

AUDIT COMMITTEE

**Meeting held on Thursday 16 July 2020, 10.30am
via Zoom**

MINUTES

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

In Attendance: James Aston (BDO), Alex Fraser, Alan Lees (Kingston City Group), Peter Lewis (BDO),
Richard Martindale, Ian Parrett, Suellen White

1. Apologies and Welcome

The Chair welcomed members and those in attendance to the meeting and noted there were no apologies for absence.

2. Declarations of Interest

Mr Lees declared an interest in item 10 and agreed to leave the meeting prior to that item. There were no other declarations of interest.

3. Minutes

The minutes of the Audit Committee meeting held on 12 March 2020 (paper AuC20/01/MIN) were approved.

4. Matters Arising

There were no matters arising.

5. Internal Audit

Mr Lees presented the following reports:

i. Internal Audit Progress Report (paper AuC20/02/05i)

Mr Lees noted the impact to the timetable of audit activity due to the Covid-19 pandemic and recent staff issues. He noted three audits had been completed. Audits for Risk Management and Governance were now scheduled with dates pending agreement for an audit of trade finance. The Committee noted the number of audit recommendations still to be actioned and agreed a

further update was required to reflect the current position.

Action: Mr Lees to liaise with Mr Parrett and Ms White on updating the outstanding internal audit recommendations.

ii. Internal Audit Report – Accounts Payable (paper AuC20/02/05ii)

Mr Lees noted that the audit had been conducted remotely and resulted in a satisfactory outcome.

Redacted - confidential

iii. Internal Audit Report – Data Quality (paper AuC20/02/05iii)

Mr Lees noted the substantial assurance recorded as an outcome of the audit and that this reflected the significant investment of time and effort by LIBF staff in this area.

iv. CUC Paper – Higher Education Audit Committees Code of Practice (paper AuC20/02/05iv) and KCG CUC HE Code Summary (paper AuC20/02/05v)

The Committee discussed the summary paper and Mr Lees highlighted the main changes including a significant reduction in the size of the Code and a focus on organizational culture and values. He further noted that there were some aspects that were still being considered and appeared contradictory in some areas.

6. External Audit

The Committee considered the arrangements for external audit:

- i. The Committee received confirmation of Grant Thornton’s resignation as external auditors.
- ii. Mr Aston and Mr Lewis presented BDO’s 2020 Audit Plan for LIBF (paper AuC20/02/06) with the following being noted:
 - a. Professional clearance from Grant Thornton was still pending.
 - b. Planning work had commenced for the audit activity with the final report expected to be presented to the Audit Committee at its meeting on 5 November 2020.
 - c. ***Redacted - confidential***
 - d. The materiality figure was an estimate and pending confirmation of final accounts. The figure was consistent with previous years.
 - e. BDO are running a session for all finance directors and this invitation had been extended to LIBF.

Mr Aston left the meeting.

7. Risk Management

Mr Parrett presented the Strategic Risk Register (paper AuC20/02/7i) and provided a Cyber Security Update (paper AuC20/02/7ii). The following was discussed:

- i. The Strategic Risk Register had been presented to the Board of Governors at its meeting on 11

June 2020 and included extensive updates. Along with increased probability for a number of risks, the following new risks had been included;

- a. SR11 - global events such as the Covid-19 pandemic;
- b. SR18 - instability in the property market; and,
- c. SR25 – partnership with ADGMA.

The Committee discussed the level of detail within the Strategic Risk Register and whether areas such as cyber and fraud risk should be more detailed. It was noted that the Operational Risk Register included a greater degree of detail. The Chair encouraged members to submit suggestions for areas they would like to see a more detailed evaluation undertaken at a future meeting.

Action: Members to submit suggestions of risk areas to be considered for a more detailed evaluation.

- ii. The Committee considered the current threat landscape for cyber security and noted the work undertaken to increase staff awareness.

Redacted - confidential

The Committee agreed that along with its current inclusion on the Operational Risk Register, cyber security should also be included on the Strategic Risk Register.

Action: Mr Parrett to include cyber security on the Strategic Risk Register.

8. Regulatory Update

Ms White presented her regulatory updates including interactions during the last quarter with our regulators.

With respect to Ofqual, Ms White noted activity had been focused primarily on the calculation of grades for our financial capability qualifications. The Statement of Compliance had been suspended by Ofqual but work would continue internally with preparing this. Information had been provided to Ofqual regarding our submission for T-Levels and the outcome of this was pending.

With respect to the Office for Students (OfS), Ms White noted that OfS had published revised regulatory requirements during the pandemic but had started to reinstate returns with original dates. She noted OfS had an increased focus on consumer protection law during the coronavirus pandemic and highlighted that we had engaged with our students throughout the pandemic and had an internal compliance group that monitors this area of compliance.

Finally, Ms White noted that the regulatory risk on the Strategic Risk Register had been increased from a total net risk of 8 to 12, primarily as a result of changing regulatory requirements in light of the Covid-19 pandemic.

9. Covid-19 and Returning to work

Mr Parrett provided an update on plans to reopen the premises (paper AuC20/02/9). He reiterated

that the main position continued to be that staff would work from home wherever possible. The guidance for operating workplaces safely had been reviewed by the Health and Safety Committee and the senior team. The arrangements put in place had been tested recently with HE students sitting exams and had worked well. Mr Parrett confirmed that we were prepared in the event of a second wave and that onsite delivery primarily affects HE delivery, which could quickly revert to remote arrangements if required. Lastly, he noted that enhanced cleaning and inspection of the premises was in place and followed the government guidance.

Mr Lees left the meeting.

10. Internal Audit Tender Process

The Committee discussed the next steps in appointing internal auditors. It was noted that three tenders had been received and proposed that interviews take place during August – September. The interview panel would include Mr Kennedy, Ms Vetrone, Mr Barma and Mr Parrett. Mr Gordon agreed to be available if required. Mr Parrett requested members contact him with any suggested topics for the presentations to be based on.

Action: Members to submit suggested areas for internal audit presentations.

11. Any Other Business

There was no other business.

13. Date of Next Meeting

It was noted that the next meeting of the Audit Committee was scheduled for Thursday 5 November 2020, 10.30am

14. Committee Review with Auditors

Members of the Audit Committee had the opportunity to meet the external auditors, without management present.

Matters Arising:

Action	Responsibility
Mr Lees to liaise with Mr Parrett and Ms White on updating the outstanding internal audit recommendations.	Alan Lees
Submit suggestions of risk areas to be considered for a more detailed evaluation.	All
Include cyber security on the Strategic Risk Register.	Ian Parrett
Submit suggested areas for internal audit presentations.	All