

**Minutes of the meeting of the Group Audit and Risk Committee  
held at 3.30 pm on Thursday, 11 November 2021  
1B16 - Technopark, SE1 6LN**

**Present**

Duncan Brown (Chair)  
John Cole  
Mark Lemmon  
Rob Orr

**In attendance**

David Phoenix  
Natalie Ferer  
Richard Flatman  
Kerry Johnson  
James Stevenson

**External auditors**

Jessie Spencer (KPMG)  
Fleur Nieboer (KPMG)

**Internal auditors**

Nicola Walker (BDO)  
Gemma Wright (BDO)

**Observer**

Michael Cutbill (via teleconference)

**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 5 October 2021 and their publication as redacted, subject to minor amendments.

**4. Matters arising**

UKVI update

The committee noted the update on actions related to LSBU's internal review of sponsored student records. The work was ongoing, with 48 historic student

records still to be corrected. This work had been delayed due to the IT incident, but was estimated to be completed by December 2021.

The committee noted that the University's UKVI tier 4 licence had been renewed for 2021/22.

All matters arising were noted as being complete or in progress.

## 5. External audit findings

The KPMG external audit partner presented the draft audit findings for the year ending 31 July 2021. The committee noted that the audit was substantially complete pending the finalisation of some outstanding items. The partner expected to issue an unqualified opinion.

There were five significant audit risks, relating to:

- I. Valuation of the defined benefit pension liability;
- II. Carrying value of land and buildings;
- III. Revenue recognition;
- IV. Management override of controls;
- V. Cyber security and recovery of IT systems.

The committee noted that the Executive was reviewing the entries reported as uncorrected misstatements to confirm if they wished to correct these entries in the Group accounts. The partner reported a late issue in relation to the actuarial report, which indicated an audit difference of c. £3m. Additional urgent work was being carried out to analyse this difference.

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 of Governors meeting of 25 November 2021. The Chair thanked KPMG and colleagues for their efforts during a difficult year.

*{Secretary's note: subsequent to this meeting, the final external audit report was presented at a meeting of the Board of Governors on 25 November 2021.}*

## 6. 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 a possible representation relating to the University's exercise to identify capital accruals. The list of unadjusted misstatements would need to be updated.

The final version of the letter would be circulated to the Board of Governors for the meeting of 25 November 2021, with a recommendation for signature by the Chair of the Board.

#### **7. 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).

#### **8. Internal audit progress report**

The committee noted the internal audit progress report. The committee noted that the internal audit work for 2020/21 had been completed, and noted the status of the 2021/22 work.

#### **9. Internal audit follow-up report**

The committee reviewed the internal audit follow-up summary report. A detailed update would be circulated to the committee once the Executive and BDO had further reviewed and updated the list of actions.

#### **10. Internal audit reports**

##### OfS regulatory framework

The committee noted the internal audit report on the OfS regulatory framework, which provided a moderate level of assurance for the control design, and a substantial level of assurance for the operational effectiveness of the controls in place. It was noted that one medium risk recommendation had been made.

##### Group KPIs

The committee noted the internal audit report on Group key performance indicators, which provided a moderate level of assurance for control design. Five medium risk recommendations had been made and accepted by management. The committee requested a further update at a future meeting.

## 11. **Internal audit annual report (final)**

The committee noted the final internal audit annual report from BDO, as discussed previously at the meeting of 5 October 2021.

The committee noted BDO's annual opinion of "generally satisfactory with improvements required in some areas".

The committee welcomed the reduction in recommendations across the Group compared with the previous year (from 116 in 2019/20 to 61 in 2020/21).

## 12. **Draft annual report and accounts 2020/21**

The committee reviewed the draft LSBU Group annual report and accounts for 2020/21.

The committee noted the outstanding matters, including the conclusion of KPMG's audit work and adjustment to the fixed asset figures.

The committee noted that a near final version of the accounts would be circulated for review prior to the Board of Governors meeting on 25 November 2021.

### Public benefit statement

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

### Corporate governance statement

The committee noted the corporate governance statement 2020/21, 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.

*{Secretary's note: subsequent to this meeting, the near final accounts were presented at the meeting of the Board of Governors on 25 November 2021.}*

## 13. **Going concern statement**

The committee noted the 2020/21 going concern statement for inclusion in the annual accounts.

The committee discussed the draft assurance statement from the Finance, Planning and Resources Committee that it had considered Group cashflow forecasts and related matters including plausible downside scenarios, and that the Board would be able to form a judgement that the accounts may be prepared and signed on a going concern basis for the next twelve months.

The committee requested further amendments to the paper (including more detail on banking covenants), which would then be re-circulated electronically ahead of the Board meeting on 25 November 2021.

The committee noted that KPMG apply their own downside scenarios and look at mitigating actions when conducting their audit of the annual accounts.

**14. 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 would be signed by the Chair of the Group Audit and Risk Committee following the Board of Governors meeting on 25 November 2021.

**15. Modern Slavery Act statement**

The committee supported the Modern Slavery Act statement proposed by the Executive for 2021 to the Board, subject to minor amendments.

**16. Prevent annual return**

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

**17. Internal controls annual review of effectiveness**

The committee considered the annual review of the effectiveness of internal controls.

The committee approved the compliance statement on internal control for inclusion in the annual report and accounts.

**18. Data assurance report**

The committee noted the report on data assurance of external returns, which outlined the formal data assurance policy and processes.

**19. Group corporate risk register**

The committee discussed the substantively revised corporate risk register, which had been reviewed in full by the Executive during October 2021. The committee noted that this review had resulted in a reduction in the total number of risks (from 29 to 26), and an increase in the proportion of high severity risks.

There was a detailed conversation about risks in SBC, including lag funding and IT maturity, the Executive continued to address these matters. The Executive would continue to review the risks around sustainability, which would need to come back to future meetings.

The committee welcomed the new format of the risk register, which now included information on risk controls and mitigations, as requested by the committee as part of its effectiveness review.

**20. Update on fire door works**

The committee noted the update on fire door works and the mitigation measures in place. Progress was dependent on the availability of skilled workers within the supplier.

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

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

**22. Speak up report**

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

*{Secretary's note: Subsequent to the meeting, a new matter had been raised through Safecall for the Chair's attention, although it had not been brought to his attention by Safecall until the end of November.}*

**23. OfS Conditions of Registration compliance report, 2020/21**

The committee noted the OfS conditions of registration compliance report for 2020/21, and the update on reportable events. The committee noted how LSBU met each condition, and the evidence of compliance during 2020/21.

The committee noted that this would be an annual report.

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

**24. Data protection report**

The committee noted the update on data protection breaches. There had been one minor incident involving a breach of personal data since the previous meeting. This incident was not reportable to the ICO.

**25. Committee business plan**

The committee noted the 2021/22 business plan.

**26. 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, corporate risk register, and going concern assurance would be reported to the next meeting of the Board of Governors.

**Date of next meeting**  
**4pm, on Thursday, 10 February 2022**

**Confirmed as a true record**

*Duncan Brown*  
..... (Chair)