

## Meeting of the Group Audit and Risk Committee

4.00 - 6.00 pm on Tuesday, 15 June 2021  
via MS Teams

### Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		DB
2.	Declarations of interest		DB
3.	Minutes of the previous meeting	3 - 12	DB
4.	Matters arising	13 - 14	DB
	<ul style="list-style-type: none"> <li>• IT recovery update</li> <li>• UKVI update</li> </ul>	To follow	
<b>Chair's business</b>			
5.	Committee effectiveness review: draft report	15 - 26	DB, PF
<b>External audit</b>			
6.	External audit plan 2021/22	27 - 74	KPMG
7.	Update on year-end processes	75 - 84	RF
<b>Internal audit</b>			
8.	Internal audit progress report	85 - 94	BDO
9.	Draft internal audit strategy and audit plan 2021-24	95 - 134	BDO
<b>Risk and control</b>			
10.	Corporate risk	135 - 142	RF
	<ul style="list-style-type: none"> <li>• Risk strategy and appetites</li> <li>• Corporate risk report</li> </ul>		
<b>Other matters</b>			
11.	Anti-fraud, bribery and corruption policies review and report	143 - 154	RF
12.	OfS report - consumer protection, communication and regulation	155 - 162	DJ

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
<b>Matters to note</b>			
13.	Fire door works update	To Follow	JS
14.	Data protection report	163 - 164	JS
15.	Speak up report	165 - 166	JS
16.	Reportable events update	167 - 168	JS
17.	Committee business plan	169 - 172	KJ
18.	Matters to report to the Board following the meeting	Verbal Report	KJ

**Date of next meeting  
4.00 pm on Tuesday, 5 October 2021**

**Members:** Duncan Brown (Chair), John Cole, Mark Lemmon and Rob Orr

**Apologies:** David Phoenix

**With:** Peter Fidler, SIG (item 5 only)

**In attendance:** Natalie Ferer, Richard Flatman, Kerry Johnson, Deborah Johnston, Nicole Louis and James Stevenson

**Internal auditors:** Ruth Ireland and Gemma Wright

**External auditors:** Fleur Nieboer and Jessie Spencer

**Supplement: subsidiaries update**

- SBA internal audit report: Budget setting
- SBC internal audit report: Prevent
- SBC Audit Committee minutes: 10 February 2021
- SBA Audit Committee minutes: 9 March 2021

## Minutes of the meeting of the Group Audit and Risk Committee

held at 4.00pm on Thursday, 11 February 2021  
via MS Teams

### Present

Duncan Brown (Chair)  
John Cole  
Mark Lemmon  
Rob Orr

### In attendance

David Phoenix  
Natalie Ferer  
Richard Flatman  
Nicole Louis  
Kerry Johnson  
James Stevenson

Ruth Ireland (BDO)  
Gemma Wright (BDO)

### Observers

Michael Cutbill  
Rashda Rana

### Apologies

Fleur Nieboer (KPMG)  
Jessie Spencer (KPMG)

#### 1. Welcome and apologies

The Chair welcomed members to the meeting.

The above apologies were noted.

#### 2. Declarations of interest

No interests were declared in any item on the agenda.

#### 3. Minutes of the previous meeting

The committee approved the minutes of the meeting of 5 November 2020 and their publication as redacted, subject to minor amendments.

#### 4. Matters arising

Coronavirus update

The committee noted an update on business continuity in relation to the ongoing coronavirus pandemic, including the contingency plans in place for all courses to ensure that essential practical work and assessment could be completed.

The committee noted that mechanisms were in place to ensure that the University had complied with OfS conditions on consumer protection and quality. The OfS had set out its requirements in a letter dated 14 January 2021. The Committee requested an update at its next meeting.

All other matters arising were noted as having been completed or in progress.

## 5. **Cyber security update**

The committee discussed in detail the progress made against the restoration and recovery plan following the cyber incident that occurred on 11 December 2020.

The committee noted that all core systems to support teaching and learning had been fully or partially restored, and that work was on track to restore all systems by the end of March 2021.

The committee noted that password complexity had been increased for the Group, and that staff and students had been requested to update their passwords to the new format. The majority of staff and a significant number of students had completed the password reset, and the team would continue to encourage the student population to make the change.

The committee noted the frustration among some students due to the IT outage and the pandemic, and the potential for this to impact on 2020/21 NSS results. The Executive continued to work closely with the Students' Union to engage with students, and planned to introduce an extended package of support, including a skills and employability summer programme.

The committee discussed the detailed update on the restoration of finance and HR systems, including payroll. The committee noted that extra resource may be required within Finance to bring the systems up to date. This would be kept under review by the Executive.

The CFO had updated the KPMG partner in relation to the IT outage. The situation would be closely monitored as the finance system was restored over the next few weeks. The committee requested a separate discussion with the KPMG partner and the CFO during March 2021.

The committee received assurances that extra checks were taking place to mitigate against the risk of fraud while payments were being made manually. A further update on the restoration of finance and HR systems would be provided to the committee electronically during March 2021.

The committee noted the update on progress made against the actions

identified in the BDO cyber security audit. The BDO partner was requested to consider the impact of the cyber incident on the internal audit programme. This would be further discussed with management prior to the next GARC meeting. The BDO partner confirmed that there was no reason in principle that the cyber incident would have an impact on the annual Internal Audit Opinion for 2020/21.

The committee requested that an additional meeting take place during May 2021 to discuss the final report on the restoration and recovery plan and implications, if any, for both internal and external audit.

**6. Internal audit progress report**

The committee noted the internal audit progress report. The report highlighted some necessary changes due to the pandemic and the cyber incident, though all internal audits were due to be completed by the end of the 2020/21 financial year.

**7. Internal audit follow-up report**

The committee noted the internal audit follow-up report, noting the high number of outstanding and overdue recommendations.

The Executive confirmed that they would work with BDO to ensure that recommendations are responded to in a timely manner. At the request of the committee, BDO will review the list of outstanding recommendations for any that should be removed because developments have made them superfluous or less important.

**8. Internal audit: financial information, cash flow and bank covenants**

The committee noted the internal audit report on financial information, cash flow and bank covenants, which provided a moderate level of assurance for both the control design and the operational effectiveness of the controls in place. It was noted that no high risk, two medium risk and three low risk recommendations had been made and accepted by management.

**9. Internal audit: UUK code compliance**

The committee noted the internal audit report on UUK code compliance (student housing), which found that LSBU was able to demonstrate compliance with 87 out of 89 essential items, and 12 out of 12 desirable items. Two recommendations related to the tracking of fire risk assessment actions and the need for an LSBU PAT policy. Both recommendations were accepted by management.

**10. Internal audit: Coronavirus recovery**

The committee noted the internal audit report on coronavirus recovery, which provided a moderate level of assurance for control design and a substantial level of assurance for the operational effectiveness of the controls in place. It was noted that two medium risk recommendations had

been made and accepted by management.

#### 11. **Corporate risk report**

The committee noted the corporate risk report, comprised of zero critical risks, fifteen high risks, fourteen medium risks and one low risk.

The committee noted that SBC had updated their risk register, which was now in accordance with the agreed Group format. The SBC audit committee had discussed its approach to risk appetite, which had been set below that of the Group position.

The committee requested the Executive to reassess risk levels relating to league table deterioration, student satisfaction and the IT outage.

#### 12. **UKVI compliance (staff and students)**

The committee noted the University's UKVI compliance statistics for the 2019/20 academic year.

The committee noted the deterioration of the course completion rate for tier 4 students, which was very close to the threshold of 85% in 2019/20. The committee noted that this was due to a change in administrative practices, and that a mechanism had been put in place to address this in future years. A manual check of all tier 4 student records was being carried out, and an update on this work would be provided to the next meeting.

The committee noted the letter from UKVI dated 21 October 2020 confirming that LSBU had met the core requirements for renewal of its student sponsor licence.

#### 13. **Arrangements for GARC approval of TRAC return**

The committee discussed the proposed process for submission of the University's TRAC return to the OfS. The committee noted that the deadline for submission had been changed for the current 2019/20 return, due for submission by 31 March 2021.

The committee noted that the return would be shared with the committee Chair before circulation to members for approval prior to final submission.

The committee noted that action was being taken to mitigate the 'single key person risk', and the methodology would be fully documented. The committee also received assurances that a thorough internal review of the methodology, calculations, assumptions and data sources involved in preparing the TRAC return would be completed by someone independent of those responsible for preparing the return before it is presented to the committee for approval.

The committee approved the submission process of the 2019/20 TRAC return to the OfS.

**14. Data protection report**

The committee noted the data protection report, which included two incidents involving breaches of personal data since the last meeting. One of the breaches was reported to the ICO.

The committee noted the update on ICO recommendations following the breach of October 2020.

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

The committee noted that there were no new instances of fraud, bribery or corruption arising in the period since the committee last met. The cyber incident was not currently considered to be an incident of fraud, but this would continue to be monitored.

**16. Speak up report and policy review**

The committee noted that no new speak up cases had been raised since the last meeting.

The committee noted that, as part of an annual process, the speak up policy had been reviewed and that no changes were recommended. The Executive agreed to consider the examples given within the policy in relation to coronavirus protection.

**17. Reportable events update**

The committee noted that no reportable events had been notified to the OfS since the last meeting. The committee noted that the cyber incident was not considered to be a reportable event given the impact to date and progress on the recovery plan, but the situation would continue to be monitored by the Executive.

**18. Committee effectiveness review**

The committee discussed the proposed format for the Group Audit and Risk Committee effectiveness review, using the CUC's self-assessment guide as a basis for the review.

The committee approved the proposed review format, subject to minor amendments. The results of the review would be reported to the meeting of 15 June 2021.

**19. Committee business plan**

The committee noted the 2020/21 business plan.

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

The committee noted that coronavirus update, the cyber incident and its effect on internal and external audit opinions, the corporate risk report and

UKVI compliance would be reported to the March 2021 Board meeting.

**Date of next meeting  
4:00, Thursday 15 June 2021**



Written resolution of the **Group Audit and Risk Committee**  
of London South Bank University  
passed on Monday, 29 March 2021

1. **Declarations of interest**

No interests were declared.

2. **TRAC Return**

Noting that the Chair had reviewed the Return in detail, the Committee agreed to approve the TRAC Return for submission to the OfS.

**Circulated to:** Duncan Brown (Chair), John Cole, Mark Lemmon, Rob Orr.

**Signed on behalf of the Group Audit and Risk Committee**

\_\_\_\_\_ (Chair)

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**Minutes of the meeting of the Group Audit and Risk Committee  
held at 11.00am on Thursday, 6 May 2021  
via MS Teams**

**Present**

Duncan Brown (Chair)  
John Cole  
Mark Lemmon  
Rob Orr

**In attendance**

David Phoenix  
Alison Chojna  
Natalie Ferer  
Richard Flatman  
Nicole Louis  
Kerry Johnson  
Stuart Johnston  
James Stevenson

**1. Welcome and apologies**

The Chair welcomed members to the meeting. No apologies were received.

**2. Declarations of interest**

No interests were declared in any item on the agenda.

**3. IT restoration update**

The committee discussed in detail the progress made against the restoration and recovery plan following the cyber incident that occurred on 11 December 2020.

The committee noted that almost all systems were now restored, with the remainder due to be restored within the next week. Rather than restoring services and applications to their previous conditions, improvements to security were made wherever possible.

The committee noted that one key issue during the restoration process had been the dependency on third party suppliers. A reliance on legacy systems had also created delays to the recovery process.

The committee noted business continuity and governance/oversight would be examined during the 'lessons learned' process, which would be overseen by the new IT Security and Resilience Board.

The committee noted that the recent mid-module review had reported a slight drop in student satisfaction, although it was not known if the IT outage

played a significant role in the results. There was significant staff frustration due to a combination of the IT outage, the need for manual workarounds, the pandemic, and other changes within LSBU such as portfolio review.

The committee requested that a further progress report be brought to the next meeting on 15 June 2021.

The committee thanked Alison Chojna and team for continued progress in business recovery.

#### Finance systems recovery update

The committee discussed a separate update on the recovery of finance systems. Agresso had been restored, with most functionality available, and good progress had been made on bringing accounting records up to date.

The committee noted that payroll was up to date, with all year-end processes having been completed.

The committee noted that March 2021 management accounts had been produced. Some uncertainty remained on opex costs due to the backlog of approximately 3,000 invoices that were still to be processed. The committee received assurance that processes were in place to properly investigate and approve the outstanding invoices, and that these controls were not being compromised in order to speed up the recovery process.

