

Minutes of a Meeting of the Audit Committee  
Held at 4pm on Thursday, 13 June 2013  
In Room 1B27, Technopark, London Road, SE1

**Present**

Andrew Owen	Chairman
Steve Balmont	
Douglas Denham St Pinnock	
Dr Mee Ling Ng	
Shachi Patel	(Independent co-opted member)

**External Auditors**

David Barnes	Grant Thornton
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**Internal Auditors**

Justin Martin	PricewaterhouseCoopers ( <i>except minutes 18-19</i> )
David Wildey	PricewaterhouseCoopers ( <i>except minutes 18-19</i> )

**In attendance**

Dr Phil Cardew	Pro Vice Chancellor (Academic)
Natalie Ferer	Financial Controller
Richard Flatman	Executive Director of Finance
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Officer

**Welcome and apologies**

1. Dr Mee Ling Ng was welcomed to her Audit Committee meeting. Apologies had been received from Prof Martin Earwicker.

**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 7 February 2013 were approved (paper **AC.01(13)**), subject to an amendment to minute 8 to read “the committee requested management to ensure timely preparation of future TRAC returns so that the approval process can be completed on time”. The amended minutes were approved for publication subject to the proposed redaction.

### **Matters Arising**

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

### **Halls Debtors Update**

5. The committee noted an update on the process for managing halls of residence debtors (paper **AC.15(13)**) (minutes 9-11 of 7 February 2013 refer). It was noted that the accounting entries had been corrected and new controls implemented. It was noted that independent assurance would be provided by the continuous auditing programme and that recoverability of accommodation debt was identified as a risk in the external audit plan for 2012/13.
6. The committee requested an update at their September meeting on the reconciliation process and a report at their October meeting on the performance of the Halls of Residence.

### **Internal Audit Progress Report and Continuous Auditing Reports**

7. The committee discussed the Internal Audit progress report (paper **AC.16(13)**) and the continuous auditing reports for quarter 2 (paper **AC.17(13)**) and quarter 3 (paper **AC.18(13)**). The committee noted that the internal audit plan for 2012/13 had been completed with the exception of work on value for money.
8. In relation to the quarter 3 continuous audit report and the effectiveness of core financial control areas, the Chairman noted that there was variability in progress. It was reported that some of the changes in rating reflect testing in new areas but that there is still more to be done, and the focus is on moving to a stable control environment in all areas as soon as possible.

### **Internal Audit Report – Key Information Sets**

9. The committee noted the internal audit report on key information sets (paper **AC.19(13)**), which had been given a low risk rating.

### **Internal Audit Report – Financial Forecasting**

10. The committee noted the internal audit report on financial forecasting (paper **AC.20(13)**), which had been given a medium risk rating. It was noted that no issues were found relating to the accuracy or completeness of the data provided in the management accounts but that there was a lack of formal

detailing of the procedures followed by the Business Support Managers and concerns around the treatment and reporting of research and capital expenditure. The committee requested the executive to review capital reporting.

### **Internal Audit Report – University Enterprise**

11. The committee noted the internal audit report on University Enterprise (paper **AC.22(13)**), which had been given a medium risk rating. A focus on engaging academic areas would be necessary to mitigate the risk.

### **Internal Audit Report - TRAC**

12. The committee noted the internal audit report on the Transparent Approach to Costing (TRAC) return (paper **AC.24(13)**), which had been given a medium risk rating. The draft report had been considered by the committee at its meeting of 7 February 2013 alongside the actual TRAC return (minutes 7 and 8 refer) and no changes had since been made to the report.

### **Internal Audit Report – IT Security and Phishing**

13. The committee noted the internal audit report on IT Security and Phishing (paper **AC.21(13)**), which had been given a high risk rating. Areas of weakness were identified in the controls relating to the physical security of the campus server locations, management authorisation for the creation of administrators on the University phonebook system and password security.
14. The committee expressed their concern at the report and requested the Chief Information Officer to attend the next meeting to update the committee on the background to the report, actions being taken to address the findings of the report, current controls in place for information security and key challenges for the future.

### **Internal Audit Report – Payroll Implementation**

15. The committee noted the internal audit report on the implementation review of the new payroll system and the follow up review (paper **AC.23(13)**). It was noted that the actions suggested were being implemented by management and that a new implementation date was expected to be late 2013.

