

Audit & Risk Committee

Minutes of the meeting of the Audit & Risk Committee held on 25 May 2017 at 10am in OP 116/7

Present: Paul Candelent, Phil Lanigan (Chair) and Louise Durose.

Apologies: Paula Cole, Kate Macdonald and Malcolm Sugden

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 Newell (Head of SHE), for items 11/17 and 12/17, Annick Platt (Director of Operations, Novus) for item 12/17, Lisa Randall (RSM) and Ian Roberts (PWC).

Apologies: Paul Taylor (Chief Operating Officer) and Rebecca Gissing (PWC)

Rob Cressey declared that his brother in law is a Tax Partner at RSM.

Part A

10/17	<p>Part A Minutes of the meeting held on 9 March 2017</p> <p>The Part A minutes of the meeting held on 9 March 2017 were approved as a correct record.</p> <p>The Group Finance Director confirmed that AIB had postponed until June the meeting to clarify the wording of the covenant in the loan agreement. It was understood that the revision would be confirmed to the next meeting.</p>
11/17	<p>Strategic Risk Management</p> <p>The Head of Safety Health & Environmental presented the Risk Management Update. It was reported that implementation of the revised Risk Management strategy was progressing well and that the business areas would present the first drafts of their updated risk registers to the June Divisional Board meetings. Overall the response had been positive and the team had been available to answer any queries. The new risk register format was both more manageable and more relevant as it could be tailored to the specific needs of each business area. Work continued to embed further the strategy throughout the organisation. A member queried how the Committee could gain assurance that the controls were working effectively and it was confirmed that peer review of risk registers was being introduced and the framework would be reviewed by the internal auditors once embedded. In response to a query it was confirmed that the risk registers were reviewed internally regularly and that that high scoring risks were reviewed at each Audit & Risk Committee meeting and also bi-monthly at the executive team meetings. The Divisional Boards would review their own risk registers twice a year.</p> <p><i>Annick Platt (Director of Operations, Novus) joined the meeting.</i></p>

12/17	<p>Health & Safety Group Update</p> <p>The Head of Safety Health and Environmental presented the Group Health & Safety Report. An update was provided on the RIDDOR and recordable incidents in the year to date. A discussion ensued. A member queried and it was confirmed that the RIDDOR figures benchmarked unfavourably against other educational institutions. The Committee heard that reducing the rate of RIDDORs was a key focus for the organisation. It was believed that the increase in recordable incidents since last year was the result of a campaign to encourage staff to report incidents more consistently. It was reported that progress towards the OHSAS 18001 standard was on track and that all outstanding documentation would be completed by the end of May.</p> <p><i>Annick Platt & Simon Newell left the meeting.</i></p>
13/17	<p>Internal Audit</p> <p>The Internal Auditor presented the following reports:</p> <p>New Finance System</p> <p>It was noted that the project had already sustained delays as a result of changes to the Project Manager at the start of the project and then issues with the software provider. The Group Finance Director reported that whilst there had been some issues at the outset, a robust process was now in place and the project was progressing well. Further checkpoints would be undertaken prior to the go live date. It was recommended that a review of lessons learnt should be undertaken post implementation, to inform any future similar projects.</p> <p>Health & Safety</p> <p>The framework was being developed in readiness for the Group's application for the OHSAS 18001 standard by July 2017. The Committee received assurance that the design of the framework was in order and that further compliance work would follow in 2017-18, once the framework was fully implemented. A member noted in respect of paragraph 2.1 of the report, that the CEO should be listed as the "responsible owner" to emphasise the importance of the Health & Safety policy. It was agreed that the report would be amended and recirculated. The Group Finance Director confirmed that Health & Safety was a standing item on the agenda at executive meetings.</p> <p>The meeting was adjourned for five minutes.</p> <p>IT Follow Up (Asset Management)</p> <p>The Committee heard that whilst this had previously been an area for concern, and the subject of two internal audit reports in 2015-16, all but one outstanding actions had now been completed or superceded. The Committee heard that the sole outstanding action was in respect of software licence recognition and that this was in progress. The Internal Auditor confirmed that they were satisfied with the progress made and that overall the organisation was in a much stronger position.</p> <p>Internal Audit Progress Report</p> <p>The Committee heard that the annual opinion was positive. Further to discussions at the last meeting, the remit of the project assurance on the Estates Strategy was under discussion and once agreed would be reported to a future meeting of the Committee.</p>

