**Minutes of the meeting of the Group Audit and Risk Committee
held on Thursday 29 June 2023, 4:00 PM — 6:00 PM BST
1B16, Technopark**

Present
Duncan Brown
John Cole
Allison Howe
Mark Lemmon

Apologies
None

In attendance
Natalie Ferer
Richard Flatman
Nicole Louis
David Phoenix
Dominique Phipp (via videoconference)
Rychard Scrase Field – for item 9
James Stevenson

Auditors
Hannah Catchpool (RSM, via videoconference) – for items 1-6
Mark Law (RSM)
Nicola Walker (BDO)
Josh Wilson (BDO)

Observers
Andreas Raffel
Aaron Porter (HE consultant)

1. **Welcome and apologies**

   The Chair welcomed the members to the meeting, including LSBU's new external auditors from RSM UK Audit LLP and Aaron Porter (HE Consultant), who was observing the meeting as part of an ongoing governance effectiveness review.

2. **Declarations of interest**

   No interests were declared in any item on the agenda.

3. **Minutes of the previous meeting**

   The committee approved the minutes of the meeting of 9th February 2023 and their publication without redactions.

The committee noted the ordinary resolution by the members of LSBU (the Board of Governors) to appoint RSM UK Audit LLP as LSBU's external auditors for the remainder of the financial year ending 31st July 2023, and for the financial year 1st August 2023 to 31st July 2024.

4. **Matters arising**

Provide an update on addressing weaknesses identified in the SBA overall annual internal audit opinion - The committee noted that a separate opinion was not actually required for SBA and would not be provided for 2022/23. Outstanding recommendations would continue to be progressed, including implementation of a new payroll system during the autumn.

Reconciliation of historic bank reconciling items - The committee noted that most historic bank reconciling items had been reconciled accurately and should not present a material issue for preparation of the 2022/23 annual report and accounts.

Completion of KPMG's 2021/22 external audit recommendations – The committee noted that a detailed update on the progress of outstanding external audit recommendations would be shared by the end of July.

5. **Draft external audit plan 2022/23**

The committee discussed the draft group external audit plan for 2022/23. It noted that the draft plan had been prepared prior to full completion of planning processes, given the short period between RSM's appointment and preparation of the plan.

The committee noted the significant audit risks identified were the recognition of grant funding income and management override of controls. Both risks had been identified as significant due to the potential risk of fraud and were sector rather than institution specific.

The committee discussed the risk assessment, which was designed to ensure that audit effort is focussed on the higher risk areas that could lead to material misstatement to the financial statements. It requested that the external auditors review the risk ratings for going concern and estates development once they had completed their planning processes.

The committee noted the auditors' assurance of their personal and firm independence.

The external audit partner reported that she would keep the committee apprised of the ongoing consultation to change FE colleges' year-end date to 31st March.

The committee approved the 2022/23 group external audit plan and thanked the external auditors.

6.   **Draft internal audit plans 2023/24**

The committee discussed the draft 2023/24 group internal audit plan, which was part of the three-year internal audit annual strategy for 2023-26. The plan had been developed by BDO following discussions with members of the Group Executive and was based on the corporate risk register and previous internal audit work.

The committee noted that the plan does not include an audit focussed on IT or cyber security whilst the IT team implements actions from BDO's previous IT audit. The committee recognised that there is a significant impact on staff and management time of conducting a further audit, and it noted the importance of closing existing IT audit actions in 2023/24, so that the next IT audit could be undertaken in 2024/25.

The committee noted that the plan does not include an audit of data quality (although the UKVI audit would include an element of data quality assessment through sampling of Tier 2 and 4 data), nor an audit of governance as an independent review of LSBU's board effectiveness is currently being undertaken.

The Group CFO reported that BDO would be made aware of changes to the corporate risk register as they arise.

The committee discussed whether to add an audit relating to student experience, compliance with the new personal tutoring system or employer placement management processes, or student welfare support including prevention of suicide to the audit plan. The Vice Chancellor recommended additional audits are not added to the plan and he reported that further resource would be allocated as part of the change proposals around SHAPE. This recommendation was accepted by the committee.

The committee noted that the recent internal safeguarding review had included an element on student safety on campus and that the FPR committee receives annual assurance reports on student bullying, harassment, and sexual misconduct prevention.

The committee approved the draft 2023/24 group internal audit plan and the continuing three-year internal audit strategy.

Hannah Catchpool, the external audit partner, left the meeting

7.   **Internal audit progress report**

The committee discussed the internal audit progress report. It noted the changes proposed to the internal audit plan 2022/23, which included the addition of two new audits for LSBU relating to staff overtime and processes around accommodation income recognition.

SBC management had also requested an additional 'lessons learned' review of the Nine Elms Block A project, and SBA management had requested that the design and effectiveness of quality controls be re-audited.

The committee approved the proposed changes to LSBU's internal audit plan.

8. **Internal audit follow-up report**

The committee noted the audit follow-up report.

The committee discussed whether due dates set for completion of audit actions are appropriate. It noted that in some more complex audits the completion of audit actions had been delayed by changing of the focus or approach of some reviews and the introduction of new technologies whilst the audits were ongoing.

The COO and VC agreed to reflect on whether enough is being done to support Heads of/Directors to engage with BDO's audit work and to give mid-tier managers the confidence to say if audit work timelines are not achievable. This should enable some older audit actions to be closed or readdressed as well as reduce the number of audit recommendations with multiple deferrals of action due dates.

