

AUDIT COMMITTEE

Meeting held on Thursday 5 November 2020

via Zoom

Present: David Kennedy (*Chair*)
Hanif Barma
Paul Gordon
Maria Vetrone

In attendance: Alex Fraser
Ian Parrett
Suellen White
Philip Cook
Mark Heaton
Andy Holmes (*Items 1-5*)
Richard Martindale
James Aston (*BDO*)
Peter Lewis (*BDO*)
Alan Lees (*KCG*) (*Items 1-7*)

1. Welcome and Apologies

There were no apologies for absence.

2. Declarations of Interest

Mr Barma reported that he had been appointed as a tutor for an LIBF course and whilst there was no current conflict of interest, he would like this position to be formally noted. There were no other Declarations of Interest.

3. Minutes

The minutes of the meeting of the Committee held on 16 July 2020 (paper AuC20/02/MIN) and the proposed wording to be redacted for publication (highlighted in the Minutes) were approved.

4. Matters Arising

The Committee discussed the following matters that were not considered elsewhere in the agenda:

- i **Minute 5i.** Mr Parrett confirmed that a list of outstanding internal Audit recommendations had been prepared; and
- ii **Minute 7ii.** It was noted that Cyber Security had been included in the Strategic Risk Register.

5. IT – Cyber Security

Mr Holmes gave an update on Cyber Security (paper AuC20/03/05)

Redacted – Confidential

6. OfS Update

Ms White updated the Committee in relation to the Office for Students (AuC20/03/06i) and presented a Report (AuC20/03/06ii).

Redacted – Confidential

7. Internal Audit

Mr Lees presented papers AuC20/03/07i, AuC20/03/07ii AuC20/03/07iii and AuC20/01/07iv and the following was discussed:

- i In relation to the Internal Audit Progress Report:
 - (a) The Committee noted progress against the Internal Audit Plan and in particular that the Trade Finance Audit had not been completed for business reasons;
 - (b) The Committee noted the sector issues highlighted in the Report and the follow up of recommendations which would need to be revisited in the New Year.
- ii In relation to the Internal Audit of Risk Management Arrangements:
 - (a) It was noted that the control framework provided satisfactory assurance and that the report had been finalised; and
 - (b) The Committee noted the recommendations of the Report and Mr Lees commented that 25 Strategic Risks was a relatively high number and that he would expect in the region of 10-15.
- iii In relation to the Internal Audit of Governance:
 - (a) It was noted that notwithstanding the fact that the audit had been based on assessing compliance with the revised CUC Code published in September 2020 (which the LIBF had not had the opportunity to consider) the control framework provided satisfactory assurance;
 - (b) Mr Martindale commented that it had been a useful exercise to identify actions which would need to be taken to address new requirements.
- iv In relation to the Annual Internal Audit Report it was noted that:
 - (a) 2020 had presented extraordinary challenges but a transition to remote working had rapidly been put in place;
 - (b) Overall, the Internal Auditors were able to provide satisfactory assurance that the LIBF maintained adequately designed and effective arrangements;
 - (c) It was noted that the 3 actions which had not been implemented were those that it had been agreed did not need to be implemented. Mr Lees agreed to clarify this.
 - (d) Mr Lees confirmed that he would be able to let the Committee have the ‘benchmarking report’ referred to in the Report in December.

8. BDO Audit Findings Report

BDO presented their Report in relation to the external audit and draft letter of representation (AuC20/03/08) and the following was noted and discussed:

- i It was noted that in relation to the going concern risk there had been no issues as at the time of the September management accounts but that this would be revisited once the October figures were available;
- ii There was a little more work to be done in relation to revenue recognition and any concerns would be flagged at sign-off;
- iii There were no issues in relation to management override of controls;
- iv In relation to the defined benefit pension scheme a benchmarking of the assumptions had been undertaken and the discount rate was slightly lower than was common. It was noted that had this rate been higher there would have been an accounting surplus rather than the deficit which was being disclosed;
- v The Committee noted the adjustments on page 16 of the Report and Mr Lewis confirmed that none of these reflected any issues with systems;
- vi The Committee noted the specific representations in the Letter of Representation related to the pension scheme and going concern assessment. In relation to going concern it was agreed that it would be useful for Mr Parrett to circulate an analysis of the detailed numbers and assumptions to the Committee; **Action: IP**
- vii In relation to the CUC Audit Committee Code referred to on page 35 of the Report it was agreed that the aim should be to move towards compliance and Mr Parrett agreed to reflect this in the Annual Report; and
- viii It was noted that the reference to there being no 'new' significant deficiencies was a typo and the word new should be deleted.

9. Review of Draft Annual Report and Accounts for the year ended July 2020

Mr Parrett presented his Review (paper AuC20/03/09) and the draft Annual Report and Accounts (paper AuC20/03/09i) and the following was discussed:

- i Mr Parrett highlighted the key changes from the figures presented to the Board reflecting the treatment of furlough monies and certain pension scheme costs being met by the Fund and it was noted that redundancy costs were now largely finalised;
- ii The Committee noted the tables comparing performance across the business units to the previous year. It was noted in particular the final quarter had borne a lot of the impact of Covid-19;
- iii Mr Parrett explained that the increased contribution from Level 1 within Schools and Outreach related to the LiFE programme which was a relatively new product; and
- iv In relation to going concern it was agreed that the wording on page 45 might usefully be reflected elsewhere in the Report and Accounts.

Following these discussions, the Committee approved the Annual Report and Accounts for consideration by the Board of Governors and signature.

10. Risk Management

Mr Parrett presented the updated Risk Framework (AuC20/03/10) and Mr Heaton gave an overview of the Risks related to his business area

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11. Appointment of Internal Auditors

Mr Parrett presented his paper regarding the appointment of an Internal Auditor (AuC20/03/11) and it was noted that the references received in relation to RSM had been positive. It was therefore agreed to recommend the appointment of RSM as Internal Auditors.

12. Draft Annual Report of the Audit Committee to the Board of Governors

The Committee considered the Draft Annual Report of the Audit Committee to the Board of Governors (AuC20/03/12) and Mr Parrett agreed to incorporate wording to reflect comments received from the Committee and reissue the Report. Subject to these changes being made the Committee approved the Report.

13. Date of Next Meeting

It was noted that the date of the next meeting of the Committee was to be confirmed.

14. Other Business

The members of the Committee confirmed that they did not need to meet with the External and Internal Auditors without management present.

Matters Arising:

Action	Responsibility
Review of insurer's requirements	Mr Parrett/Mr Holmes
An analysis of the detailed numbers and assumptions regarding going concern to be circulated to the Committee	Mr Parrett

PC

5.11.20