

**Minutes of the meeting of the Audit Committee
held at 4.00 pm on Tuesday, 3 October 2017
1B16 - Technopark, SE1 6LN**

Present

Steve Balmont (Chair)
Duncan Brown
Mee Ling Ng
Roy Waight

Apologies

Shachi Blakemore
David Phoenix

In attendance

Natalie Ferer
Richard Flatman
James Stevenson
Michael Broadway
Joe Kelly
Justin Martin (PricewaterhouseCoopers - internal auditors)
Lucy Gresswell (PricewaterhouseCoopers - internal auditors)
Fleur Nieboer (KPMG - external auditors)
Jack Stapleton (KPMG - external auditors)

1. Welcome and apologies

The Chair welcomed members to the meeting. Apologies were received from Shachi Blakemore and David Phoenix.

2. Declarations of interest

Duncan Brown declared he was a former partner of PwC, the University's internal auditors, which was not considered to be a conflict.

No member declared a conflict of interest in any item on the agenda.

3. Minutes of the previous meeting

The committee approved minutes of the meeting of 8 June 2017 and their publication, with the additional redactions suggested at the meeting.

4. **Matters arising**

The committee noted the Action Sheet.

Item 6: the committee requested an update on gender pay gap reporting.

Item 17: the committee ratified the TRAC(T) return.

The committee noted the update on apprenticeships.

5. **Internal audit plan and progress report, 2017/18**

The committee discussed the progress report from PwC. The 2016/17 programme was complete. Work had begun on the programme for 2017/18.

The committee noted that 97% of recommendations had been implemented.

The committee requested that target dates for implementation of recommendations are reviewed, particularly for substantial objectives, to provide interim assessment points towards achieving targets.

The committee noted that the planned ICT audit would come to the next meeting.

6. **Internal audit report - Contract Management**

The committee discussed the internal audit report on contract management. The report was rated as medium risk.

The committee noted the areas of good practice and progress identified in the report, and also the challenges posed by a high level of staff turnover. There was a training programme for all contract managers.

7. **Internal audit report - Risk Management**

The committee discussed the internal audit report on risk management which is rated low risk.

8. **Internal audit report - Key Financial Systems 16/17 P2 (Jan-July 17)**

The committee discussed the Continuous Audit review of Key Financial Systems (Jan-July 2017).

The committee noted the decline in performance in payroll, which has moved from amber to red. The committee noted that there had been a loss of experienced staff in payroll. A new payroll manager and HR Services manager are being appointed.

The committee requested the Executive Director of HR to attend the next meeting to provide a further update.

Management confirmed that as part of the response on key financial controls, a member of procurement staff was being formally disciplined. The committee requested an update at the next meeting.

9. **Draft internal audit annual report, 2016/17**

The committee discussed the draft internal audit annual report. The final report would be considered at the meeting of 9 November 2017.

The committee noted the draft audit opinion that the “governance, risk management and control, and value for money arrangements were generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control and value for money arrangements which potentially put the achievement of objectives at risk”.

10. **Internal audit charter**

The committee noted the internal audit charter which set out the framework within which the internal audit activity is conducted at LSBU.

11. **General Data Protection Regulations (GDPR) readiness assessment test report**

The committee discussed the summary GDPR Readiness Assessment Report from PwC. The full report would be circulated to committee members.

The committee noted that significant work was needed and that the Executive is developing a costed compliance plan. A Data Protection Officer is being recruited. An update was requested at the next meeting.

12. **Pensions assumptions**

The committee approved the assumptions used for the FRS102/IAS19 pension fund disclosures as at 31 July 2017. The external auditors confirmed that the assumptions were within the sector benchmark.

The committee requested that the assumptions in the Universities Superannuation Scheme (USS) are reviewed prior to the finalisation of the accounts taking account of materiality.

13. **Corporate risk register**

The committee discussed the corporate risk register ahead of the annual detailed review by the Board.

The committee discussed the impact of lower than expected student recruitment and the consequent risk of revenue reduction, which remained critical. The actions being taken to mitigate the risk were noted.

It was noted that plans for replacement of the student record system should reduce the system risk to lower likelihood.

The committee requested interim assessment points to actions with a longer timeframe to monitor progress.

14. Risk appetite and strategy

The committee recommended the risk appetite statement to the board for approval. The committee approved the revised risk strategy and operating procedures.

15. Internal controls - annual review of effectiveness

The committee noted the review of the effectiveness of internal controls and approved the full compliance statement for inclusion in the annual report.

16. Draft corporate governance statement, 2016/17

The committee approved the draft corporate governance statement for inclusion in the annual report, subject to necessary amendments.

The committee noted that the board materially complied with all aspects of the CUC Higher Education Code of Governance.

17. Draft public benefit statement, 2016/17

The committee approved the draft public benefit statement, as required for all charities, subject to necessary amendments.

18. Speak up report

The committee noted the speak up report.

19. Anti-fraud, bribery and corruption report

The committee noted the anti-fraud, bribery and corruption report.

No instances of fraud, bribery or corruption had been identified since the previous meeting.

20. Audit Committee business plan

The committee noted the Audit Committee annual business plan.

The committee noted the planned Copyright Licensing Authority audit.

21. **Membership and Terms of Reference**

The committee noted the Membership and Terms of Reference.

22. **Matters to report to the Board following the meeting**

The committee noted that a summary of the internal audit reports and discussion of the corporate risk register and risk appetite were on the Board agenda for 12 October 2017.

Date of next meeting
4.00 pm, on Thursday, 9 November 2017

Confirmed as a true record

..... (Chair)