9. **LSBU estates buildings safety internal audit report**

With Rychard Scrase-Field, Group Director of Estates Development & Campus Services (ED&CS)

The committee discussed the internal audit review of estates building safety, which provided limited assurance over the design and operational effectiveness of controls relating to the health and safety within estates. The committee noted that regular monitoring processes and previous estates project reviews had not identified the findings of the internal audit report.

The Group Director of ED&CS explained that the issues identified by the audit were likely the result of a lack of understanding by staff of the critical nature of systems used to categorise assets and monitor their condition.

The Group Director of ED&CS reported that most actions recommended by BDO were almost complete or had already been completed by the estates team. Additionally, he explained how more robust record-keeping and monitoring of asset maintenance would be carried out in future.

The committee noted that the findings relating to asset categorisation had no bearing on depreciation calculations in the annual report and accounts.

The Chair requested an update on the progress of recommended audit actions at a future meeting.

The committee noted that the fire door remediation programme was now

complete, and maintenance of fire doors was now part of wider ongoing maintenance processes. A report on the maintenance of fire doors would be brought to a future meeting.

10. **LSBU internal audit reports**

The committee noted LSBU internal audit reports focussed on GDPR, business continuity, OfS Conditions B1, B3 and B5 monitoring, and the London Road project.

The committee asked the Vice Chancellor and the internal audit partner to discuss the OfS internal audit report finding that regular reporting to the Board of Governors and its committees had not been directly aligned to the B3 condition of registration. The committee felt that the Board had discussed the B3 condition of registration comprehensively at its meetings.

The committee discussed the findings of the London Road project review relating to management of internal contractors and project capacity. The committee was reminded that the project contract was based on national conditions and prepared by external lawyers; it was therefore considered to be robust. Additionally, extra support had been recruited specifically for the project. It noted that most of the staff who had worked on the project have since left LSBU which meant that it was challenging to collate evidence for the project review.

11. **SBC and SBA internal audit reports**

The committee noted internal audit reports on SBC's business planning and financial controls and on SBA's health and safety governance.

The committee thanked the internal auditors.

12. **Group corporate risk register**

The committee discussed the corporate risk register, noting that four new risks had been added, five risks had been closed, and five risk ratings had been changed since the register was last reviewed by the committee.

The committee requested that the closed risks are highlighted in future reporting.

The committee discussed the risk of students using the new technology ChatGPT to complete academic assessments. It agreed not to add the risk to the corporate risk register but requested that the Group Executive reflects on how this risk is being mitigated.

The committee requested a report is brought to a future meeting for review that marries the expectations for each risk, current risk exposure, and the Board's risk appetite with narrative on the prioritisation of resource for mitigation by the Group Executive.

13. **Cyber security and resilience update**

The committee noted an update on the progress of BDO's IT security and disaster recovery audit actions and other activity in progress to mitigate IT risks. The COO assured the committee that LSBU and SBC IT security infrastructure and controls have improved significantly in 2022/23. The committee welcomed progress to date.

14. **Annual debt write-off**

The committee discussed the write-off of tuition, accommodation, and other debts.

██
██

The committee approved the annual LSBU debt write-off of ████████

15. **Safeguarding action plan update**

The committee noted an update on progress of the Safeguarding Action Plan.

The committee discussed the approach to improve staff completion rates of the digital safeguarding training module. The COO reported that a new safeguarding e-learning module would be in place for 2023/24, as feedback on the existing module demonstrated that it was too long. Regular workshops on safeguarding are also held for staff.

The COO reported that staff understanding of safeguarding processes is comprehensive relative to the sector.

16. **Pension assumptions**

The committee noted the draft pension assumptions for 2022/23 and the process to produce them. Barnett Waddingham would be commissioned to produce the valuation and other related disclosures, which would be benchmarked against similar institutions.

17. **Anti-fraud, bribery and corruption report**

The committee noted an update on anti-fraud, bribery, and corruption. It noted that BOO had been engaged to investigate one matter rela claims for overtime payments and payments for additional d u t i e s ███████████████████████████████████████ Any payments for overtime had been stopped whilst the matter is investigated.

The committee noted that a draft internal audit report of BDO's initial findings regarding the overtime payments review had been completed and shared

with management.

The Group CFO reported that there is no overtime payments policy for academic staff and instead custom and practice had developed over a number of years. Accordingly, there was no basis upon which to refuse payment. A new policy for overtime claims by academic staff would be developed and the existing policy for PSG staff would be reviewed.

The committee noted that the matter was not considered to be fraudulent and was not reportable to the OfS.

18. **Speak up report**

The committee noted that no new speak up matters had been raised since the previous committee meeting.

19. **Data protection update**

The committee noted that there had been twelve incidents involving breaches of personal data since the previous committee meeting, none of which were reportable to the ICO.

20. **OfS reportable events update**

The committee noted that no reportable events had been identified since the previous committee meeting.

21. **GARC business plan**

The committee noted its annual business plan.

22. **Matters to report to the Board on 20th July 2023**

The committee noted the matters to report to the Board are the group corporate risk register, a verbal update by the committee Chair on the external audit plan, the matter relating to overtime payments to academic staff, and estates health and safety lessons learned.

Date of next meeting
4:00pm on Thursday, 5th October 2023

Confirmed as a true record

.... (Chair)