

**Minutes of the meeting of the Group Audit and Risk Committee
held at 3.30 pm on Thursday, 5 November 2020
via MS Teams**

Present

Duncan Brown (Chair)
John Cole
Mark Lemmon
Rob Orr

In attendance

David Phoenix
Natalie Ferer
Richard Flatman
Kerry Johnson
Nicole Louis
James Stevenson

Fleur Nieboer (KPMG)
Jessie Spencer (KPMG)
Ruth Ireland (BDO)
Gemma Wright (BDO)

Observer

Michael Cutbill

1. Welcome and apologies

The Chair welcomed members to the meeting.

No apologies had been received.

2. Declarations of interest

No interests were declared on any item on the agenda.

3. Minutes of the previous meeting

The committee approved the minutes of the meeting of 6 October 2020 and their publication as redacted, subject to minor amendments.

4. Matters arising

UKVI Tier 4 update

The committee noted the update on actions taken following the internal audit of UKVI tier 4 compliance. The Chief Customer Officer confirmed that work was on track to complete all actions by the end of December 2020. An update would be provided to the next meeting.

Cyber security update

The committee noted the update on progress made against the actions identified in the internal audit of cyber security. At its meeting of 29 October 2020, the Major Projects and Investment Committee had given its approval for phase one of the network replacement work to commence, which was part of the mitigation plan. An update would be provided to the next meeting.

Student advice and behaviours

The committee noted that there had been no coronavirus-related health and safety breaches by students.

TRAC/TRAC(T) process review

The Chief Financial Officer updated the committee on the work to improve the TRAC and TRAC(T) processes. The committee noted that the TRAC submission date had been changed alongside the other OfS reporting deadlines, with the return now due by 31 March 2021 or within 30 days of submission of accounts. The TRAC report would be brought to the 11 February 2021 meeting for approval.

All other matters arising were noted as having been completed or in progress.

5. Internal audit progress report

The committee noted the internal audit progress report. The internal audit on the University's coronavirus response was in the process of being finalised, and would be circulated to the committee electronically when ready.

6. Internal audit: apprenticeships

The committee noted the internal audit report on apprenticeships, which provided a moderate level of assurance for both the control design and operational effectiveness. Two medium risk and one low risk recommendations had been made.

7. Internal audit: risk management maturity

The committee noted the review of risk management maturity across the LSBU Group. The review was intended to provide a baseline of maturity and a direction of travel, and provided a target of a 'managed' maturity level across the Group by 2022. The committee noted that further risk management training would be beneficial across the Group.

8. Internal audit annual report (final)

The committee noted the final internal audit annual report from BDO, as discussed at the meeting of 6 October 2020. The report had been revised in order to clarify the annual opinion, which was "generally satisfactory with improvements required in some areas". The committee confirmed that it was now comfortable with the revised annual opinion.

BDO confirmed that their five-yearly external quality assurance report had been delayed due to the pandemic and that the results would be circulated to the committee in due course.

9. **External Audit Findings**

The KPMG external audit partner presented the audit findings for the year ending 31 July 2020. The committee noted that the audit was substantially complete pending the finalisation of some outstanding items. The partner expected to issue an unqualified opinion, subject to the successful conclusion of the discussion regarding pension assumptions. There was one significant finding related to bank reconciliations; it was noted that remedial work to address this was underway.

The external audit partner confirmed that there were no significant risks to bring to the committee's attention, that the external auditors had no concerns around the use of funds, and that they were satisfied that the accounts were prepared on a going concern basis.

The committee noted that the accounts of South Bank Colleges (SBC), South Bank University Enterprises Ltd (SBUEL) and SW4 Catering Ltd (SW4) were consolidated into the LSBU accounts. The external audit findings report covered the audits for LSBU, SBC, SBUEL and SW4.

The external audit partner confirmed KPMG's independence from LSBU Group companies.

The committee noted that the final external audit report would be available for the Board meeting of 19 November 2020.

{Secretary's note: subsequent to this meeting, the external audit report was presented at an adjourned meeting of the Board on 25 November 2020.}

10. **External Audit letter of representation**

The committee discussed the draft letter of representation to the auditors for the LSBU Group accounts, which was recommended to the committee by the Executive.

The committee noted that the draft letter contained two representations specific to the LSBU group, relating to a pre-action claim received by SBC, and to a number of ongoing court cases relating to the University. Members of the Executive present confirmed that to the best of their knowledge and belief, no provision was necessary in respect of these claims.

The members of the Executive present confirmed to the committee that all information that should have been disclosed to the auditors had been disclosed to the auditors.

The committee recommended that the letter of representation be signed by the Chair of the Board of Governors at its meeting of 19 November 2020.

11. External audit performance against KPIs

The committee noted that KPMG, the external auditors, had met or mostly met their agreed key performance indicators (with some indicators still to be confirmed) and there were no concerns during the course of the audit.

The committee noted that, due to the coronavirus pandemic, conducting the audit had been more challenging than usual during 2019/20, and thanked KPMG for its work on the audit.

