

**Minutes of the meeting of the Group Audit and Risk Committee
held at 4.00 pm on Thursday, 7 November 2019
1B16 - Technopark, SE1 6LN**

Present

Duncan Brown (Chair)
John Cole
Mark Lemmon
Rob Orr

In attendance

David Phoenix
Michael Broadway
Natalie Ferer
Richard Flatman
James Stevenson
Fleur Nieboer
Jack Stapleton
Ruth Ireland
Gemma Wright (BDO – internal auditor)

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 1 October 2019 and their publication.

4. Matters arising

The committee noted that all matters arising had been completed.

5. External audit findings

The external audit partner of KPMG presented the audit findings for the year ended 31 July 2019. It was reported that the audit was substantially complete pending the finalisation of a few outstanding items. The partner was planning to issue an unqualified opinion. There were no significant findings for high risk areas.

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 was satisfied that the accounts are 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) are consolidated into LSBU's accounts. The external audit findings report covered the audit for LSBU, SBC, SBUEL and SW4

The external audit partner confirmed KPMG's independence from LSBU group companies.

The final external audit report would be available for the Board meeting of 21 November 2019.

The committee thanked KPMG for its work on the audit.

6. Draft annual report and accounts, 2018/19

The committee reviewed the draft report and accounts for 2018/19. The draft surplus was £3m, before adjustment to reflect SBC fair value.

The committee discussed the treatment of project LEAP in the accounts. It was reported that the full business case would be considered by the Major Projects and Investment Committee in spring 2020. The majority of the expenditure on the project would be capital and it was not expected to lead to any adjustments to the 2018/19 accounts.

The committee noted that adjustments to pensions and asset valuations were still being processed.

The committee requested that the final version of the accounts is circulated to the committee by email for review prior to formal recommendation to the Board for approval.

The committee thanked the Finance team for preparing the accounts.

7. Going concern statement

The committee noted the going concern review, including the draft five year forecasts which had been discussed in detail by the Finance, Planning and Resources Committee. The review provided assurance for the going concern statement in the annual report and accounts. The committee noted the

expected requirement to use a revolving credit facility to finance the planned capital investments in the forecasts. The Board would be requested to approve the terms of a revolving credit facility in Spring 2020. The committee noted that all expenditure committed on current projects could be financed without the revolving credit facility or were at a stage where they could be halted if the fund was not available.

Based on the going concern review, the committee supported the preparation of the accounts on the going concern basis.

8. External audit letter of representation

The committee discussed the 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 LSBU group letter contained one representation specific to the LSBU group regarding the treatment of a potential claim by Carillion (Maple Oak) Ltd against SBC. The Executive is reviewing this representation and final wording will be circulated to the committee with the updated accounts.

The executive confirmed to the committee that all information that should have been disclosed to the auditors had been disclosed to the auditors.

The committee noted the draft letter of representation to the auditors for the SBC accounts which would be approved by the SBC Board.

9. Draft Public Benefit statement

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

10. Draft corporate governance statement

The committee noted the draft corporate governance statement 2018/19, which demonstrated how LSBU complied with the CUC Corporate Governance Code and the OfS's Public Interest Governance principles. The statement, with minor amendments, would form part of the annual report and accounts.

11. Internal controls annual review and effectiveness

The committee discussed the annual review of effectiveness of internal controls. The committee noted that due to timing issues the review was not discussed at its October 2019 meeting as is usual.

The committee approved the statement on internal control for inclusion in the annual report and accounts, subject to a review of the wording on the committee's oversight role of subsidiary companies.

12. Draft Audit Committee annual report

The committee approved the draft audit committee annual report and opinions addressed to the Board, as recommended by the executive, subject to minor amendments. The final report, when signed by the Chair of the Audit Committee, would be submitted to the OfS.

13. External audit performance against KPIs

The committee noted that KPMG, the external auditors, had met or mostly met their agreed key performance indicators and there were no concerns during the course of the audit.

14. External audit - review of non-audit services

The committee noted that during the year 2018/19, KPMG had, in addition to audit work, provided advice in relation to tax and financial covenant compliance.

15. Internal audit report - CMA compliance

The committee discussed the internal audit report on CMA compliance which was rated as 'high' risk. The committee noted that the one 'high' risk area was around the approach to curriculum management which would be addressed through Project Leap.

The committee noted the areas of good practice identified in the report and that CMA compliance is a condition of registration with the OfS.

16. Internal audit report - London South Bank Innovation Centre

The committee noted the internal audit report on London South Bank Innovation Centre which was rated as 'medium' risk.

17. GDPR compliance update

The committee noted the final update on the internal audit of the GDPR compliance plan. The internal auditors are reviewing progress against the internal audit recommendations.

The committee noted that there had been no data breaches reportable to the ICO since the last meeting.

18. Final internal audit annual report

The committee noted the final internal audit annual report from PwC which had been discussed in detail at its meeting of 1 October 2019. The internal auditor's opinion was unchanged.

19. **Internal audit progress report**

The committee noted the internal audit progress report for Q1 2019/20.

20. **Internal audit report - key financial controls**

The committee discussed the internal audit report on key financial controls which found that there was 'moderate' assurance for both the design and operational effectiveness of key financial control systems.

The committee noted that there were two 'high' risk findings on access to i-trent and amendment of supplier bank details.

The committee would monitor implementation rates over the year.

21. **Corporate risk**

The committee discussed the proposed group risk policy and approach. The committee requested further discussion at its next meeting.

22. **Prevent annual return**

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

23. **Quality Assurance report**

This item was deferred to a future meeting.

24. **Anti fraud bribery and corruption report**

The committee noted the report. One instance of fraud had been identified in SBA in relation to a purchasing card. The money had been returned to SBA and there was no loss to the LSBU group.

25. **UKVI compliance**

The committee noted the outcome of the basic compliance assessment by UKVI. The committee congratulated the International team on the positive outcome.

26. **Modern Slavery Act statement**

The committee supported the modern slavery act statement proposed by the Executive for 2018/19 to the Board, subject to a minor amendment.

27. **Speak up report**

The committee noted the speak up report and two current cases.

28. **OfS reportable events**

The committee discussed the update on OfS reportable events. The committee noted that the executive is defining 'materiality' in relation to reportable events.

It was reported that the OfS had raised queries on the annual return of student data to HESA. As a result of the query being raised two days before the final accountable officer sign-off deadline, there was not sufficient time to analyse the query in the short time given. Accordingly, the OfS considers the return to have been submitted late. The OfS requires the Vice Chancellor to acknowledge that the deadline was missed but indicated that it will take full account of the context and have advised its own monitoring team accordingly. The Vice Chancellor considers that the LSBU data team acted appropriately in this matter. An update will be provided to the Board.

29. **Cyber security update**

The committee noted the cyber security update and requested an update in June 2020.

30. **Audit Committee business plan**

The committee noted its business plan for 2019/20.

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

The committee noted that the annual report and accounts, letter of representation to the auditors, the audit committee annual report, the update on OfS and the CMA report would be reported to the Board meeting of 21 November 2019.

**Date of next meeting
4.00 pm, on Thursday, 13 February 2020**

Confirmed as a true record

..... (Chair)