

	PAPER NO: AC.37(12)	
Board/Committee:	Audit Committee	
Date:	27 September 2012	
Paper title:	Minutes of 20 June 2012	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Recommendation by the Executive:	That the committee approve the minutes of its last meeting and the suggested redactions.	
Aspect of the Corporate Plan to which this will help deliver?		
Matter previously considered by:	N/A	On:
Further approval required?	N/A	On:
Communications – who should be made aware of the decision?	Published on LSBU's website	

Executive summary

The Committee is asked to approve the minutes of its meeting of 20 June 2012 and the suggested redactions (in grey) for publication.

Minutes of a Meeting of the Audit Committee
Held at 11am on Wednesday, 20 June 2012
In Room 1B33, Technopark, London Road, SE1

Present

Mr A Owen	Chairman
Mr S Balmont	
Mr D Denham St Pinnock	

External Auditors

Mr D Barnes	Grant Thornton (<i>for minutes 7-41</i>)
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Internal Auditors

Mr J Martin	PricewaterhouseCoopers
Mr D Wildey	PricewaterhouseCoopers

In attendance

Prof M Earwicker	Vice Chancellor (<i>for minutes 16-41</i>)
Dr P Cardew	Pro Vice Chancellor (Academic)
Ms N Ferer	Financial Controller
Mr R Flatman	Executive Director of Finance
Mr J Stevenson	University Secretary and Clerk to the Board of Governors
Mr T Gebbels	Director of Enterprise (<i>for minutes 32-34</i>)
Mr M Broadway	Governance Officer

Welcome and apologies

1. The resignation of Chris Swinson as governor and Chairman of the committee was noted and the committee welcomed Andrew Owen as the new Chairman and Douglas Denham St Pinnock as a new member.
2. No apologies had been received.

Declarations of Interest

3. No interests were declared in any items on the agenda.

Minutes of the last meeting

4. The minutes of the meeting held on 9 February 2012 were approved. The minutes were approved for publication subject to the proposed redactions.

External Returns

5. The committee discussed an update on the external returns action plan (paper **AC.19(12)**), introduced by the Pro Vice Chancellor (Academic). The committee noted that HESA data had been resubmitted to HEFCE and that the University were awaiting the response from HEFCE. It was reported that due to over-recruitment in 2010 a provision of £0.5m had been made in the year end accounts.
6. It was noted that the executive were confident that the University was now in a position to meet HEFCE's reporting requirements. It was reported that the Internal Auditors had been requested to undertake some additional work on the University's external returns.

External Audit Plan, 2011/12

Mr D Barnes entered the meeting

7. The committee welcomed David Barnes of Grant Thornton, the new audit partner. The committee discussed the proposed external audit plan for the year ending 31 July 2012 in detail (paper **AC.20(12)**).
8. The committee discussed the key risks in detail and it was noted that it was good practice for the Board to make and document a rigorous assessment of whether the University is a going concern when preparing the financial statements.
9. The proposed timetable for the annual audit was noted.
10. Having considered in detail the committee approved the external audit plan for 2011/12. The independence of Grant Thornton was noted.

Anti fraud, bribery and corruption report

11. The committee discussed in detail the anti fraud, bribery and corruption report (paper **AC.35(12)**), introduced by the Executive Director of Finance. The committee noted that a payment of over £100,000 had been paid to a member of staff in the March 2012 payroll. This had come to the Finance Department's attention in May 2012. It was noted that HEFCE and the police had been informed and that due to the incident taking place in the Finance Department, the Vice Chancellor was leading the investigation.
12. It was noted that PwC had been appointed to lead the investigation which was largely complete. Their report would be finalised and circulated to

management and the committee as soon as possible. PwC reported that the incident was probably down to an error inputting the start date of backdated pay rather than fraud.

13. The committee expressed serious concern at the simultaneous failure of a set of controls. It was noted that the internal auditors would check new controls were working as part of their continuous auditing programme and that system security should be included in the Internal Audit Plan for 2012/13 (minute 26 refers).
14. It was noted that two payroll staff had been suspended one of whom was a temporary member of staff who has since resigned. The committee expressed serious concern over the standard of conduct of the staff member who received the over-payment and who took two months to pay back the money. The committee requested the Vice Chancellor to review whether this conduct was acceptable.

Internal Audit Progress Report

15. The committee noted the internal audit progress report (paper **AC.21(12)**), introduced by PwC. It was noted that 84 out of the agreed 114 days had been completed by the end of May and that all recommendations had been implemented.

Quarter 2 Continuous Auditing

Prof M Earwicker entered the meeting

16. The committee noted the report on quarter 2 continuous auditing (paper **AC.22(12)**), introduced by PwC.
17. The committee expressed concern at the failure rate of the reconciliation of cash banked and the cash up sheets (section C4 of the report). The executive agreed to respond and follow up.
18. The internal auditors agreed to the committee's recommendation to review the timings of the continuous auditing cycle so that the information considered was more current.

Internal Audit Report – Risk Management

19. The committee discussed an internal audit report on risk management (paper **AC.23(12)**), noting that it was graded at medium risk. The committee

discussed the recommendation in relation to the inclusion of risks beyond the control of the executive. The committee considered that good progress had been made in developing the risk register. For the time being, these higher level risks would continue to remain on the register.

20. It was noted that some departmental risk registers were incomplete and that this was being worked on. The committee noted that risk was on the agenda of each Executive business meeting and the quarterly review meetings.

