

**Minutes of the meeting of the Audit Committee
held at 4.00 pm on Thursday, 8 June 2017
1B16 - Technopark, SE1 6LN**

Present

Steve Balmont (Chair)
Shachi Blakemore
Mee Ling Ng
Roy Waight

In attendance

David Phoenix
Natalie Ferer
Richard Flatman
James Stevenson
Michael Broadway
Shân Wareing
Justin Martin
Charlotte Bilsland
Lucy Gresswell
Jack Stapleton
Fleur Nieboer (KPMG - external auditors)

1. Welcome and apologies

The Chair welcomed members to the meeting. The Chair welcomed Fleur Nieboer and Jack Stapleton from KPMG the newly appointed external auditors.

No apologies had been received.

The committee noted an update from the Vice Chancellor on Project Larch, the project to bring Lambeth College into the LSBU Family of Educational Institutions. The committee noted that the full business case for the Project would be discussed by the Board at an extraordinary meeting of 13 June 2017.

It was noted that during phase one the university would obtain rights to appoint the majority of governors of the board of Lambeth in accordance with revised instrument and articles of government to be adopted by Lambeth College. During phase two it was intended that Lambeth College would dissolve and the activities of the College would transfer to a new wholly owned subsidiary of LSBU.

2. Declarations of interest

[REDACTED]
[REDACTED]
[REDACTED] The committee noted that PwC had prepared the full business case for Project Larch. LSBU's internal audit team were entirely separate from the PwC team that worked on Project Larch.

3. **Minutes of the previous meeting**

The committee approved the minutes of the meeting of 7 February 2017 and their publication without any redactions.

4. **Matters arising**

The committee noted that actions 5, 12 and 18 had been completed.

The committee noted the TRAC return would be reviewed by Shachi Blakemore by the end of June 2017.

The committee noted that the development of an LSBU group risk register would form part of the Board working group on LSBU group governance structures.

5. **Placements update**

The committee noted an update on recommendations from the internal audit report on placements. The internal audit report had been discussed by the committee at its meeting of 7 February 2017.

It was reported that five of the recommendations had been completed and that seven were progressing in line with the project plan.

Shân Wareing left the meeting

6. **External audit progress report**

The committee noted the technical update and progress report of the external audit from KPMG. An initial visit from KPMG would take place in July 2017 and fieldwork for the external audit would commence in September 2017.

The committee noted that the executive is reviewing gender pay gap reporting requirements.

7. **External audit plan**

The committee discussed the external audit plan, which was based on areas of audit risk, namely pension liabilities and the risk of fraud from revenue recognition and management override of controls.

The committee discussed Project Larch and noted the opinion of KPMG was that the university would not need to consolidate the accounts of Lambeth College into the LSBU group accounts during phase one of the transaction.

The committee discussed the proposed materiality level. The committee agreed that the proposed materiality levels were appropriate.

8. KPMG Key performance indicators

The committee approved the KPIs of KPMG as agreed as part of the tender process. Narrative reporting on performance would also be included.

9. Indicative pensions assumptions

The committee noted that the pension assumptions used for calculating the deficit in the LPFA scheme at year end 2016/17 had yet to be provided by the scheme actuaries. The assumptions would be circulated to the committee for information when available.

10. Annual bad debt write off

The committee approved the write-off of tuition fee debt of [REDACTED], which had been fully provided for in the year end accounts.

The committee noted that LSBU makes efforts to actively recover debt before referring the matter to collection agencies.

11. Internal audit progress report

The committee noted the progress reports from PwC. 86% of the programme had been completed which was in line with the plan. The implementation rate of recommendations was good.

The committee noted that PwC were supporting the university in preparing for the General Data Protection Regulation which comes into force in May 2018.

12. Financial data continuous auditing report

The committee noted the financial data continuous auditing report for period 2. Both Payroll and Accounts Payable were rated amber. This was largely down to manual processes, many of which were now redundant following implementation of the new HR i-trent system. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

13. **Student data continuous audit report**

The committee discussed the student data continuous auditing report, which was rated as medium risk.

The committee noted that the project to upgrade the student records system should help improve aspects of student data reporting.

14. **Apprenticeships report**

The committee discussed the internal audit report on apprenticeships [REDACTED]

The committee expressed requested an update at its next meeting.

15. **Internal audit plan, 2017/18**

The committee discussed the draft internal audit plan. The plan was for 125 days over the year. The plan included an audit of the new HR system, international partnerships, ICT and health and safety.

The committee approved the Internal Audit plan for 2017/18, subject to a review if the move of Lambeth College into the LSBU family of educational institutions impacted on the university.

16. **Corporate risk register**

The committee noted the corporate risk register. The committee discussed the risk rating on Project Larch. The rating would be reviewed if Lambeth College moved into the LSBU family of educational institutions.

The committee noted that a number of target dates for actions had passed. The committee requested that this is reviewed ahead of the next meeting.

17. **TRAC(T) return**

The committee noted the TRAC(T) return to HEFCE. The committee would ratify the return after it was reviewed by Shachi Blakemore alongside her review of the TRAC return (minute 4 refers).

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

The committee noted the report. No issues had arisen since the last Audit Committee meeting.

19. **Anti-fraud policy review**

The committee noted that the anti-fraud policy remained unchanged from last year. The committee noted the fraud self-assessment had been undertaken in May 2017. The committee approved the policy.

20. **Speak up report**

The committee noted the Speak Up report. No new issues had been raised since the last meeting.

The committee noted that the allegation of unfairness in a university process had been investigated. The final report had been recently sent to the Chair of the Committee to review and conclude the matter. An update would be provided to the committee when the case was closed.

21. **External data returns report**

The committee noted the report on external data returns which would help the committee form its opinion on the quality of data returns in its annual report.

22. **Effectiveness review - update from Chair at meeting**

The Chair updated the committee on the initial findings of the recent self-assessment review of the committee's effectiveness.

The review had been largely positive. Two suggested areas to develop were:

- Training and development of audit committee members; and
- The level of involvement of the committee in the planning of both the external and internal audits.

The committee welcomed the KPMG technical update which would be circulated to the committee for each meeting and provided a briefing for committee members on sector and technical updates. All committee members would also be registered with KPMG's Audit Committee Institute.

After discussion, it was agreed that the committee's level of involvement in external and internal audit planning was appropriate.

23. **Audit Committee business plan**

The committee noted its business plan.

24. **Grant Thornton resignation letter**

The committee noted the resignation letters dated 6 April 2017 from the previous external auditors, Grant Thornton following the end of their contract. The committee noted that there were no circumstances connected with their resignation which needed to be raised with the Board. As required, the letter had been circulated to the Board of Governors and HEFCE for information.

25. Matters to report to the Board following the meeting

The committee requested that the internal audit plan, internal audit report on apprenticeships, external audit plan and an update on the committee effectiveness be reported to the Board. The corporate risk register would be reported to the Board as usual.

26. Any other business

The committee noted that LSBU's emergency response following the London Bridge terrorist incident of 3 June 2017 had operated well. Areas of weakness in out of hours communications had been identified and would be reviewed.

The committee noted the recent malware cyber attack on the NHS had affected parts of the university but it had been contained and the impact was limited.

The committee requested an update on lessons learned from both incidents is provided.

The committee noted that this was Charlotte Bilsland's last meeting as internal auditor. The committee thanked Ms Bilsland for her contribution to the committee.

**Date of next meeting
4.00 pm, on Tuesday, 3 October 2017**

Confirmed as a true record

..... (Chair)