The committee noted that BDO were due to report on the finance recovery process. When complete, the report would come to a future meeting of the committee for review.

**Date of next meeting  
4:00, Thursday 15 June 2021**

**GROUP AUDIT AND RISK COMMITTEE – THURSDAY 11 FEBRUARY 2021**

**ACTION SHEET**

<b>Agenda No</b>	<b>Agenda/Decision Item</b>	<b>Action</b>	<b>Date Due</b>	<b>Officer</b>	<b>Action Status</b>
4.	Matters arising	Update on OfS requirements on consumer protection to be provided at the next meeting.	15 June 2021	Deborah Johnston	Complete. see agenda item 14.
5.	Cyber security update	Separate discussion between GARC and KPMG to be held during March 2021.	March 2021	Richard Flatman	Complete.
5.	Cyber security update	Update on the restoration of finance and HR systems to be provided to the committee electronically.	March 2021	Richard Flatman / Nicole Louis	Complete.
5.	Cyber security update	Additional meeting to be scheduled during May 2021 to discuss IT recovery and potential implications for internal and external audit.	May 2021	Governance Team	Complete.
7.	Internal audit follow-up report	BDO to review the list of outstanding recommendations for any that should be removed.	15 June 2021	BDO	See agenda item 9 for update.
11.	Corporate risk report	Executive to reassess risk levels relating to league table deterioration, student satisfaction and the IT outage.	15 June 2021	Group Executive	Complete. See agenda item 12.
12.	UKVI compliance	Update on the manual check of all tier 4 student records to be provided to the next meeting.	15 June 2021	Nicole Louis	Update to be provided under matters arising.
18.	Committee effectiveness review	Results of the effectiveness review to be reported to the next meeting.	15 June 2021	Governance Team / SIG	Complete. See agenda item 5.

**GROUP AUDIT AND RISK COMMITTEE – THURSDAY 6 MAY 2021**

**ACTION SHEET**

<b>Agenda No</b>	<b>Agenda/Decision Item</b>	<b>Action</b>	<b>Date Due</b>	<b>Officer</b>	<b>Action Status</b>
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3.	IT restoration update	Further progress report to be brought to the next meeting.	15 June 2021	Nicole Louis	Update provided under matters arising.
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	CONFIDENTIAL
Paper title:	Group Audit and Risk Committee effectiveness review: final report
Board/Committee	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author:	Peter Fidler, Senior Independent Governor Kerry Johnson, Governance Officer
Sponsor:	Duncan Brown, Chair of the Group Audit and Risk Committee
Purpose:	For approval
Recommendation:	The committee is requested to note the results of the GARC effectiveness review and approve the related action plan.

## **Executive summary**

Following best practice and recommendation by the CUC in Element 6 of the new HE Audit Committee Code of Practice, a Group Audit and Risk Committee effectiveness review has been carried out.

Overall, responses have been positive, with all respondents agreeing that the committee is properly constituted with appropriate membership, and is effective in addressing its duties and reporting requirements

In general it is considered that as the committee has substantively revised terms of reference (October 2019) to work across the LSBU Group, drawing together the work and oversight of the audit matters relevant to each entity, the 'early life' of the committee has been very positive. It is felt that there are areas where improvements can be identified but no major concerns are raised.

Appendix A details the results of the survey.

## **Recommendation**

The committee is requested to note the results of the GARC effectiveness review and approve the related action plan.

## **The effectiveness review process**

At its meeting of 11 February 2021, the committee agreed to carry out an effectiveness review using the CUC's self-assessment guide as a basis for the review.

GARC members, Executive attendees and internal and external auditors were asked to complete the self-assessment questionnaire. We received responses from:

- All GARC members
- The Chair of the Board
- Committee chairs
- Members of the Executive team and senior officers who regularly attend the meetings
- Internal and external auditors.

Follow-up interviews were then held with selected respondents in order to explore the answers in more depth. As the review requires a degree of independence, these interviews were conducted by the Senior Independent Governor.

### **Key positives**

- All respondents agreed that the committee has the right balance of skills and experience.
- Overall, the committee was seen as a highly effective and high-quality committee.
- In particular, the role, contribution and effectiveness of the Chair of the committee has been emphasised by respondents. Respondents believe the Chair's performance has been very strong and has made a highly positive impact on the committee's operation and effectiveness.

### **Key areas identified for action**

- *The Balance of Audit and Risk.* The duties of the committee are wide-ranging across all audit and risk matters of the constituent entities of the LSBU Group and their respective audit and risk committees. It has been remarked upon that the Group Audit and Risk Committee can get drawn into the detail and operational dimensions of audit matters, and would benefit from a stronger focus on matters of corporate and strategic risk.
- *Supporting Integrated Audit and Risk arrangements across the Group.* It is recognised that the integration of the LSBU Group is still evolving. To support this integrated working it is recommended that further work should be done to improve communication between GARC and the subsidiary entity audit committees.
- *The Heavy Workload of the Committee.* This is a matter which should be kept under review. While some attention has already been given to increasing the number and duration of meetings, the remit and workload of the committee has proved extensive, and may need further consideration in conjunction with the above areas identified for action above.



- *Improving Integration of Co-opted Committee Members.* It is considered that more could be done to ensure that co-opted members are adequately inducted and kept informed.

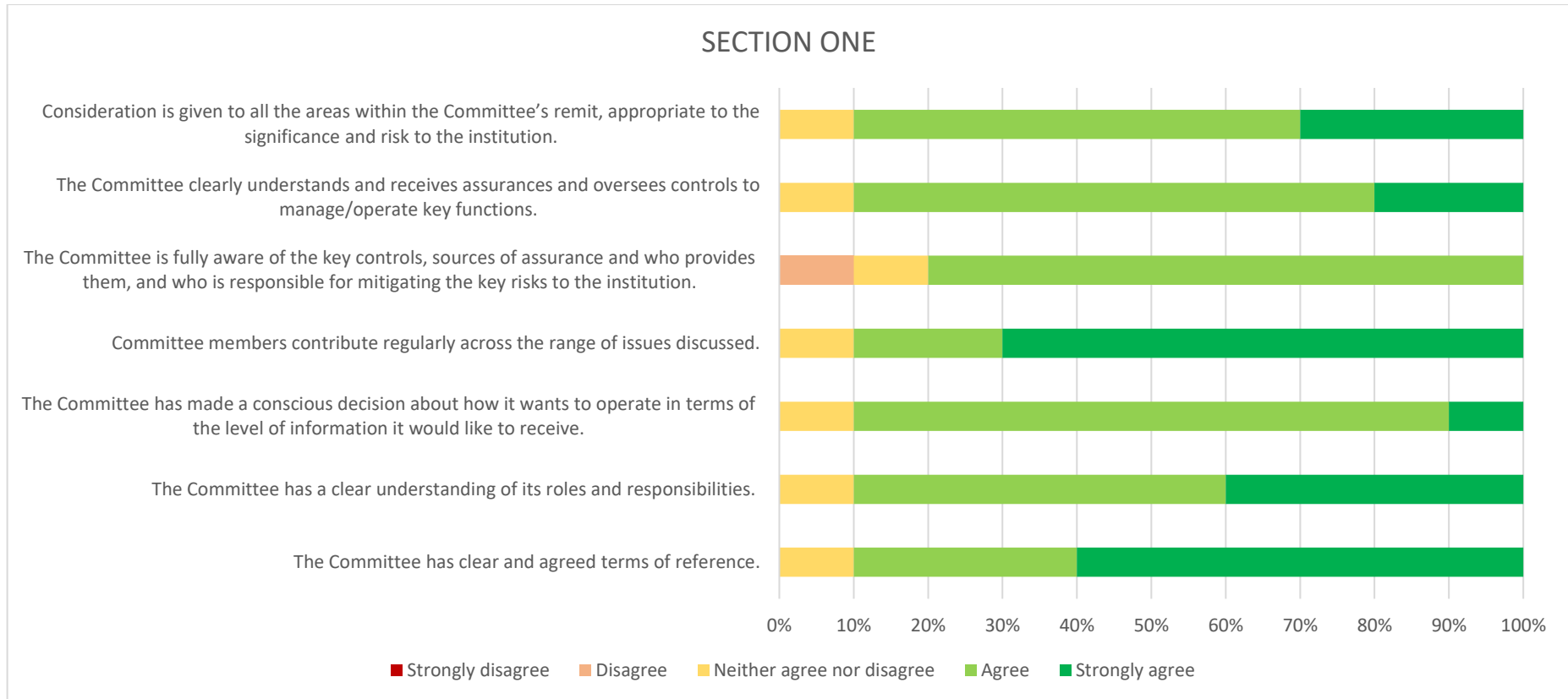
## Recommendations and action plan

The Governance Team, the Executive and the Chair will begin work on the required actions during summer 2021. A progress update will be provided to the 5 October 2021 meeting of the committee. Some actions are already underway, as noted below.

Recommendation	Proposed action
Balancing risk and audit	<p>Detailed risk discussion currently on the annual workplan once per year. Increase this to twice a year.</p> <p>Risk to be added as an agenda item for a future Board strategy day.</p> <p>Annual GARC workplan to be reviewed and reworked where necessary.</p>
Group integration	<p>Investigate options for improving communication between GARC and subsidiary audit committees, including:</p> <ul style="list-style-type: none"> <li>• an annual meeting between the chairs</li> <li>• audit committee chairs invited to attend other audit committee meetings as observers.</li> </ul> <p>Continue work on Group integration, specifically to review subsidiary audit committee remits.</p> <p>Continue to include SBA and SBC internal audit reports and audit committee meetings as supplements for information.</p>
Committee workload	<p>Consider whether the current meeting calendar (and length of meetings) remains appropriate.</p> <p>Further guidance on the form and content of papers to the Committee (as well as Board and other committees) to be circulated to Executive members and Auditors.</p> <p>Feedback on internal audit reports to be reported back to BDO.</p> <p>Annual workplan to be re-evaluated as above.</p>

Engagement of co-opted members	<p>The induction process for new co-opted members has been expanded, but more thought needs to be given to ensuring that co-opted members remain engaged and informed. Governance team to consult more widely.</p> <p>Ensure co-opted members are included in regular updates to the Board.</p> <p>Continue to invite co-opted members to Board strategy days and occasional Board meetings, in consultation with co-optees</p>
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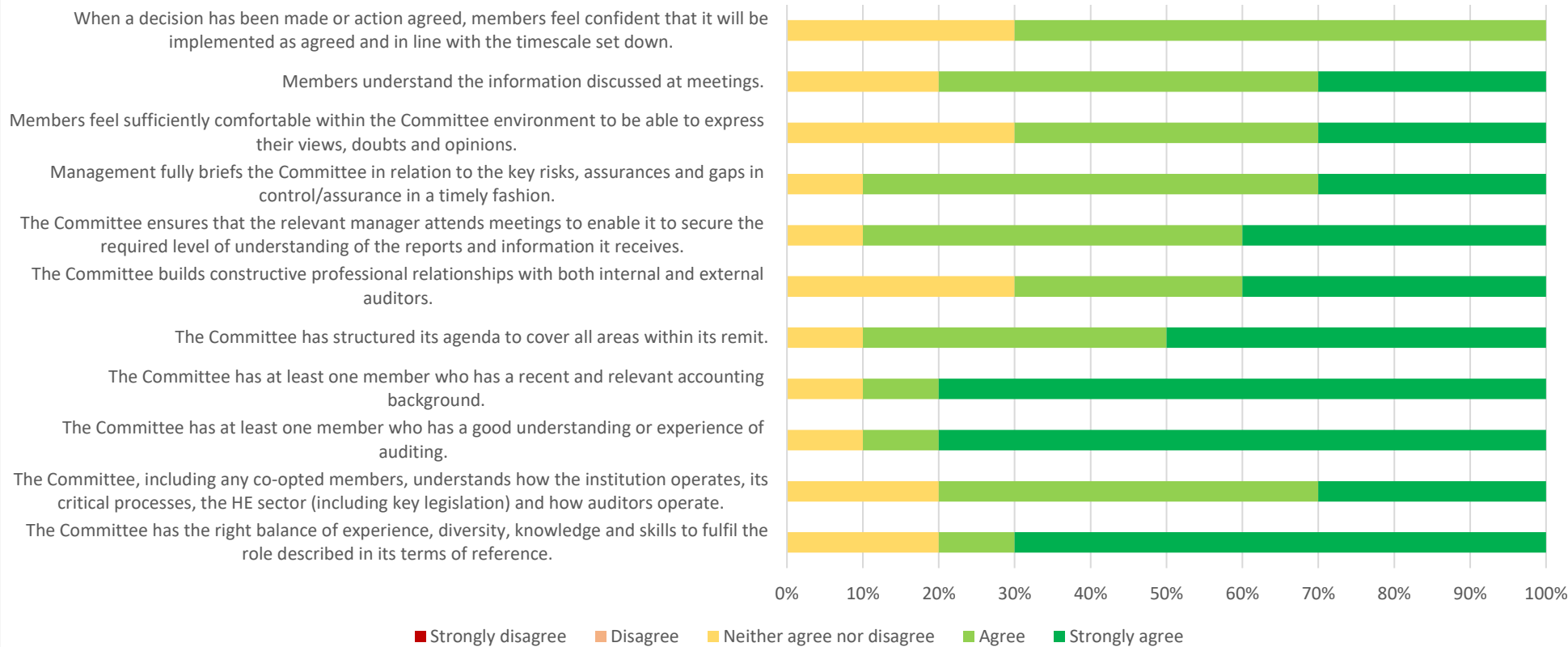
SECTION ONE