Internal Audit Report – Delegated Authority

21. The committee discussed the internal audit report on delegated authority (paper **AC.24(12)**), noting that it was graded at medium to low risk. It was noted that there was some inconsistency of support from finance and HR to other departments but that this was being worked on.

Internal Audit Report – Bribery Act

22. The committee discussed the internal audit report on the Bribery Act 2010 (paper **AC.25(12)**), noting that it was graded at high risk, due to the potential impact of a breach but that actions were in place to mitigate this risk.

Internal Audit Report – International Students

23. The committee discussed the internal audit report on the management of representative partners for international students (paper **AC.26(12)**), noting that it was graded at medium risk. It was noted that the University needed to ensure that an up-to-date annual contract was in place for the representative partners.
24. The committee noted that the UK Border Agency had recently undertaken an audit which was satisfactory. Some learning was taken internally from the preparation process, and an action plan was being put together with the faculties for continuous improvement.

Internal Audit Key Performance Indicators

25. The committee noted that PwC were meeting their key performance indicators (paper **AC.27(12)**).

Internal Audit Plan 2012/13

26. The committee discussed the proposed internal audit plan for 2012/13 in detail (paper **AC.28(12)**). The committee noted that a new aspect of the plan was a review of the process for financial forecasting following a request from the Policy and Resources Committee at their meeting in February 2012. The committee requested that this aspect be assigned five days and that work on system security across the University be reviewed be carried out for five days (minute 13 refers).
27. The committee approved the plan subject to the changes in the previous minute.

Financial Regulations

28. The committee considered the proposed changes to the financial regulations (paper **AC.29(12)**), introduced by the Executive Director of Finance. It was noted that major changes to the financial regulations were proposed due to the anticipated amendments to the University's subsidiary company, South Bank University Enterprises Ltd's, governance arrangements and delegations to it (set out in appendix D of the regulations).
29. It was noted that Anti Bribery Policy now formed part of the regulations (appendix B) and that the Fraud Response Plan (appendix A) would be amended to remove the figure at which level frauds were considered significant. The committee requested the financial responsibilities of the Board of Governors (section 2.1) are amended to be consistent with those as set out in the annual report.
30. The committee recommended to the Board the financial regulations subject to the changes requested in the previous minute.

Corporate Risk Report

31. The committee discussed the corporate risk report (paper **AC.30(12)**), introduced by the Executive Director of Finance. The committee noted that risk 10 (Major Staff Strike) was now considered to be low by the executive and would be removed to the HR operational risk register.

South Bank University Enterprises Ltd Control and Governance Arrangements

Mr T Gebbels entered the meeting

London South Bank University

32. The committee discussed the proposed changes to the control and governance arrangements of the University's subsidiary company, South Bank University Enterprises Ltd (SBUEL) (paper **AC.31(12)**), introduced by the University Secretary. It was noted that in order to deliver the University's enterprise strategy it was necessary to amend the governance arrangements of SBUEL and that SBUEL would exercise considerable autonomy within overarching powers of the University.
33. The committee noted that SBUEL's accounts would continue to be audited by Grant Thornton, the company's auditors. As a wholly owned subsidiary, the accounts would be consolidated in the LSBU "group" accounts. The Policy and Resources Committee (P&R) and the Board would be reviewing the proposed enterprise strategy, budget and forecast in autumn 2012. The Internal Audit plan 2012/13 covered the new arrangements for SBUEL and would be considered at a future Audit Committee.
34. The committee discussed financial level of authority for SBUEL, which were consistent with LSBU's current levels of authority in the Financial Regulations.

Mr T Gebbels left the meeting

Students' Union Control and Governance

35. The committee discussed the control and governance arrangements for the Students' Union (SU) following its imminent registration as a separate charity and independent body (paper **AC.32(12)**). It was noted that a full report on the proposed SU Constitution and funding agreement with LSBU would be presented to P&R and the Board of Governors in July 2012 for their approval.
36. The committee requested the Executive Director of Finance to confirm whether the SU accounts would be consolidated into the University's accounts.

Speak Up Report

37. The committee noted that no speak up matters had been raised with the current Chairman of the Audit Committee, the former Chairman of the Audit Committee, the University Secretary, Director of HR or the Deputy Director of HR since the last Audit Committee meeting (paper **AC.33(12)**).

Anti Fraud Policy

38. The committee noted the annual fraud policy and noted that no changes were proposed to it (paper **AC.34(12)**).

TRAC(T) Return

39. The committee noted the TRAC(T) return (a subset of the TRAC return) (paper **AC.36(12)**). It was noted that the return has been submitted and approved by HEFCE. The committee retrospectively approved the return.

Matters to Report to the Board

40. It was agreed that the payroll matter (detailed in paper **AC.35(12)**) should be reported to the Board. It was noted that approvals to amendments to SBUEL's governance and the new SU Constitution were on the Board agenda.

Date of next meeting

41. It was noted that the next meeting would be at 4pm on Thursday, 27 September 2012.

There being no further business, the meeting concluded.

Confirmed as a true record:

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Chairman

Audit Committee
20 June 2012
ACTION SHEET

Minute	Action	By Whom	Status
4.	Publication of redacted minutes.	Sec	Completed
17.	Follow up on failure rate of reconciliation between cash banked and cash sheets	EDF	
18.	Review timings of continuous audit cycle	PwC	
29.	Amendments to financial regulations before submission to P&R	EDF	Completed
36.	Confirm whether SU accounts consolidated into the University's accounts	EDF	
40.	Report payroll matter to the Board	VC	Completed