

**Minutes of the meeting of the Audit Committee  
held at 4.00 pm on Thursday, 13 June 2019  
1B16 - Technopark, SE1 6LN**

**Present**

Duncan Brown (Chair)  
Steve Balmont  
John Cole  
Mark Lemmon  
Mee Ling Ng  
Rob Orr

**In attendance**

Michael Broadway  
Natalie Ferer  
Richard Flatman  
David Phoenix  
James Stevenson  
Justin Martin (PWC)  
Fleur Nieboer (KPMG)  
Jack Stapleton (KPMG)  
Gemma Wright (BDO)

**1. Welcome and apologies**

The Chair welcomed members to the meeting, also:

- Ruth Ireland and Gemma Wright from BDO as the LSBU Group internal auditors from 1 August 2019; and
- John Cole and Mark Lemmon as new governors and members of the committee.

No apologies had been received.

**2. Declarations of interest**

Steve Balmont and Mee Ling Ng declared an interest in minute item 12 due to their current positions as directors of South Bank Colleges (SBC).

David Phoenix declared an interest in minute item 11 as a director of South Bank Academies (SBA) and minute item 12 due to his position as both Accounting Officer and director of SBC.

Richard Flatman declared an interest in minute items 11 and 12 due to his position as a director of SBA.

John Cole declared an interest in minute item 12 as his son is an employee of BDO.

### 3. **Minutes of the previous meeting**

The committee approved the minutes of the meeting of 5 February 2019 subject to amendments to minute items 13, 14 and 17.

### 4. **Matters arising**

The committee noted that the outstanding action raised at the meeting in February 2019 in relation to the ICT risk diagnostic, undertaken as part of the LEAP project, was completed in March 2019.

#### *Update on Group Audit Committee*

The committee noted an introductory meeting took place in May 2019 to discuss the Group audit arrangements and a first draft of the legal basis of control within the Group will be circulated. A further meeting to discuss Group audit arrangements will be arranged before the Board of Governors meeting in July 2019 with all members of the 'Group' represented (LSBU, SBA and SBC).

### 5. **External audit progress report**

The committee noted the external audit progress report including:

- The completion of the audit for the final six months of Lambeth College; and
- The completion of KPMG's planning procedures and preparation of the Group Audit Plan for 2018/19.

### 6. **Draft Group external audit plan**

The committee discussed the draft Group external audit plan including the new risk of consolidation of South Bank Colleges. The committee approved the addition of an audit timetable for subsidiary companies and KPMG confirmed resources have been assigned for this work.

The committee discussed the treatment of a potential legal claim from a former subsidiary of Carillion plc. Management confirmed that at this stage the legal advice was that no liability had arisen.

The committee approved the draft external audit plan and a revised version will be circulated. The committee delegated to the Executive negotiation of the remaining external audit fees with KPMG.

### 7. **Internal audit progress report (PwC)**

The committee noted the internal audit progress report from PwC including the good engagement of management with the auditors and that 79% of the programme is complete. PwC's final Audit Committee meeting would be October 2019, when the annual opinion would be presented.

8. **Continuous audit phase 2 audit report (PwC)**

The committee noted the continuous audit phase 2 report and the broadly satisfactory position of the key financial systems.

9. **Procurement audit report (PwC)**

The committee discussed the procurement audit report, in particular the high risk finding in relation to expenses on purchase cards and the medium risk finding in relation to monitoring of spend per contractual agreements. The committee noted LSBU management are analysing the areas of concern identified by the report and will review how operating processes can be improved. A follow-up report will be provided for the Audit Committee at the next meeting in October 2019.

10. **SBA follow up (PwC)**

The committee noted the SBA follow up audit report and the good progress made on implementation of SBA internal audit actions. Committee also noted that a follow up report will be provided to the next SBA Audit Committee on audit matters identified by Kingston Smith during the external audit. A further update will be provided to the next LSBU Audit Committee meeting in October 2019.

11. **GDPR plan review (PwC)**

The committee discussed the GDPR plan review as conducted by PwC, noting the overall high risk rating, and expressed their disappointment with the findings. The committee noted the need for the GDPR plan to be effective in reducing the risk of GDPR non-compliance to an acceptable level within an agreed timescale.

The committee noted that the Executive had approved additional internal resources to assist the Data Protection Officer (DPO) with the actions and that Executive believed the bulk of activity agreed as part of the preparatory work was complete. An update report will be brought to the Audit Committee meeting in October 2019.

12. **Draft Group internal audit strategy (BDO)**

The committee discussed the draft Group internal audit strategy noting the importance of data accuracy in the Group entities, the need for continuing analysis of UKVI compliance and any inputs from the review of corporate risk management (see minute 13 below).

The committee requested a revised and updated plan for the next meeting in October 2019, with clearer references to Group and management responsibilities (including in the Group internal audit charter). The committee noted work on a continuous audit plan and risk management will start in August 2019.

**13. Corporate Risk**

*Richard Duke joined the meeting*

The committee discussed the corporate risk register and noted the risk register is currently being reviewed, to analyse how risk can be more easily embedded within the Group's business processes.

The committee agreed that a sub-group of members would meet with the Director of Strategy and Planning to provide input into this review.

*Richard Duke left the meeting*

**14. LSBU TRAC (T) return**

The committee ratified the TRAC(T) return.

**15. Annual LSBU debt write-off**

As required by the Financial Regulations, the committee approved the annual LSBU debt write-off of £564k.

**16. Anti-Fraud Policy review**

The committee noted the Anti-Fraud Policy review and the LSBU policy of zero tolerance to fraud. The committee further noted the Policy is available on the staff intranet and the completion of an e-learning module yearly by all staff is compulsory.

**17. Re-appointment of external auditors for SBA**

The committee approved, on behalf of LSBU as a member of SBA, the re-appointment of Kingston Smith as the external auditors of the SBA accounts for the 2019 financial year end.

**18. Apprenticeships Ofsted report**

The committee noted the 'Good' outcome of the 2019 Ofsted inspection of LSBU's level 4 and level 5 apprenticeship provision.

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

The committee noted the two matters to report in relation to the anti-fraud, bribery and corruption report, and neither was of concern.

20. **Speak up report**

The committee noted the speak up report, with confirmation no new speak up issues have been raised.

The committee further noted the approach to a Group speak up policy will be reviewed with management in SBC and SBA.

21. **Prevent monitoring OfS response**

The committee noted the Prevent monitoring (ADR and risk assessment outcome) response dated 15 April 2019 received from the Office for Students (OfS), confirming that LSBU is “not at higher risk of non-compliance with Prevent”.

22. **PwC Risk Benchmarking report**

The committee noted the PwC Risk Benchmarking report outlining key risks and trends identified for 2018/19 across the Higher Education (HE) sector.

23. **Group Audit committee business plan**

The committee noted the Group Audit Committee business plan.

24. **Matters to report to the LSBU Board following the meeting**

The committee noted the matters to report to the Board are:

- Update on discussions on Group Audit Committee;
- Group external audit plan;
- BDO internal audit plan;
- Corporate risk register;
- 2 high risk PwC internal audit reports; and
- Compliance with Prevent duty.

25. **Any other business**

The committee noted it is the last Audit Committee meeting for both Steve Balmont and Mee Ling Ng. The committee members expressed their thanks to Mr Balmont and Ms Ng for their contributions to the LSBU Audit Committee and looked forward to their continued contributions to the Group.

**Date of next meeting**  
**4.00 pm, on Tuesday, 1 October 2019**

**Confirmed as a true record**

..... (Chair)