Comments:

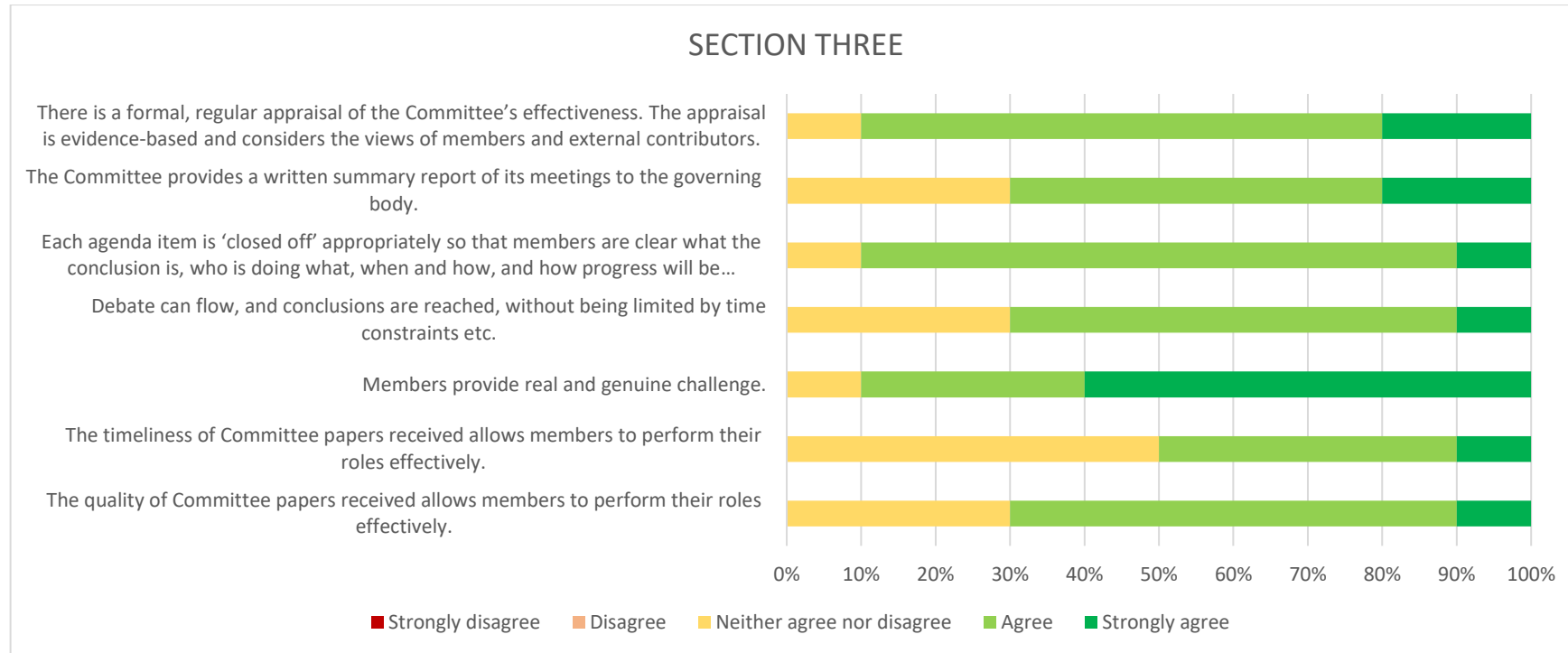
- “I've marked the 3rd question down as "disagree" whereas the others are all either "agree" or "strongly agree". For the 3rd question, my view is that the corporate risk report should be clearer on the mitigations, who owns them within LSBU and progress against any specific mitigation actions.”
- “The terms of reference were recently updated to take account of the evolving nature of the group and this will need to be kept under review. The overlap and interaction with the finance committee has improved but is something which needs to be focussed on to prevent issues falling between us.”
- “It would be appropriate to review the committee's business plan following this review. This will give assurance about the last question about the areas with the committee's remit.”

SECTION TWO



Comments:

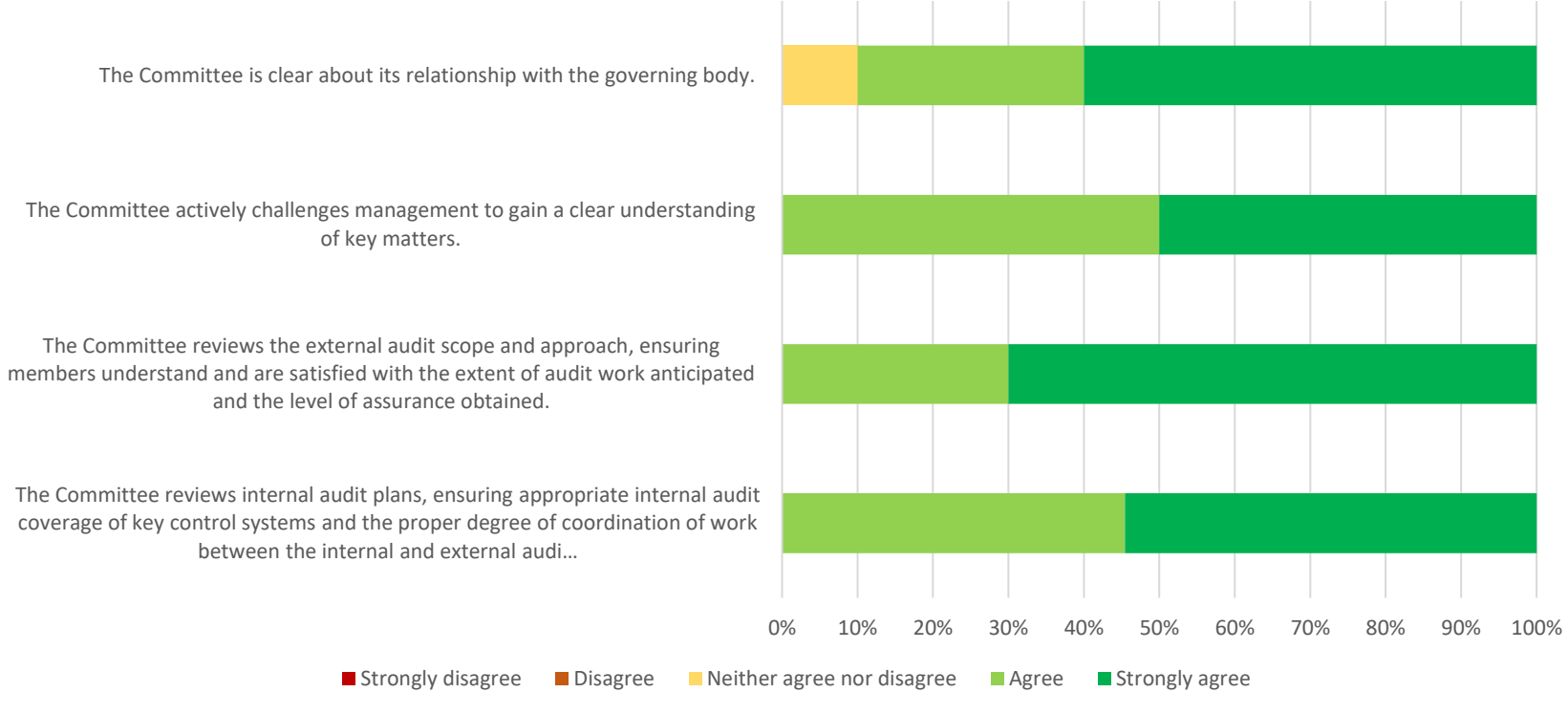
- “For question 10, I've marked that as "neither agree nor disagree". This is because, as the only co-opted Member, it is sometimes difficult to have the full picture of what is happening in the wider Institution although this has improved recently as I get copied in on correspondence. I have good understanding of what is happening in the sector due to my day job at SAUL but if I didn't this I wonder if what is currently provided would be sufficient for the Committee.”
- “Consideration could be given to co-opting someone with an Information systems background.”



**Comments:**

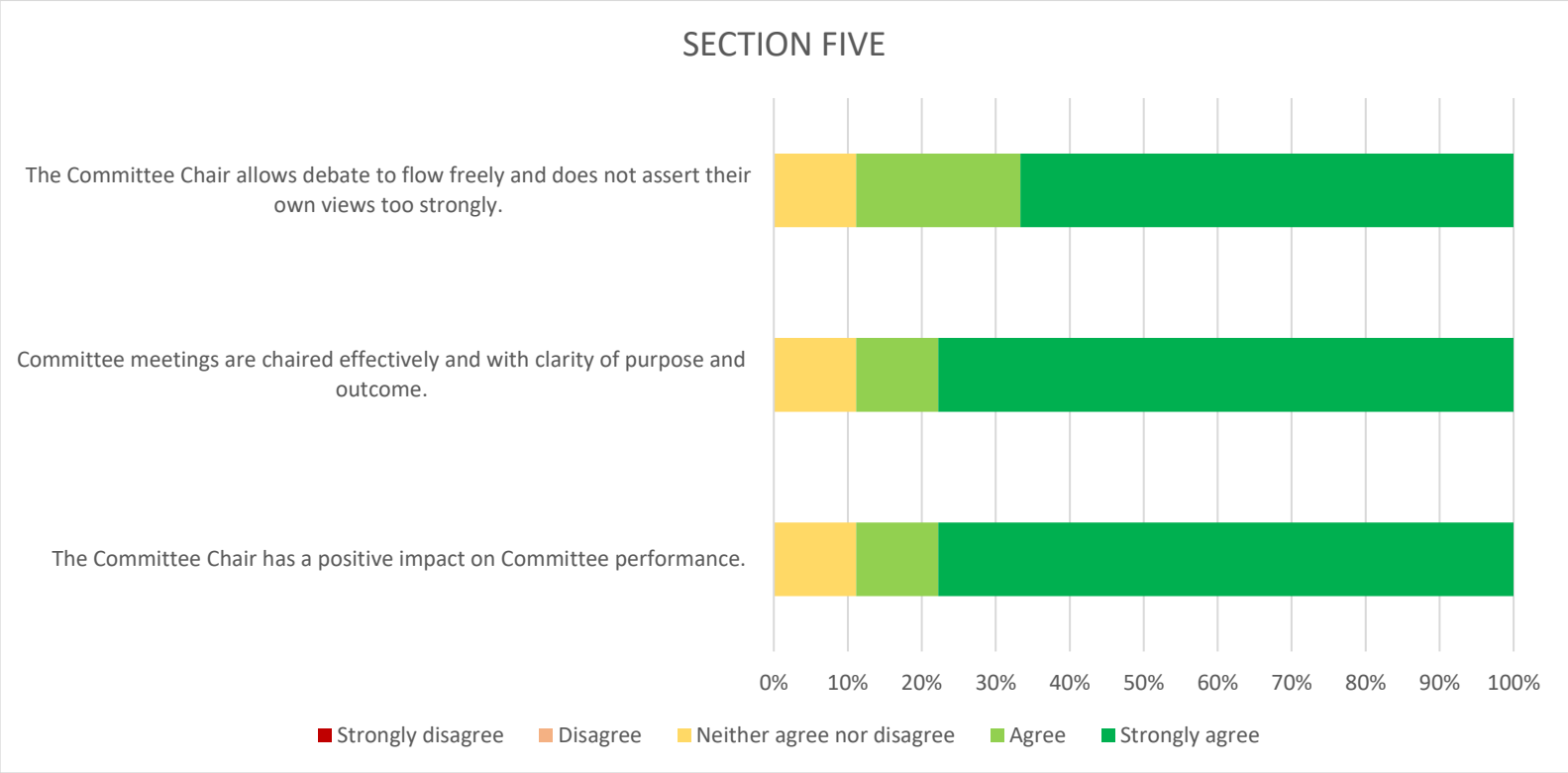
- “In terms of question 4, the workload of the Committee has meant, at times, that there is a lot of cover at each meeting. This has been addressed by extending the meetings out to 3 hours and having extra meetings when needed.”
- “Internal papers are generally good. Papers from the internal auditors are often quite wordy and less easy to assimilate. Feedback has been given to BDO on this point and some improvement has been seen, but still further to go.”
- “We have had issues with some of the papers provided by management and internal audit which we have flagged and have been addressed. With timeliness, this is often a problem, particularly around the annual accounts when deadlines are tight.”
- “Further work still needs to be done on cover sheets for papers to highlight key issues and management's response / reaction to findings.”
- “This review evidences the last question - need to think about how frequently the review should be (perhaps every other year??)”
- “Papers are received on a timely basis - meetings often go over time allocated however.”

