

Minutes of a Meeting of the Audit Committee  
Held at 4pm on Thursday, 26 September 2013  
In Room DCG12&13, Clarence Centre, St George's Circus,  
London, SE1

**Present**

Andrew Owen	Chairman
Steve Balmont	
Douglas Denham St Pinnock	

**External Auditors**

David Barnes	Grant Thornton
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**Internal Auditors**

Justin Martin	PricewaterhouseCoopers
David Wildey	PricewaterhouseCoopers

**In attendance**

Dr Phil Cardew	Pro Vice Chancellor (Academic)
Prof Martin Earwicker	Vice Chancellor and Chief Executive
Richard Flatman	Executive Director of Finance
Ian Mehrtens	Executive Director of Corporate Services ( <i>for minutes 1-7</i> )
James Stevenson	University Secretary and Clerk to the Board of Governors
David Swayne	Chief Information Officer ( <i>for minutes 1-7</i> )
Michael Broadway	Governance Officer

**Welcome and apologies**

1. Apologies had been received from Mee Ling Ng, Shachi Patel and Natalie Ferer.

**Declarations of Interest**

2. No interests were declared on any item on the agenda.

**Minutes of the last meeting**

3. The minutes of the meeting held on 13 June 2013 were approved (paper **AC.01(13)**). The minutes were approved for publication subject to the proposed redactions.

**Matters Arising**

4. There were no other matters arising from the previous minutes which were not picked up elsewhere on the agenda.

**ICT Security update**

5. The committee noted an update on ICT security from the Chief Information Officer following the internal audit report considered at their meeting of 13 June 2013 (minutes 13-14 refer) (paper **AC.39(13)**).
6. In response to concerns in the internal audit report on the following areas it was reported that:
  - a. *physical security* - a business case was being developed for approval by the Board in November 2013 to outsource the data centre;
  - b. *user administration* - a business case to replace the CAMS system would be submitted to the Executive for approval. It was anticipated that it would take up to three months to implement the new system;
  - c. *logical security* - the Managed Security Service tender had been completed and a logical security policy was being developed in conjunction with the supplier;
  - d. *phishing* - an online training module was available to all staff
7. The committee requested the actions to be expedited urgently and requested a further update at the November meeting.

*Ian Mehrtens and David Swayne left the meeting*

**Halls Debtors Reconciliation Process Update**

8. The committee noted an update on the process for managing halls of residence debtors (paper **AC.40(13)**) (minutes 9-11 of 7 February 2013 and minutes 5-6 of 13 June 2013 refer). It was reported that the Agresso financial system now reconciled with the KX accommodation system and that continuous auditing would test reconciliation and flag any trends in the underlying data.

**Internal Audit Progress Report**

9. The committee noted the Internal Audit progress report (paper **AC.41(13)**). It was noted that the 2012/13 had been completed and that work had begun on the 2013/14 plan.

**Quarter 4 Continuous Auditing report, 2012/13**

10. The committee discussed the quarter 4 continuous auditing report for 2012/13 (paper **AC.42(13)**). The committee welcomed the report which showed that all tested areas were now rated green and operating effectively. The set of tests would be continued quarterly.

**Update on Process for Academic Appeals / OIA report**

11. The committee noted a verbal update on the internal audit work on the process for academic appeals and OIA. It was reported that there were no fundamental concerns around the process and that the final report would be presented at the next meeting.

**Draft Internal Audit Annual Report, 2012/13**

12. The committee discussed the draft internal audit annual report for 2012/13 (paper **AC.43(13)**). It was noted that subject to control design and operating effectiveness issues around IT security, the internal audit opinion is that LSBU has adequate and effective arrangements to address the risk that management's objectives are not achieved in respect of both risk management, control and governance and for economy, efficiency and effectiveness (value for money) arrangements.
13. The committee noted that the draft internal audit opinion makes specific reference to issues around ICT security. The committee requested the internal auditors to review the ICT strategy which had been presented to the Executive.

**External Audit Progress Report, 2012/13**

14. The committee noted a verbal update on the progress of the external audit for 2012/13. Grant Thornton reported no issues had arisen to date.

**FRS17 Assumptions**

15. The committee discussed the FRS17 assumptions in relation to the pension scheme used for the annual report (paper **AC.44(13)**), which the external auditors considered to be reasonable. The committee requested the executive to review the discount rate due to the volatility in the bonds market. The external auditors would provide comparators.

### **Internal Controls – Annual Review of Effectiveness**

16. The committee noted the annual review of effectiveness of internal controls (paper **AC.45(13)**). The committee approved the full compliance statement to be included in the annual report.

### **Corporate Risk Register**

17. The committee discussed the corporate risk register (paper **AC.46(13)**). The Vice Chancellor drew attention to uncertainties around government policy for higher education. The committee noted that there would be a detailed discussion of the corporate risk register at the Board meeting on 22 October 2013.

### **Progress on External Reporting**

18. The committee noted an update on improvements to external reporting of student data (paper **AC.47(13)**). The actions were on target.

### **Audit Committee self-assessment**

19. The committee noted the outcomes and actions of its recent self-assessment exercise (paper **AC.48(13)**). The committee welcomed the proposed actions, including a formal letter of appointment; informal appraisal; and an induction plan for new members.
20. It was reported that the letter of appointment would be issued retrospectively to current members of the committee. The committee agreed that the proposed skills matrix is used as an informal guide to assessing the members.

### **Committee terms of reference**

21. The committee recommended their amended terms of reference to the Board for approval (paper **AC.49(13)**).

### **Anti-fraud, bribery and corruption report**

22. The committee noted the anti-fraud, bribery and corruption report (paper **AC.50(13)**). One matter of suspected fraud around improper procurement card use had been reported since the last meeting which was not considered “significant” for the purposes of reporting further. The member of staff had been dismissed. The committee expressed concern that it had taken too long

to dismiss the member of staff and requested that the relevant HR procedures are reviewed.

**Speak up report**

- 23. The committee noted the speak up report (paper **AC.51(13)**). One matter had been raised with the University Secretary and it was decided that it should be dealt with under the staff grievance and probation procedures.

**Higher Education Proposed Regulatory Reforms**

- 24. The committee noted the update on the proposed higher education regulatory reforms, including proposals to amend the financial memorandum between HEFCE and institutions (paper **AC.52(13)**). The executive would monitor developments.

**Annual Committee Plan**

- 25. The committee noted its annual committee plan (paper **AC.53(13)**). It was noted that this would become a standing item on the agenda.

**Matters to report to the Board**

- 26. The committee noted that the matters to report to the Board were the update on ICT security, the risk register and the update on the external audit process.

**Date of next meeting**

- 27. It was noted that the next meeting would be at 4pm on Thursday, 31 October 2013.

There being no further business, the meeting concluded.

Confirmed as a true record:

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Chairman