. The Committee gave consideration to the Modern Slavery Policy as presented.</p> <p>RESOLVED that the Modern Slavery Policy and the methodology for the annual reporting requirement under the Modern Slavery Act 2015 be approved and that a 3 year review cycle be set for the policy.</p>
	<p>RESOLVED that as the items to be considered are deemed confidential, the Committee move into confidential session.</p>
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