SECTION FOUR



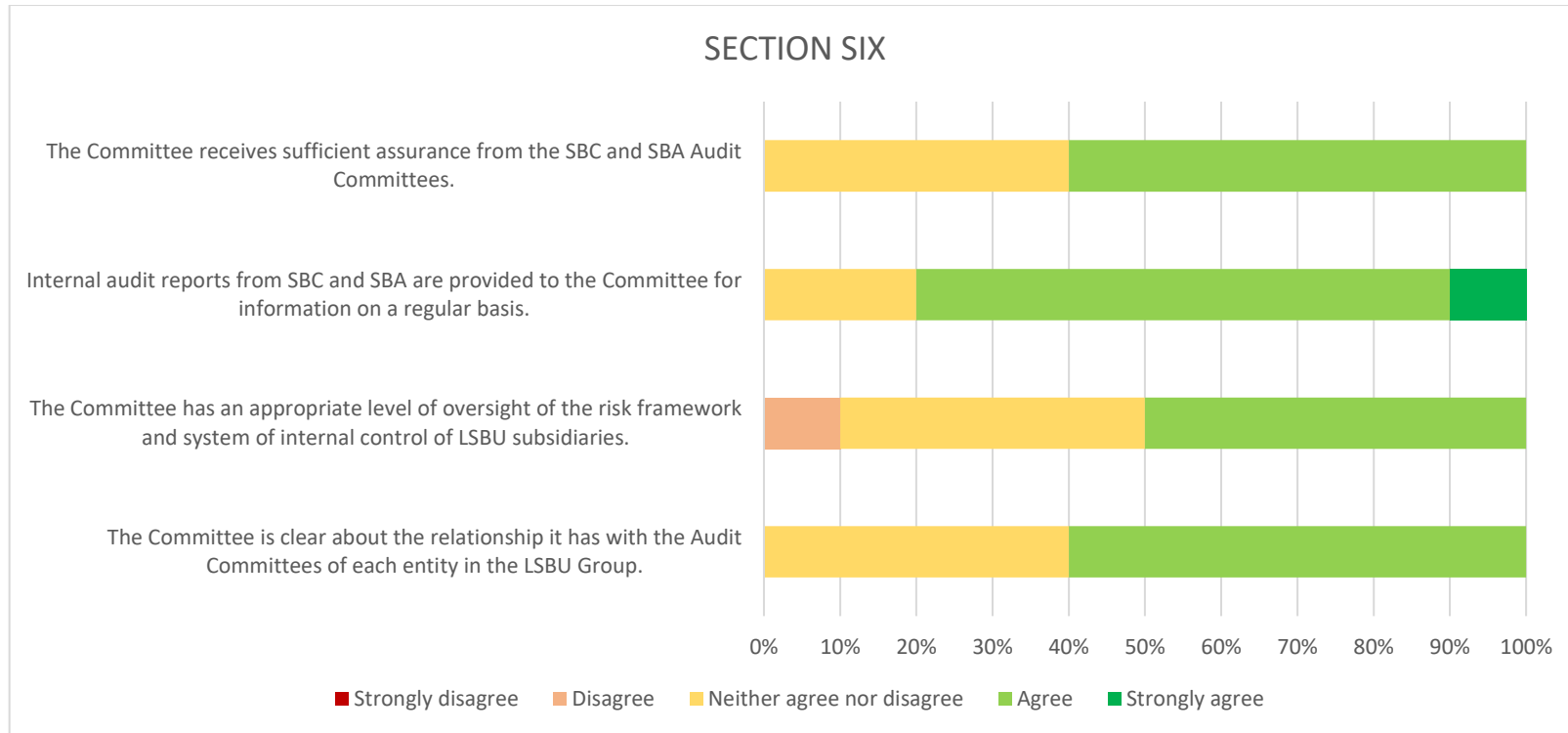
No comments.

SECTION FIVE



Comments:

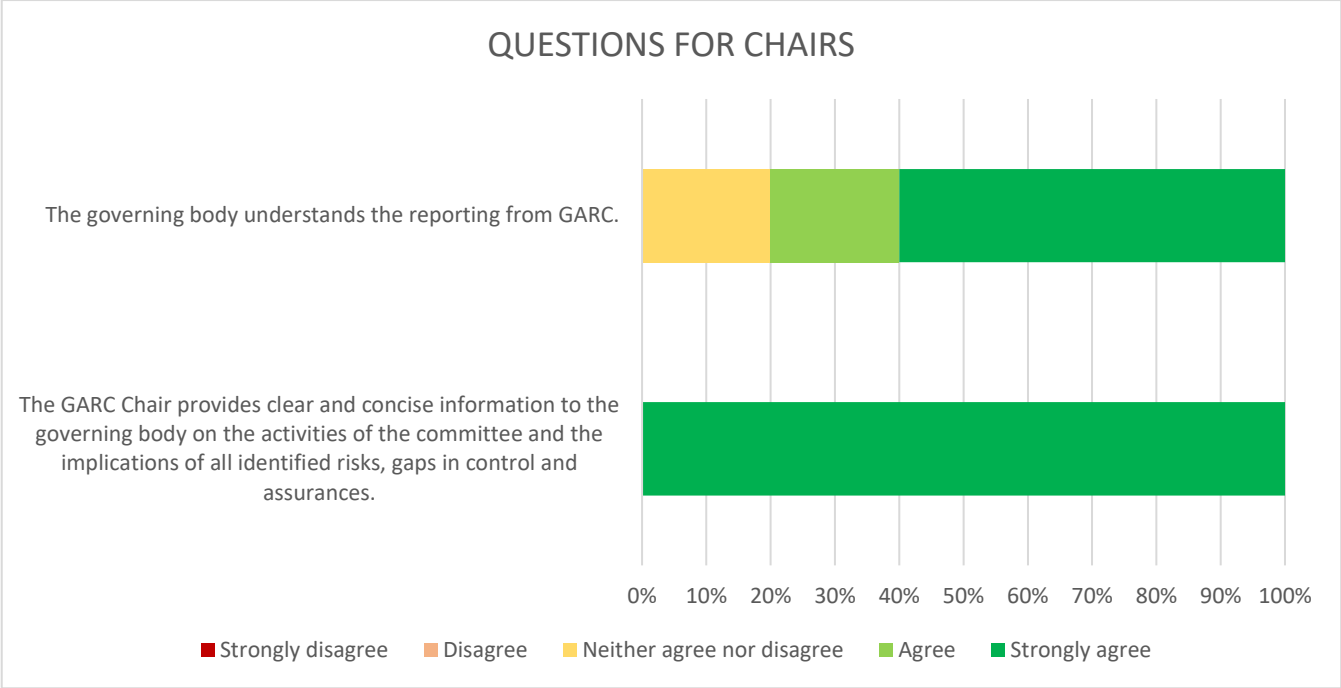
- “Duncan has grown into the role and is a very strong Chair.”



**Comments:**

- “I think the Committee's relationship with the other Audit Committees needs a little work although it is definitely moving in the right direction.”
- “Group aspects have improved over the last year, following a significant level of consideration of the revised GARC terms of reference and the role of GARC in respect of the SBC and SBA audit committees. However I think more could be done to improve communication between GARC and the SBC/SBA audit committees. One idea would be to instigate an annual or 6-monthly meeting between me as chair of GARC and each of the two other committee chairs.”
- “We have been considering the relationship between GARC and the subsidiaries and as the group evolves, this will need to be kept under review.”
- “Further work is required to embed the group risk policy across subsidiary companies.”
- “This is an area under development to ensure oversight without duplication.”
- “Relationship with the group audit committees is developing. A paper came to GARC in this current FY. It may be helpful to review the maturity of the relationship with the chairs of the other group ACs.”
- “I think the relationship with SBC and SBA, and how the Group operates is still evolving and will take time to bed in.”





Comments:

None.

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	CONFIDENTIAL
Paper title:	Group External Audit Plan
Board/Committee	Group Audit and Risk Committee.
Date of meeting:	15 June 2021
Author:	KPMG – Group External Audit Plan
Sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For approval
Recommendation:	The committee is asked to approve the LSBU Group audit plan.

## Executive Summary

Attached is KPMG’s annual planning document for the audit of the LSBU group accounts. The group audit work will include the audit of the University’s subsidiary companies, ie South Bank Colleges, SW4 Catering and South Bank University Enterprises Ltd.

Significant audit risks, which will be the focus of KPMG’s review, are detailed on pages 10- 15 and includes a review of the accuracy and integrity of accounting records following the cyber incident in December 2020.

A planning meeting was held with KPMG and members of the University Finance team in April and it was agreed that KPMG would undertake interim field work in July and the main visit would take place in September. For the second year a significant proportion of the audit work is planned to be done remotely.

## Fees

Details of fees are shown from page 28 onwards. Audit fees for the group are estimated at around £129k, an increase from £122k for last year. This includes an uplift of the basic audit fee by CPI and additional work expected due to the impact of the IT attack.

## Recommendation

The committee is asked to approve the LSBU audit plan prepared by KPMG



# Audit Plan 2020/21

Page 29

London South Bank University

15 June 2021

## Key contacts

Your key contacts in connection with this report are:

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Contents	Page
Introduction	3
Our audit	5
Materiality	6
Covid-19 – audit implications	7
Significant risks and other areas of focus	8
Other significant matters relating to our audit	18
Use of Funds	20
Subsidiary audits	21
Audit cycle and timetable	23
<b>Appendices</b>	25

# Introduction

## To the Audit Committee of London South Bank University

We are pleased to have the opportunity to meet with you on 15 June to discuss our audit of the consolidated financial statements of London South Bank University, as at and for the year ending 31 July 2021.

This report outlines our risk assessment and planned audit approach. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

## The engagement team

Fleur Nieboer is the engagement partner on the audit. She has seventeen years of education audit experience. This is Fleur's fifth year working on your audit.

Jessica Spencer will be the manager responsible for the audit and will be responsible for overseeing the delivery of our audit.

Other key members of the engagement team include Ricky Patel who will be the Assistant Manager for the audit and coordinate our on site fieldwork.

Yours sincerely,



Fleur Nieboer

15 June 2021

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion that is also important.

We define 'audit quality' as being the outcome when audits are:

- **Executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.

## Restrictions on distribution

This report is intended solely for the information of those charged with governance of London South Bank University and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

## Group audit scope

The Group is made up of the University as the parent and its wholly owned subsidiaries (South Bank Colleges and South Bank University Enterprises Ltd, and the wholly owned subsidiary of South Bank Colleges SW4 Catering Ltd). South Bank Colleges is considered to be financial significant to the group. Our audit procedures will cover 100% of the group's revenue, assets and surplus.

## Subsidiaries

We will also report individually on the following subsidiary entities:

South Bank Colleges

South Bank University Enterprises Ltd

SW4 Catering Ltd

## Other returns

Outside of the statutory audits noted above, we will also perform Loan covenant reporting.