	<p>Subcontracting Controls</p> <p>Further to new guidance issued by the Skills Funding Agency in March 2017, the Internal Auditor confirmed that management had requested they undertake a further piece of work on subcontracting controls. It was confirmed that an updated certificate had been signed by management and would be submitted to the funding body before the deadline of 31 May 2017. It was reported that Total People Limited had undergone their own audit with their auditors Murray Smith, which was positive with one recommendation.</p>
14/17	<p>Progress Against Internal Audit Recommendations</p> <p>The Head of Finance presented the report on progress against internal audit recommendations. An update was provided on the outstanding recommendations, the majority of which were scheduled for completion by the end of July. It was agreed that the development of the HR organisational development strategy (item 11) would be deferred from Autumn 2017 to Summer 2018 to allow current HR projects to become embedded. The Internal Auditor confirmed that she was satisfied with the progress made.</p>
15/17	<p>Internal Audit Plan 2017-18</p> <p>The Internal Auditor presented a discussion paper on the areas scheduled for audit during 2017-18 and sought guidance from the Committee on the organisation's priorities. A discussion ensued. It was agreed that priorities were: the estates strategy (remit to be clarified), implementation of the Health & Safety framework (towards the end of 2017-18), IT and cybersecurity, financial controls around the new finance system (including a gap analysis on PWC's work). MOL Strategy, HE and Business Development and Partnership were not immediate priorities as they were already under management review. A new HR performance management framework (cultural behaviours) was in the pipeline and, once implemented, a future review of this would be useful. The Group Finance Director reported that he was reviewing whether Total People should be included within the scope of the RSM work.</p> <p>RESOLVED that</p> <ol style="list-style-type: none"> 1. the Board of Governors be recommended to approve the appointment of RSM for internal audit services for 2017/18; 2. RSM should submit an amended 2017-18 plan for endorsement by the Chair of the Audit & Risk Committee, prior to its formal recommendation and approval at the Board of Governors meeting in July 2017.
16/17	<p>Post 16 Audit Code of Practice</p> <p>The Group Finance Director reported that the Post 16 Audit Code of Practice (formerly JACOP) had been reissued to reflect common findings from regularity assurance work in the sector. The Committee received a summary of the changes. It was also reported that the Chief Executive Officer had received a letter from the Chief Executive of the ESFA, reiterating the importance of strong financial management and governance. It was confirmed that the letter had been circulated to Governors in April so that they could challenge the executive team accordingly.</p>

17/17	<p>Total People Financial Regulations</p> <p>The Group Finance Director reported that, further to the Financial Regulations which had been prepared for Novus Cambria, a set of regulations were now being prepared for Total People Limited. The Committee heard that the finalised regulations would be presented for approval by the Total People Board and to the Audit & Risk Committee for information in due course.</p>
18/17	<p>Policy Review</p> <p>The Company Secretary and General Counsel presented two policies for the Committee's review. The Public Interest Disclosure policy was last reviewed in 2013-14 and had been updated to reflect the current Group position. The Declaration and Conflict of Interest Policy was a new policy explaining the Group's position on the declaration and treatment of conflicts of interest. The Committee heard that this policy was increasingly requested as part of commercial bidding processes.</p> <p>RESOLVED that the Public Interest Disclosure policy and the Declaration and Conflict of Interest policy be recommended to the Board of Governors for approval.</p>
19/17	<p>External Audit Strategy 2017-18</p> <p>The Chair welcomed Ian Roberts of PWC, the new External Auditors to the meeting.</p> <p>The External Auditor presented PWC's Audit Strategy for the year ending 31 July 2017 including the main areas of focus for the audit. It was reported that PWC were still awaiting the standard professional clearances from Grant Thornton but that no issues were anticipated. The Committee heard that PWC were liaising with Finance to agree the dates for various pieces of work. A Member queried the potential inclusion of Novus Cambria in the scope of the audit and the Group Finance Director confirmed that the approach to be taken was under discussion with PWC and would be confirmed in due course.</p> <p>It was confirmed that the Total People audit would commence one week after the LTE Group audit and that a visit to Total People was being arranged so PWC could meet key staff.</p> <p>The Chair noted that in the interests of good governance there should be a clear channel of communication between the Auditors and the Chair of the Audit & Risk Committee and the External Auditor was encouraged to communicate directly with the Chair if required.</p>
	<p>RESOLVED that as the items to be considered are deemed commercially sensitive, the Board move into confidential session.</p>
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