**Internal Audit Plan, 2013/14**

16. The committee discussed in detail the draft internal audit plan for 2013/14 (paper **AC.26(13)**), which was based on a rolling plan of work and risks identified on the risk register. It was noted that days allocated to continuous auditing (50 in the plan) could be reduced if all areas were performing well in year. The committee emphasised the need to map the plan to the corporate risk register.
17. The committee approved the internal audit plan for 2013/14.

**Internal Audit Contract Extension**

*Justin Martin and David Wildey left the meeting.*

18. The committee discussed the recommendation to extend the contract of PricewaterhouseCoopers (PwC) as internal auditors for an additional year (paper **AC.25(13)**). It was noted that PwC were appointed in 2010 for an initial three year term with the opportunity to extend on an annual basis thereafter for a further two years.
19. On the basis that agreed performance standards have been met by PwC the Audit Committee approved extending PwC's contract as internal auditors for an additional year. The committee requested that this be reported to the Board at its meeting of 18 July 2013.

*Justin Martin and David Wildey re-entered the meeting*

**External Audit Plan, 2012/13**

20. The committee discussed in detail the draft external audit plan for 2012/14 (paper **AC.27(13)**), which outlined the approach to the audit and key risks.
21. The committee approved the external audit plan for 2012/13. The committee requested an update of progress at their meeting of 26 September 2013.

**Corporate Risk Register**

22. The committee noted the corporate risk register (paper **AC.28(13)**). It was noted that the risk of potential loss of NHS contract income had been upgraded from high to critical, following uncertainty around the funding position for 2013/14. The two critical risks on the register therefore related to revenue generation.

### **HEFCE Assessment of Institutional Risk**

- 23. The committee noted HEFCE's assessment of the accountability, risk and sustainability of the University as "not at higher risk" at this time, the higher of two possible ratings (paper **AC.29(13)**).
- 24. The committee noted the financial benchmarking data from HEFCE.
- 25. The HEFCE letter had been reported to the Board on 23 May 2013.

### **HEFCE Institutional Visit**

- 26. The committee noted the outcome of the institutional visit to the University by HEFCE on 9 May 2013 (paper **AC.30(13)**).
- 27. The committee noted the core and margin policy discussion. The committee requested the correspondence with HEFCE to be circulated to committee members.

### **Transparent Approach to Costing (Teaching) return**

- 28. The committee noted the Transparent Approach to Costing (Teaching) (TRAC(T)) return (paper **AC.31(13)**), which had been reviewed by the Chairman of the Audit Committee and submitted to HEFCE.
- 29. The committee ratified the submission to HEFCE.

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

- 30. The committee noted the anti-fraud, bribery and corruption report (paper **AC.32(13)**).

### **Review of anti-fraud policy**

- 31. The committee approved the minor amendments to the anti-fraud policy (paper **AC.33(13)**).

### **Speak up report**

- 32. The committee noted the speak up report (paper **AC.34(13)**). One speak up matter had been raised with the Chairman of the committee whose decision was that the matter should be dealt with under LSBU's internal Student Complaints Procedure.

**Annual debt write off**

33. The committee approved the write off of tuition fee debt more than six years old to the value of £411,000 (paper **AC.35(13)**).

**Review of financial regulations**

34. The committee noted that following the annual review of the financial regulations minor amendments would be brought to the Policy and Resources Committee for approval (paper **AC.36(13)**).
35. The committee noted that the revised value of debt write off of £50k annually and £10k for individual bad debts which it would be asked to approve under the financial regulations. The committee's terms of reference would be amended to reflect this. The Executive Director of Finance would be authorised to approve debt write off below these levels. The committee requested that bad debt write off approved by the Executive Director of Finance is reported to the committee.

**Audit Committee self-assessment**

36. The committee noted the responses of its recent self-assessment exercise (tabled paper **AC.37(13)**). It was noted that the Chairman would discuss the key issues with the Clerk to the Board and the Executive Director of Finance and that a report would come to the meeting of 26 September 2013.

**Matters to report to the Board**

37. The committee noted that the matters to report to the Board were the re-appointment of PwC as internal auditors, the ICT internal audit report and the external audit plan for 2012/13.

**Any other business**

38. The committee noted that the Office of the Independent Adjudicator (OIA) had published details of the University's unintentional non-compliance with one of its recommendations in its annual report. The committee requested a report to the Board meeting of 18 July 2013.

**Date of next meeting**

39. It was noted that the next meeting would be at 4pm on Thursday, 26 September 2013.

There being no further business, the meeting concluded.

Confirmed as a true record:

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Chairman