## Timing of our audit and communications

We will maintain communication led by the engagement partner and senior manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- Kick-off meeting with management on 26 April 2021 where we present our draft audit plan outlining our audit approach and discuss management's progress in key areas
- Audit committee meeting on 15 June 2021 where we present our final audit plan
- Status meetings with management in July 2021 where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues
- Closing meeting with management in October 2021 where we discuss the auditor's report and any outstanding deliverables
- Audit committee meeting on 11 November 2021 where we communicate audit misstatements and significant control deficiencies



### Focusing our audit on your risks

We have commenced our audit planning and identified the following risks that we will focus on:

Risk	Risk change	
<b>Financial Statements</b>		
Valuation of LGPS net pension liability	● Stable	Page 10
Carrying value of Land and Buildings	● Stable	Page 11
Revenue recognition	● Stable	Page 12
Management override of control	● Stable	Page 14
Cyber security and recovery of IT systems	★ New	Page 15
<b>Other areas of focus</b>		
Access & participation expenditure	● Stable	Page 16
Going concern	▼ Decreased	Page 17

Page 33

### Scope



**Materiality**  
**£3.6m**

Page 6



**Reporting threshold**  
**£150k**

Page 6

### Use of Funds (page 20)

Our audit of use of funds will be conducted taking into account the guidance included within Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom. Our approach to completing the use of funds audit will be to obtain a sufficient understanding of the framework under which the University operates, and to test compliance.

# Materiality (Group and parent)



Materiality

**Total group Revenue**

**£181.1m**

(2019/20: £176.5m)

**Total University revenue**

**£153.3m**

(2019/20: £152m)



**Group materiality**

**£3.6m**

**2% of Total Revenue**  
(2019/20: £3.5m, 2% of revenue)

**University materiality**

**£3.0m**

**2% of revenue**  
(2019/20: £3.5m, 2% of revenue)



**£150k (Group and University)**

Misstatements reported to the Audit Committee (2019/20: £150k)

**Group: £2.3m**  
**University: £1.9m**

Procedure designed to detect individual errors at this level (2019/20: £2.6m)      Materiality for the financial statements as a whole (2019/20: £3.5m)

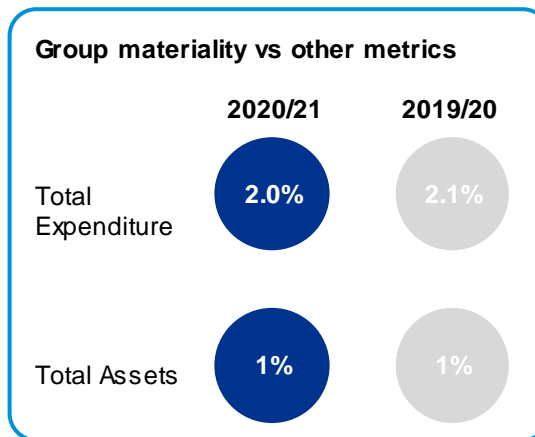
Page 34

**Our materiality levels**

We determined materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of revenue based on year end forecast outturn which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £2.3m. This has been set at lower level compared to 2019-20 to take into account additional aggregation risk as a result of the cyber incident this financial year.

We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as directors' remuneration, audit fee and access and participation expenditure.





The table below identifies the specific areas of our audit that are expected to be affected by the ongoing Covid-19 pandemic.

<p><b>Planned scope and timing</b></p> <p>Page 23</p>	<ul style="list-style-type: none"> <li>The planned timing of our audit has not changed significantly. At the time of preparing our plan the submission deadline for the annual report and accounts has not changed. We have provided further details of our proposed timetable on page 23.</li> <li>Given the rapidly changing environment, the scope and timing of our audit may need to be modified further to respond to new events or changing conditions. If we make significant changes, then we will communicate these to you.</li> </ul>
<p><b>Materiality</b></p> <p>Page 6</p>	<ul style="list-style-type: none"> <li>We have not considered it necessary to revise our materiality for the financial statements as a whole for 2019-20. This is because overall revenue for the year is not expected to be significantly impacted and this is the benchmark which determines materiality.</li> <li>The risk that uncorrected and undetected misstatements exist and aggregate to an amount that results in a material misstatement of the financial statements has increased as a result of the cyber incident in December 2020. Consequently, we have responded by decreasing performance materiality compared to prior year, which is used to assess the risk of material misstatement and determine the nature, timing and extent of our audit procedures.</li> </ul>
<p><b>Subsequent events disclosures</b></p>	<ul style="list-style-type: none"> <li>Due to the current uncertainty within the financial environment affecting universities there may be an increased likelihood of events occurring that require recording as a subsequent event, either through the form of disclosure or adjusting financial statement figures.</li> <li>We will perform additional inquiries ahead of finalising our audit as well as considering wider sector changes, such as guidance from the Office for Students.</li> </ul>
<p><b>Going concern</b></p>	<ul style="list-style-type: none"> <li>Management's assessment of the University's ability to continue as a going concern will continue to be challenging due to uncertainty about future economic conditions and earnings in light of the pandemic.</li> <li>The rapidly changing conditions, our enhanced procedures under the revised ISA (UK) 570 on your risk assessment process and fact that we need to perform procedures through to the date of the auditors' report, will mean continued audit effort in this key area for 2020-21.</li> <li>We also note that the University's subsidiary, South Bank Colleges, continues to be in its financial turnaround plan supported by the University, and by funding from the Department for Education. We have, therefore, recognised a significant risk to the College in relation to going concern for 2020-21 as we consider it more vulnerable to uncertainties around future economic conditions. We do not consider this to be a significant risk at group level.</li> </ul>
<p><b>Estimates</b></p>	<ul style="list-style-type: none"> <li>There is uncertainty associated with estimates made in preparing the accounts. For the University this is most likely to impact the valuation of the net pension liability.</li> </ul>

# Significant risks and other areas of audit focus



Risk-based

**Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which the University operates.**

We also use our regular meetings with senior management to update our understanding and take input from review of your Board papers and internal audit reports.

The risk map records those significant opinion risk and other areas of audit focus (and where appropriate the balance included for these within your prior year financial statements).

Due to the unprecedented levels of uncertainty there is an increased likelihood of risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit Committee.

Audit risk key:

- Significant risks
- Other areas of audit focus
- Other matters



**Our risk assessment draws upon our historical knowledge of London South Bank University, the sector and the wider economic environment in which the University operates.**

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

Page 37

**Audit Risk**

- H Higher
- M Moderate
- L Low

**Year on year movement**

- ▲ Increased
- ◀▶ Same
- ▼ Decreased
- ↗ New

**Relevant factors affecting our risk assessment**

Group and University significant risks		Size	Complexity	External scrutiny	Susceptibility to fraud/error
1	Valuation of LGPS net pension liability	H ◀▶	H ◀▶	H ◀▶	H ◀▶
2	Carrying value of Land and Buildings	H ◀▶	H ◀▶	M ◀▶	M ◀▶
3	Fraud risk from revenue recognition	H ◀▶	M ◀▶	H ◀▶	M ◀▶
4	Management override of controls	M ◀▶	M ◀▶	M ◀▶	H ◀▶
5	Cyber security and recovery of IT systems	H ↗	H ↗	H ↗	M ↗
Group and University other areas of focus					
6	Access & participation expenditure	L ◀▶	M ◀▶	H ◀▶	M ◀▶
7	Going concern	M ▼	M ▼	H ◀▶	M ▼

Valuation of LGPS net pension liability	Risk of error in relation to the valuation of LGPS post retirement benefit obligations
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Page 38

**Significant audit risk**

- The University and South Bank Colleges are members of the LGPS defined benefit pension scheme. The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the University's pension liability could have a significant effect on the financial position of the University.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the University in completing the year end valuation of the pension deficit and the year on year movements.

*We do not consider there to be a significant level of estimation uncertainty over the valuation of the LGPS assets in year end valuation on the basis that this calculation is completed using an appropriate roll forward method. As a result procedures performed over this element of the valuation are not detailed in our audit plan.*

**Planned response**

We will perform the following procedures:

- Evaluate the competency, objectivity of the Scheme actuaries to confirm their qualifications and the basis for their calculations. We will perform inquiries with the Scheme actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Review the input from the University into the calculation of the LGPS valuation;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Assess the controls in place to ensure that membership data submitted to the actuaries for the preparation of the liability was accurate;
- Confirm that the accounting treatment and entries applied by the University are in line with FRS102 and the SORP;
- Consider the adequacy of the University's disclosures in respect of the sensitivity of the deficit to these assumptions.
- Review management's process for consideration of assumptions used by the scheme actuaries following our prior year recommendation.



Carrying value of Land and Buildings	Risk of error in the valuation of land and buildings
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## Significant audit risk

### The risk

- At 31 July 2020 the Group had £303.4m of fixed assets. The University adopted a valuation accounting policy of deemed cost as part of the FRS 102 transition. There are risks around the valuation, depreciation and impairment of the University's assets.
- The University has a significant capital programme, which comprises significant work on the London Road building, project LEAP which will include the procurement of a new student record system and CRM, and there are plans to refurbish the chapel and conduct capital work at the Skills Centre at South Bank Colleges.
- Further, South Bank Colleges has a strategy in place to review the make up of its estate which will support the College's long term financial future.
- It is important that the University ensures costs are capitalised appropriately and classified correctly in the Group financial statements.

### Planned response

To assess the accuracy, existence and valuation of land and buildings we will:

- Consider the process and controls in place for capitalising expenditure and review a sample of capitalised assets to assess whether they have been appropriately capitalised at the University and South Bank Colleges;
- Review the appropriateness of the useful economic lives for a sample of assets and recalculate the University and South Bank Colleges depreciation figure as stated in the accounts;
- Review the accounting treatment of costs associated with project LEAP (including treatment of any consultancy costs) to ensure these are treatment is appropriate and in accordance with FRS102.
- Follow up on our prior year recommendation in relation to management of fixed assets at the University, in particular we recommended that the process for undertaking the annual impairment review was formalised and considered both the full University estate and balances currently held within AUC. We will consider the appropriateness of any impairments identified by the Group, the University and South Bank Colleges.



Revenue Recognition (Tuition Fee Income) <sup>(a)</sup>

Risk of fraud related to the recognition of revenue in the financial year

### Significant audit risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the different types of revenue within the University we have considered all material income streams with different characteristics separately as set out below. At group level we have recognised a significant risk in relation to Tuition fee income only.

#### **Tuition fee income (£123.6m)**

We consider there to be a risk of fraud associated with tuition fee income due to courses running across year end where it may be possible to manipulate the income recorded in the financial year.

### Planned response

#### **Tuition fee income**

- We will test the design and implementation of controls over student data including the student record system, master fee data and reconciliations between student and finance systems.
- We will perform substantive audit procedures over tuition fee income to agree amounts recorded to cash received and confirm that income received for courses that span the year end has been accounted for in the correct period.

In previous years we have tested tuition fee income using data and analytics procedures to create an expected fee income figure, which is then compared to the recorded tuition fee income on a student by student basis. These procedures rely on data input from the student sales ledger QL. Due to the cyber security incident, finance systems (including QL) have been unavailable for a significant part of the year. We, therefore, do not plan to perform data analytic procedures for 2020-21.

Note: (a) Presumed risk that professional standards require us to assess in all cases and which can be rebutted if there is no entity-specific significant risk relating to revenue recognition.





Revenue Recognition

Risk of fraud related to the recognition of revenue in the financial year has been rebutted for the following income streams.

**We have rebutted the presumed risk of fraudulent revenue recognition in respect of the following income streams.**

**Funding Body Grants (2019-20 £36.6m)**

There is generally limited scope for fraudulent revenue recognition for grant income from OfS and the ESFA and the further education funding bodies, which provide specific assurances around the funding received in the year.

**Research grants and contracts (PY £5.4m)**

The University applies an accounting policy to recognise income from research grants on an accruals basis, matching income against the expenditure that has been incurred in delivering the project.

Non compliance with grant terms and conditions can result in claw back of grant funding. More generally, the complexity of projects increases the risk that income is not recognised correctly within the financial statements. However, due to the value of research income received and the small number of projects it relates to we consider the risk of material misstatement to be low and so rebut the fraudulent revenue recognition risk over research income.

**Other operating income (2019-20 £17.9m)**

Accommodation and catering income are the other main sources of trading income. Income is relatively stable year on year and source transactions are not complex, involving little judgement and therefore we, again, rebut the risk of fraud over revenue recognition and deem the risk error to be low, with cut-off being the main focus.

**Investment Income (2019-20 £308k)** is immaterial to the Group Financial Statements. We have therefore rebutted the significant risk in respect of this income streams.

**Planned response**

**Education contracts, Office for Students grants and Research England grants**

- We will agree income received to grant statements and cash receipts to confirm the amounts recorded for the financial year, particularly checking that income recorded around the year end is accounted for in the correct year.
- Although we have rebutted the presumed risk of fraud from revenue recognition in respect of grant income from OFS and Research England, we remain alert to indications of fraud during the course of the audit. We will also consider the risk of claw back of grant income.
- We will recalculate the expected amortisation of capital grant for the year and compare to the actual figure recorded in the financial year.