12. Draft Annual Report and Accounts 2019/20

The committee reviewed the draft report and accounts for 2019/20. The annual report had been restructured to align the narrative more closely to the LSBU strategy and to bring the structure in line with the wider sector.

The committee noted the outstanding matters, including revisions to pension disclosures. In response to a governor's question, the CFO confirmed that the note on lending included the Barclays loan novated from Lambeth College and the revolving credit facility.

The committee noted that a near final version of the accounts would be circulated by email for review prior to the Board meeting on 19 November 2020.

The committee thanked the Finance team for preparing the accounts.

{Secretary's note: subsequent to this meeting, the accounts were presented at an adjourned meeting of the Board on 25 November 2020.}

13. Going concern statement

The committee discussed the 2019/20 going concern statement for inclusion in the annual accounts and requested further assurance from the CFO. The CFO reported that the Executive continued to model all likely scenarios. Currently, with the RCF in place, there was sufficient cashflow to meet all commitments. Further discussions with other sources of loan finance were also continuing. KPMG had reviewed liquidity and had not raised any concerns.

The Chair of the Finance, Planning and Resources Committee (FPR) confirmed that FPR had considered the University's cashflow in detail throughout 2020 as well as the five year forecasts.

The Secretary advised the committee that there was no formal requirement in the terms of reference for it to report specifically on going concern to the Board of Governors.

The CFO agreed to provide a more detailed and referenced annotation of the going concern statement in order to provide assurance to the Board at its meeting of 19 November 2020.

14. Public benefit statement

The committee noted the draft public benefit statement for inclusion in the annual report and accounts, as required for all charities.

15. Corporate governance statement

The committee noted the draft corporate governance statement 2019/20, which demonstrated how LSBU complied with the CUC Corporate Governance Code and the OfS Public Interest Governance principles. The statement would form part of the annual report and accounts.

16. Group Audit and Risk Committee Annual Report

The committee approved the draft Group Audit and Risk Committee annual report and opinions addressed to the Board, subject to minor amendments. The final report, when signed by the Chair of the Group Audit and Risk Committee, would be submitted to the OfS.

17. Modern Slavery Act Statement

The committee supported the Modern Slavery Act statement proposed by the Executive for 2019/20 to the Board, subject to further consideration of overseas risks.

18. Prevent Annual Return

The committee recommended to the Board for approval the Prevent annual return, including the required statement of assurance to the OfS.

19. Pension assumptions

The committee discussed in detail the set of pensions assumptions tailored for the LSBU Group, which included increases to RPI, CPI, salary and pension and the assumed discount rate of 1.5%.

In addition, a documented annual process would be followed by management to ensure consistency year on year.

The committee agreed to support evidence-based changes to the assumptions in the range “cautious” to “balanced”, subject to any final amendments being circulated to the committee for approval. The committee also approved the annual process of agreeing these assumptions. KPMG’s offer for their in-house actuary to speak to Barnett Waddington was welcomed.

20. Internal controls annual review of effectiveness

The committee reviewed the annual review of effectiveness of internal controls, as discussed at its meeting of 15 October 2020.

The committee approved the compliance statement on internal control for inclusion in the annual report and accounts, subject to minor amendments.

21. Data assurance report

The committee noted the report on data assurance, which outlined the formal data assurance policy and processes that were in place at the University.

22. Financial regulations

The committee reviewed the amendments to the financial regulations, which included changes to reflect the structure and organisation of the LSBU Group. The CFO clarified the budgeting process in response to a governor's question.

The committee approved the amendments and the move to Group financial regulations.

23. Data protection report

The committee noted the update on data protection breaches. There had been three incidents involving breaches of personal data since the previous meeting, one of which was reportable to the ICO.

The committee noted the actions being taken to address the reportable data breach. The Executive was considering whether to formalise sanctions for avoidable data breaches, and a mandate to password protect files would be introduced for those teams who deal with student data in Student Services.

The importance of culture and training was noted. An update on the reportable breach would be provided to the committee once a response was received from the ICO.

24. Anti-fraud, bribery and corruption report

The committee noted that there were no new instances of fraud, bribery or corruption arising in the period since the committee had last met.

25. Speak up report

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

The committee noted the update on the speak up case involving alleged fraud. The case involved an application for a business support grant on behalf of a tenant, who was not eligible for the grant. The committee noted that no fraud appeared to have taken place.

26. Reportable events update

The committee noted that there had been no reportable events in the period since the committee last met.

27. Committee business plan

The committee noted the 2020/21 business plan. The committee requested that an annual detailed review of the risk register be added to the plan for October, and requested that an item on pension assumptions be added to the June 2021 meeting.

28. Matters to report to the Board following the meeting

The committee noted that the annual report and accounts, external audit findings and letter of representation, GARC annual report, Modern Slavery Act statement, Prevent annual return and going concern would be reported to the appropriate Board meeting.

Date of next meeting
4.00 pm, on Thursday, 11 February 2021

Confirmed as a true record

Duncan Brown

..... (Chair)