**Research grants and contracts**

- Although we have rebutted the presumed risk of fraud from revenue recognition in respect of the three income streams we will remain alert to indications of fraud during the course of the audit. For material research income we will assess whether research income has been recognised in line with the grant agreement and accounting standards, and classified in the correct reporting period. We will perform substantive audit procedures over accrued and deferred income related to research grants and contracts.

**Other operating income**

- We will perform substantive procedures over other operating income based on nature of income to confirm completeness and accuracy.
- We will also audit income received around the year end to confirm that it is accounted for in the correct year.

Page 41

Management override of controls (a)	Fraud risk related to the unpredictable way management override of controls may occur
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## Significant audit risk

### The risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have not identified any specific additional risks of management override relating to this audit.

### Planned response

Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we will test the operating effectiveness of controls over journal entries and post closing adjustments.

- We will assess the controls in place for the approval of manual journals posted to the general ledger to ensure that they are appropriate.
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting revenue recognition.
- We will assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- We will review the appropriateness of the accounting for significant transactions that are outside the University's normal course of business, or are otherwise unusual.
- We will assess the controls in place for the identification of related party relationships and test the completeness of the related parties identified. We will verify that these have been appropriately disclosed within the financial statements.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Cyber security and recovery of IT systems	Risk of error due to cyber security incident in December 2020
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**Significant audit risk**

**The risk**

The University experienced a cyber security incident in December which has impacted its ability to access key system during the financial year.

There is an increased risk in relation to data integrity due to risk of data loss or corruption in transferring back up and offline data.

There is an increased risk of error also due to the University being unable to access a number of key systems, including finance systems for several months. The university has relied on a number of workaround solutions during this period.

**Planned response**

- We will review the design and implementation of changes to key processes, including workarounds, while the University was operating offline.
- We will engage our IT specialists to work with the University to understand their recovery plans and processes taken to restore and test the various IT systems.
- We will perform testing over the work undertaken by the finance team to check the completeness and accuracy of the finance data uploaded to Agresso.
- We understand that Internal Audit is expected to do a review of the processes for uploading manual records to Agresso. We will review the results of their work when complete and consider any implications for our audit.
- We expect to adopt a fully substantive audit approach and will not rely on general IT controls. This will result in increased sample testing of transaction level data.

Page 43



Access & participation expenditure	Risk relating to disclosures related to access & participation
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**Other area of audit focus**

**The risk**

Page 44

Office for Students (OfS) registered providers were required to prepare an access and participation plan as part of their registration conditions with the OfS.

Plans include a plan of how much will be invested by the provider in widening participation activities.

Access and participation expenditure is required to be analysed in four categories: access investment; financial support provided to students; support for disabled students; and research and evaluation.

From 2019/20 onwards providers were required to include a note to the accounts to set out the level of investment that has been made in widening participation activities.

At the time of writing this plan we understand that we will once again be required, as part of our audit opinion, to report if there is a material misstatement identified as a result of our audit of the access & participation expenditure note. In the prior year we applied our financial statement materiality figure to this expenditure. At the current time no new guidance has been issued by Office for Student and as a result our work over access and participation expenditure as outlined here may be subject to change.

**Planned response**

- Based on the Office for Student guidance we will set an appropriate materiality level for testing the access & participation spend.
- Determine how the University has identified the expenditure that has been incurred in delivering the access and participation plan during the year;
- Critically assess the methodology in place for analysing expenditure between the categories of access and participation expenditure and confirm that the approach is consistent year on year;
- Test a sample of expenditure items in order to assess whether they correctly relate to expenditure on access and participation; and
- Verify that required disclosures as set out within the Accounts Direction have been accurately made.

*Should further guidance be issued for 2020/21 financial year that changes our approach outlined above or the materiality figure to which we will be required to work to, we will inform you of the impact on our audit work and reporting requirements over this expenditure.*



Going concern	Risk relating to disclosures related to going concern including the judgement of whether there is material uncertainty
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**Other area of audit focus**

**The risk**

Management's assessment of the University's ability to continue as a going concern involves judgment with respect to student enrolments for 2021-22 academic years. Management's assessment of the University's ability to continue as a going concern will need to appropriately consider the ongoing impact of the Covid-19 pandemic, including plausible but severe downside scenarios.

Disclosures in the financial statement and the annual report are not adequate with regard to the effect of Covid-19 risks on the University's financial position, performance, business model and strategy.

2021/21 student recruitment to date has been positive with no additional risks identified at group level. We, therefore, no longer consider this to be a risk at group level. We will retain a significant risk in relation to South Bank Colleges noting that it continues to be on its financial turnaround plan.

**Planned response**

- Evaluate how management's risk assessment process identifies business risks relating to events and conditions that may cast significant doubt on the ability to continue as a going concern.
- Evaluate the models management uses in its assessment, including use of the work of experts, and evaluate how the information system captures events and conditions that may cast significant doubt on ability to continue as a going concern.
- Evaluate whether management's assessment has failed to identify events or conditions that may cast significant doubt on going concern and whether the method used by management is appropriate.
- Assess the reasonableness of management's budgets/forecasts and evaluate whether student enrolment assumptions are within a reasonable range, and assess the plausible but severe downside scenarios particularly whether those downside scenarios reflect plausible impacts of Covid-19 on the business.
- Evaluate whether sufficient and appropriate audit evidence has been obtained to conclude whether a material uncertainty exists and the appropriateness of management's use (or otherwise) of the going concern basis of accounting.
- Evaluate whether there is adequate support for the assumptions underlying management's assessment, whether they are realistic and achievable and consistent with the external and/or internal environment and other matters identified in the audit.
- Challenge any of management's plans for future actions, and verify the reliability and relevance of data used. Determine whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible.

# Other significant matters relating to our audit approach



## Scepticism Challenge

### Disclosure of significant estimates and judgements

We have included here the disclosures of significant estimates and judgements from the prior year annual report were there ongoing recommendations (as reported in our audit committee report dated 25 November).

### Going concern

We will assess the risk relating to management's judgement on the use (or otherwise) of the going concern basis and the adequacy of related disclosures, including material uncertainty. We have identified an other area of audit focus included on page 17.

We will evaluate management's assessment, risk assessment process and how the information system captures events and conditions that may cause significant doubt as to the going concern basis.

The areas considered in our assessment are:

- Budgets and forecasts – whether management's assessment considers different scenarios, including reasonably plausible downside scenarios / impacts of the current events and conditions on operations and forecast cash flows.
- Loan agreements – the risk of any breaches in covenant compliance and the potential impact on the going concern assumption.
- Pension fund liability – our view of the current cash requirements and the potential impact on the going concern assumption.

Page 46

Estimates and judgements	Balance £m	Further comments
<b>Net Pensions Liability</b>	183.6	<p>We note that management reviewed and challenged the assumptions included in the previous year's pension Accounts – in particular management challenged the discount rate and pay increase assumptions. This additional review is positive and our prior year audit concluded the updated assumption applied were appropriate.</p> <p>For 2019-20 this review was prompted by significant movement in the pensions liability. For 2020-21 we recommend that management put in place a framework for reviewing assumptions on a consistent basis.</p>

# Other significant matters relating to our audit approach



## Scepticism Challenge

### The impact of Covid-19 on financial reporting

London South Bank University is directly impacted by the Covid-19 coronavirus pandemic, and the increased economic uncertainty and risk may have significant accounting and disclosure implications.

Management will need to take action now in relation to:

- Ensuring assets are being carried at appropriate amounts - disruptions to on site learning and increased uncertainty may trigger the need to perform impairment testing in the first half of 2020. Estimating future cash flows to calculate the recoverable amount will be challenging.
- Recognition of research income where projects have been extended or amended due to Covid-19 restrictions leading to additional costs that under the terms of the research grant cannot be recovered.

### The UK's exit from the EU: Impact on our audit strategy

The potential implication of the UK's exit from the EU on student recruitment, and the implications of related broader economic uncertainties that have the most implications for our audit of the following areas:

- Disclosures of estimates, judgements and related sensitivities.
- Valuation of assets.
- Forecasts used in going concern assessments

We have not amended our significant risk assessment as a result of the above considerations around the UK's exit from the EU.

The FRC also encourages entities to distinguish between the specific challenges to the business model and operation from the broader economic uncertainties that may still attach to the UK's position. We will assess the extent to which the University has made appropriate disclosure of the impacts of the UK leaving the European Union within its annual report and the actions taken in order to mitigate the key risks identified.



**The Office for Students accounts direction requires that we express an opinion on whether:**

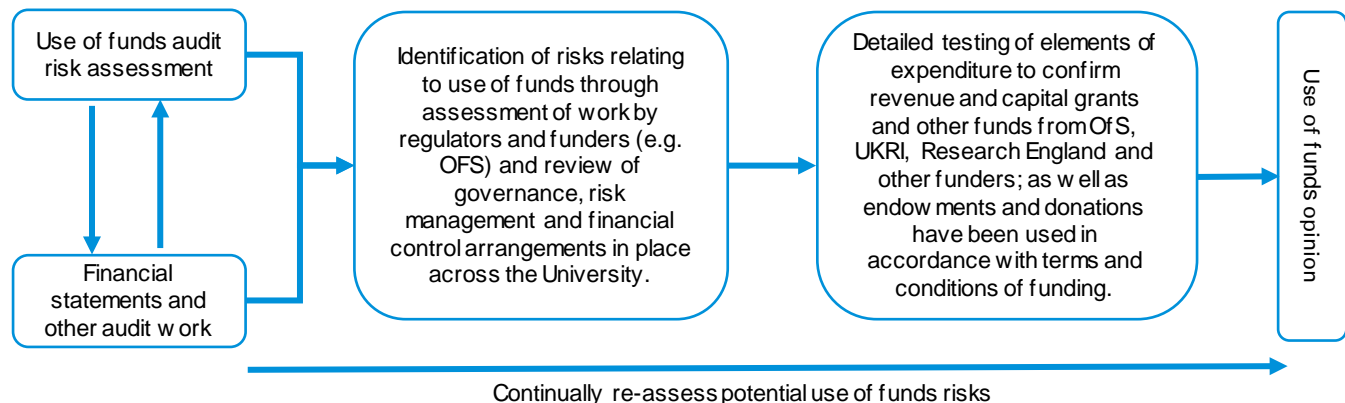
- in all material respects, funds from whatever source, administered by the Group and University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes; and
- funds provided by the Office for Students and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions.

**Our approach**

Our audit of use of funds will be conducted taking into account the guidance included within *Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom*. Our approach to completing the use of funds audit will be to obtain a sufficient understanding of the framework under which the University operates, and to test compliance.

In particular, this means gaining assurance that income and expenditure transactions are in accordance with appropriate authorities, including those of OfS and UKRI, and that the accounting presentation and disclosure conforms to applicable statutory and other requirements.

We have developed a use of funds audit programme to ensure compliance with OfS requirements, and in addition our testing of controls and substantive items of expenditure will ascertain whether in all material respects funds have been used for the purposes given (including donations and all sources of grant funding).







Entity	Reporting framework	Materiality	Significant risks
<b>South Bank Colleges</b>	South Bank Colleges is required to produce accounts in line with the Post-16 Audit Code of Practice and the HE/FE SORP.	<p>We have determined an appropriate level of materiality for our audit of the subsidiary, using the income as the most relevant measure.</p> <p>Materiality has been set at £550k (2019/20: £400k) which is approximately 2% of the revenue (2019/20: 2%).</p> <p>We will design our procedures to detect individual errors above £350k (2019/20: £300k). We will report individual errors identified above £27k (2019/20: £20k).</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Our methodology considers journals, unusual transactions and any estimates/judgements made by management.</p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk and we do not rebut this risk in respect of funding body grants and tuition fee income.</p> <p>We have included commentary on the significant risks at the college on the previous slides. Significant risks identified, that are in addition to the above presumed risks, include: going concern, carrying value of Land and Buildings, cyber security incident and recovery of IT systems and valuation of LGPS pension liabilities.</p> <p>We will also review the risk of unrecorded liabilities, including assessing whether the claim brought against the College by CMOL in the prior year has continued.</p>
<b>SW4</b>	<p>This company is required to produce accounts in accordance with the Companies Act 2006.</p> <p>We will carry out an audit of the company pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006. The accounts require filing by 20 April 2021.</p>	<p>We have determined an appropriate level of materiality for our audit of the subsidiary, using the income from the 2019-20 accounts as the most relevant measure.</p> <p>Materiality has been set at £10k (2019/20: £8k) which is approximately 2% of the revenue (2019/20: 2%).</p> <p>We will design our procedures to detect individual errors above £7k (2019/20: £6k). We will report individual errors identified above £500 (2019/20: £400).</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Our methodology considers journals, unusual transactions and any estimates/judgements made by management.</p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk and we do not rebut this risk.</p> <p>No other significant audit risks have been identified.</p>



Entity	Reporting framework	Materiality	Significant risks
<b>South Bank University Enterprises Limited</b>	<p>This company is required to produce accounts in accordance with the Companies Act 2006.</p> <p>We will carry out an audit of the company pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.</p> <p>The accounts require filing by 20 April 2021.</p>	<p>We have determined an appropriate level of materiality for our audit of the subsidiary, using the income from the 2019-20 Accounts as the most relevant measure.</p> <p>Materiality has been set at £70,000 (2019/20: £50,000) which is approximately 2% of the income (2019/20: 2%).</p> <p>We will design our procedures to detect individual errors above £50,000 (2019/20: £37,500). We will report individual errors identified above £3,500 (2019/20: £2,500).</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Our methodology considers journals, unusual transactions and any estimates/judgements made by management.</p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk and we do not rebut this risk.</p> <p>No other significant audit risks have been identified.</p> <p>We will also review treatment of recapitalisation that is due to go ahead in year.</p>

Page 50



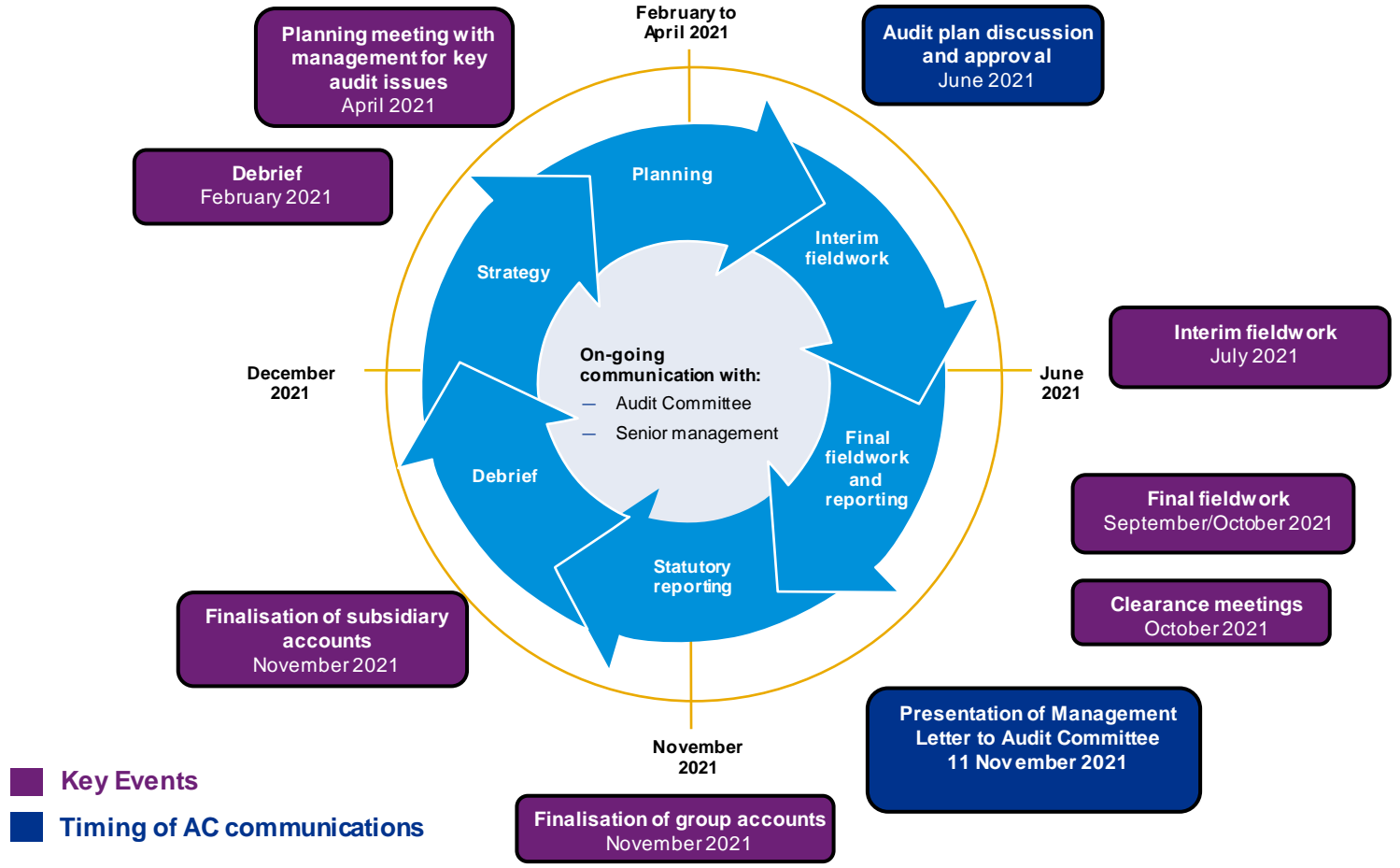
## Our 2020/21 schedule

**Covid-19**

We are planning for the eventuality that a significant proportion of our work may need to be undertaken remotely.

An increasing amount of our audit procedures are able to be performed remotely and therefore we do not anticipate that remote working will prevent us from being able to complete our audit.

There will be some areas of the audit for which we require access to audit information that may be held in hard copy. We will work with management to identify this proactively and plan for how it can be provided.



# Appendices

# Mandatory communications



<b>Management’s responsibilities (and, where appropriate, those charged with governance)</b>	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
<b>Auditor’s responsibilities</b>	<p>Forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Auditor’s responsibilities - Fraud</b>	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
<b>Auditor’s responsibilities – Other information</b>	<p>Forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Independence</b>	<p>Our independence confirmation on page 27 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

Page 53

# Audit team and rotation



Your audit team has been drawn from our specialist education audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.



Fleur Nieboer is the partner responsible for our audit. She will lead our audit work, attend the Audit Committee and be responsible for the opinions that we issue.



Jessica Spencer is the senior manager responsible for our audit. She will co-ordinate our audit work, attend the Audit Committee and ensure we are co-ordinated across our accounts and use of funds work.



Rick Patel is the in-charge responsible for our audit. He will be responsible for our on-site fieldwork. He will complete work on more complex sections of the audit.

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be Fleur's fifth year as your engagement lead. She can therefore complete a further five years before rotation.

# Confirmation of Independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit Committee members

## Assessment of our objectivity and independence as auditor of the London South Bank University (the University)

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

General procedures to safeguard independence and objectivity;

- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

## General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP [partners/directors] and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.

As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

# Confirmation of Independence



## Independence and objectivity considerations relating to the provision of non-audit services

### Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table

Description of scope	Threats to independence	Safeguards applied	Value of service and basis of fee
Covenant Compliance	<ol style="list-style-type: none"> <li>1. Self Interest</li> <li>2. Self Review</li> <li>3. Management</li> </ol>	<ul style="list-style-type: none"> <li>- Fee is not dependent on compliance with covenants.</li> <li>- LSBU will be responsible for preparing statement.</li> </ul>	£6,000
International Tax Compliance	<ol style="list-style-type: none"> <li>1. Management</li> <li>2. Self review</li> </ol>	<ul style="list-style-type: none"> <li>- Service will be provided by KPMG professionals who are not members of the audit team.</li> <li>- KPMG will not provide advice on how transactions should be recorded.</li> </ul>	£30,000
Other Tax Assurance	<ol style="list-style-type: none"> <li>1. Management</li> <li>2. Self review</li> <li>3. Advocacy</li> </ol>	<ul style="list-style-type: none"> <li>- KPMG will not provide advice on how transactions should be recorded.</li> <li>- Service will be provided by KPMG professionals who are not members of the audit team.</li> </ul>	£18,000



## Confirmation of Independence



We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period. Total fees charged by us can be analysed as follows:

	2020/21 (to date)	2019/20
	£'000	£'000
<b>Total audit fees</b>	<b>124,774-129,774</b>	<b>121,564</b>
Loan Covenant Compliance	£6,042	£6,000
International Tax Compliance	£18,325	£19,850
Other Tax Assurance	£30,310	£33,195
<b>Total non-audit services</b>	<b>£54,677</b>	<b>59,045</b>
<b>Total Fees</b>	<b>179,451-184,451</b>	<b>180,609</b>

Page 57  
Fee ratio

The anticipated ratio of non-audit fees to audit fees for the year at the time of planning is 0.5: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

## Contingent fees

Under the FRC's Revised Ethical Standard, no new contingent fees for non-audit or audit related services for an audited entity, its UK parent undertaking and any worldwide controlled undertaking can be entered into after 15 March 2020. We confirm that no new contingent fees for such services have been entered into for London South Bank University since that date and that no contingent fee amounts remain outstanding from previously provided non-audit services.

## Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Compliance Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP



### Audit fee

The table below summarises our agreed fees for the year ending 31 July 2021. The fees quoted are exclusive of VAT.

Entity	2020/21	2019/20
University (LSBU)	£56,326	£55,935
Access and Participation	£5,000	£5,000
Cyber security impact (group)	£10,000- 15,000	£0
Going concern/Covid-19 impact (group)	£7,500	£15,000
South Bank Colleges	£40,965	£40,680
SW4 Catering Ltd	£2,048	£2,034
South Bank University Enterprises (SBU EL)	£2,935	£2,915
<b>TOTAL AUDIT FEES</b>	<b>£124,774- 129,774</b>	<b>£121,564</b>
<b>Non-audit fees</b>		
Loan covenant compliance	£6,042	£6,000
International tax compliance	£18,325	£19,850
Other tax assurance	£30,310	£33,195
<b>TOTAL KPMG FEES</b>	<b>£179,451- 184,451</b>	<b>£180,609</b>

Our fee is as agreed in our contract, which includes uplift at CPI (which at March was 0.7%). Due to the ongoing impact of the pandemic and revisions to ISA 570 (see page 31) we expect to complete additional work associated with going concern and have included £7,500 (£15,000 in 2019-20). We have also included an additional fee of £5,000 following the introduction of requirements by the Office for Students for audit of access and participation expenditure to be included within our opinion on the accounts from 2019/20.

We also expect additional costs to be incurred due to additional procedures that will be required for 2020-21 as a result of the cyber security incident this year. The extent of additional work will depend on whether we are able to rely on the University's response to the incident and testing integrity of data uploaded to Agresso. We will confirm additional fee with management following completion of our interim review in July.

### Billing arrangements

Fees will be billed in accordance with a billing schedule to be agreed with management.

### Basis of fee information

In line with our standard terms and conditions the fee is based on the following assumptions:

- The Group's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied; A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary. Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

If there are any variations to the above plan, we will discuss them with you and agree any additional fees before costs are incurred wherever possible.

# Revision to the going concern auditing standard



In September 2019 the FRC published a revised UK auditing standard for Going Concern ISA UK 570. This responds to recent enforcement cases and well-publicised corporate failures where the most recent auditor's report had not included a material uncertainty on going concern. The revised standard is applicable for periods commencing on or after **15 December 2019**, including short periods.

## The key changes

The key changes in comparison to the current standard are:

- Enhanced coverage of going concern in the audit report, including:
  - A positive statement from the auditor that the use of the going concern basis is appropriate and the auditor has not identified a material uncertainty on going concern.
  - For listed companies and certain others (including large private companies) an explanation (similar to a key audit matter) of how the auditor evaluated management's assessment and key observations.

Page 59

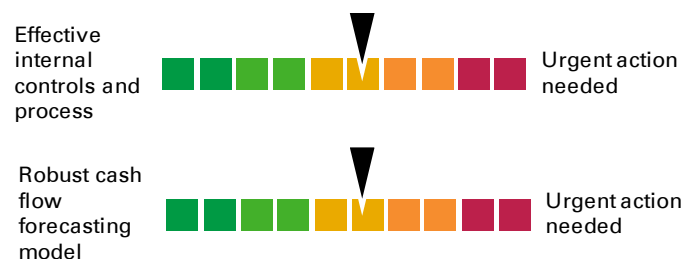
More detailed audit requirements on risk assessment procedures, including on the entity and its environment; the applicable financial reporting framework; and the entity's system of internal control.

- Additional audit procedures when events or conditions are identified which have not been identified or disclosed to the auditors by management.
- Under the new standard detailed substantive procedures will be required in all cases, whereas in the current standard there are reduced requirements if no events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern.
- For UK Corporate Governance Code adopters, additional audit procedures on the viability statement.
- Requirement to consider reporting material uncertainties to external regulatory and enforcement authorities.

In order to provide management insight we have assessed management's approach in the current year to that expected to be required under the revised standard.

Based on the current information prepared by the entity, the audit team have assessed the entity's readiness below:

### Current level of preparedness for the revised Going Concern auditing standard at London South Bank University



The key points identified by the team requiring management's attention are:

As part of the prior year audit we reviewed management's assessment of going concern, which was prepared at group level. The assessment was supported by forecasts (including impact on cash flow and covenant compliance) covering a five year period. We concluded that assumptions underpinning the assessment were appropriate and downside scenarios were manageable. However, we note that individual assessments were not prepared for each subsidiary. Greater scrutiny will be required under the revised standard over an entity's intent and ability to provide support. We recommend that LSBU ensure that letters of support are in place for all subsidiaries and that going concern assessments are prepared. These should include consideration of worst-case scenarios specific to the subsidiary and the impact on forecasts. The assessments will need to cover a period of at least 12 months from date Financial Statements are authorised for issue.

# Revision to the going concern auditing standard



Change	Impact on your processes	Impact on our audit procedures
Risk assessment procedures and related activities	For many entities, it is likely that the controls over going concern will need to be improved to provide the increased level of detail required by the audit team. Where this isn't provided, it is likely that control deficiencies will be identified.	In addition to work which the auditor previously undertook understanding the entity and its environment, the new standard requires auditors to perform more detailed risk assessment procedures including specific work on the entity's system of internal control and risk assessment processes as the specifically pertain to going concern.
Removal of the gateway to assess whether events or conditions exist	For many entities this will entail greater granularity in their going concern assessments and more detailed consideration of the impacts of plausible downside scenarios.	The auditor will perform an evaluation of management's going concern assessment in all cases, not only when events or conditions which may cast significant doubt as to the entity's ability to continue as a going concern have been identified.
Increased challenge due to change in emphasis in the report	We will expect you to have appropriately designed, performed and documented your assessment of Going Concern. As a result of the changes to the audit, you may see a need and an opportunity to improve the quality of your process and documentation	The FRC intends that auditors increase their scrutiny of going concern. Whilst much of our detailed work will remain unchanged with continued emphasis to robustly challenge management's assessment of going concern which includes thoroughly testing the adequacy of the supporting evidence, evaluating the risk of management bias. The change in the nature of the report is likely to result in more challenges being raised.
Specified procedures on viability reports and potential impact on going concern periods	This may require the University to prepare more robust cash flow forecasts covering the whole period of the viability statement.	Whilst the standard does not per se change the going concern period, which remains at a minimum of 12 months, it includes more specific procedures on the viability statement. In addition, where events and conditions beyond 12 months but within the period covered by the viability statement, are identified, the auditor may need to extend their going concern considerations and detailed work over the full period of the viability statement.

# Revision to the going concern standard (University)

ISA (UK) 570 (revised) is effective for periods commencing on or after 15 December 2019. We have set out below an example of the going concern section of a non-long form audit report of a large unlisted company that does not apply the UK Corporate Governance Code after the revisions to ISA 570 (UK) are implemented. The example has been included to provide you with a guide only as to how the changes will appear in the University audit opinion. In this example, there is no material uncertainty. **The final version will be tailored to the University and the audit procedures.**

Page 61

## 4. Going concern

- The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- [The ability of the University to deliver its teaching and research contracts through new blended learning delivery models];
- [The impact of Brexit and Covid-19 on the University's ability to recruit students]

Our procedures included:

- [list of procedures]

Report will now include a description of procedures, similar to the level of description in a key audit matter (NB large unlisted companies are not required to report key audit matters in a long form audit report). This is because an explanation of how the auditor evaluated management's assessment, as well as key observations, is now required.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the Group's and Company's financial statements is appropriate;
- we have not identified, and concur with the directors' conclusion that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note [ ] to the financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Explain how we assessed going concern – explain risks. A significant change and addition of entity-specific discussion into these non-long-form audit reports.

Conclusions on the use of the going concern basis and the absence of material uncertainties are now required to be stated positively.

Key observations are now to be included. Disclosures are one aspect of this.

There are other changes to the wording to reflect requirements of the revised standard and to amend the flow.

# Revision to the going concern standard (Subsidiaries)

ISA (UK) 570 (revised) is effective for periods commencing on or after 15 December 2019. We have set out below an example of the going concern section of a non-long form audit report of a non-large unlisted company that does not apply the UK Corporate Governance Code after the revisions to ISA 570 (UK) are implemented. The example has been included to provide you with a guide only as to how the changes will appear in a subsidiary company audit opinion. In this example, there is no material uncertainty. **The final version will be tailored to the subsidiary and the audit procedures.**

Page 62

### 4. Going concern

— The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company’s and the Group’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the directors’ conclusions, we considered the inherent risks to the Group and Company’s business model and analysed how those risks might affect the Group and Company’s financial resources or ability to continue operations over the going concern period.

Report is not required to include a detailed description of procedures. We include only this summary.

Our conclusions based on this work:

- we consider that the directors’ use of the going concern basis of accounting in the preparation of the Group’s and Company’s financial statements is appropriate; and
- we have not identified, and concur with the directors’ conclusion that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group’s or Company’s ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Conclusions on the use of the going concern basis and the absence of material uncertainties are now required to be stated positively.

No explicit conclusion on the acceptability of disclosures.

There are other changes to the wording to reflect requirements of the revised standard and to amend the flow.

# Adoption of ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures



Key change	Impact on your processes	Impact on our audit procedures
More emphasis on the need for the auditor to exercise professional scepticism	We perform audit procedures in a manner that is not biased toward obtaining audit evidence that may be corroborative or toward excluding audit evidence that may be contradictory. We consider all information obtained and whether it corroborates or contradicts management’s judgements and decisions regarding accounting estimates.	We may increasingly challenge aspects of how management derive the accounting estimates
More granular assessments regarding the risk accounting estimates are materially misstated	We first consider the conditions and events that are likely to cause management’s accounting estimates to be materially misstated. We then consider whether the system of internal control management have designed and implemented is likely to prevent material misstatements, or if a material misstatement occurs, is likely to detect and correct it.	We may place more emphasis on obtaining an understanding of the nature and extent of management’s estimation process and key aspects of the related policies and procedures.
Focus on appropriately responding to the levels of estimation uncertainty, complexity and subjectivity in accounting estimates	For each identified risk of material misstatements relate to the accounting estimate, we assess the degree of estimation uncertainty, complexity, and subjectivity involved in making that accounting estimate to determine the level of audit response.	If we determine the risk of the accounting estimate being materially misstated is higher, the work effort will increase, which in turn will likely impact how much, and the type of, information management need to provide us.

Page 69

# Adoption of ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures



Key change	Impact on the audit team	Impact on management
Audit work effort based on the selected approach(es) (testing management's process, developing own estimate, subsequent events), including a more detailed understanding of the significant matters considered in making key judgments and decisions affecting accounting estimates	Our audit response is more specifically directed at the components of an accounting estimate. These include methods (including models), assumptions and data, including our understanding and documentation of key elements of the entity and its environment, the linkage of audit procedures to the assessed risks, and significant judgments relating to our determination of whether the accounting estimates and related disclosures are reasonable.	Management may use experts to assist with the related work during the audit and need to document key judgments and decisions to provide a basis for more efficient and effective discussions between management and us.
More emphasis on auditing accounting estimate disclosures in the financial statements	In particular, we focus on the sufficiency of disclosures regarding estimation uncertainty.	More information on disclosures related to estimation uncertainty was requested from management.
More detailed written representations	We request written representations from management regarding the reasonableness of the methods, significant assumptions and the data used in determining the monetary amounts of accounting estimates, including the related disclosures, in accordance with the applicable financial reporting framework. We also consider and requested representations about specific accounting estimates, including in relation to the methods, assumptions, or data used.	New or changed representations included compared with previous years.



# Responsibility in relation to fraud



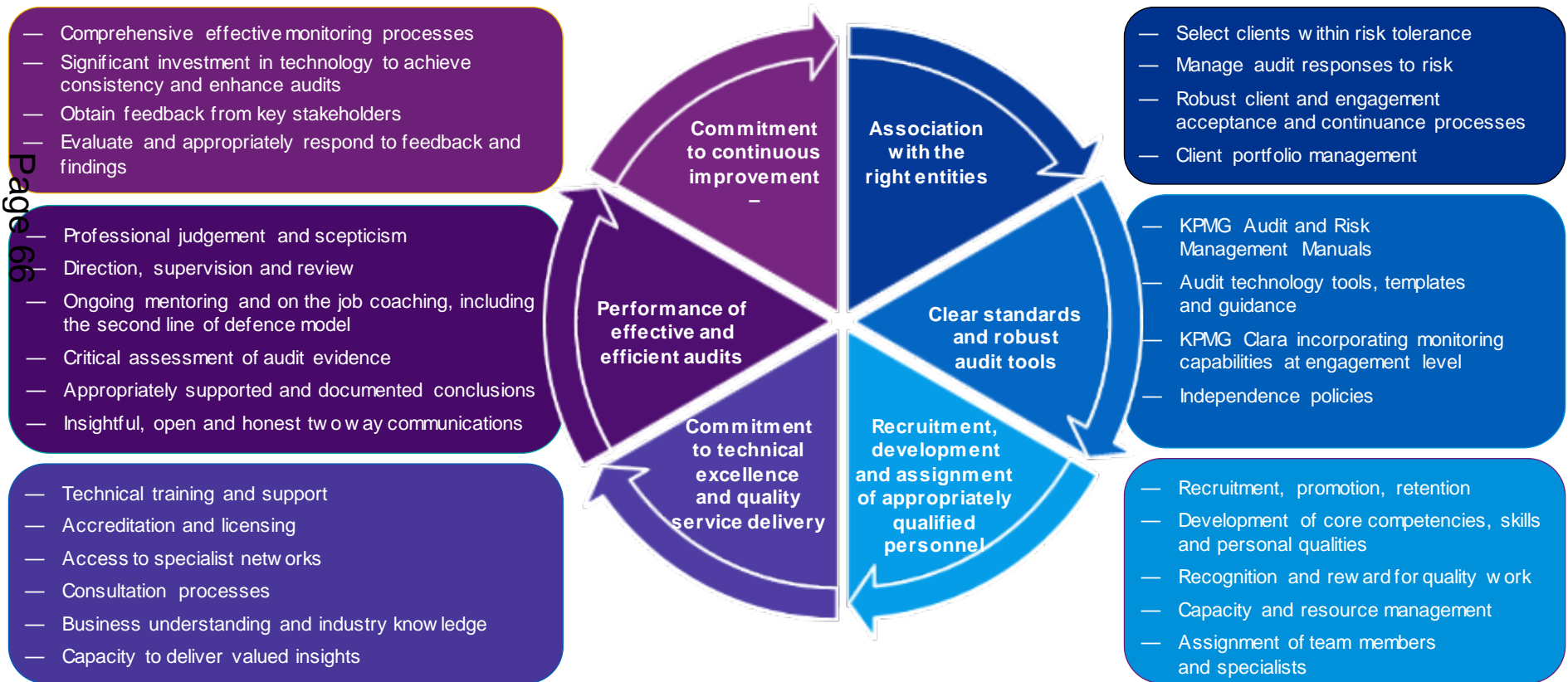
We are required to consider fraud and the impact that this has on our audit approach. We will update our risk assessment throughout the audit process and adapt our approach accordingly.

Management responsibilities	KPMG's identification of fraud risk factors	KPMG's response to identified fraud risk factors	KPMG's identified fraud risk factors
<p>Adopt sound accounting policies.</p> <p>With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.</p> <p>Establish proper tone/culture/ethics.</p> <p>Require periodic confirmation by employees of their responsibilities.</p> <p>Take appropriate action in response to actual, suspected or alleged fraud.</p> <p>Disclose to Audit Committee and auditors:</p> <ul style="list-style-type: none"> <li>— Any significant deficiencies in internal controls; and</li> <li>— Any fraud involving those with a significant role in internal controls</li> </ul>	<p>Review of accounting policies.</p> <p>Results of analytical procedures.</p> <p>Procedures to identify fraud risk factors.</p> <p>Discussion amongst engagement personnel.</p> <p>Enquiries of management, Audit Committee, and others.</p> <p>Evaluate broad programmes and controls that prevent, deter, and detect fraud.</p>	<p>Accounting policy assessment.</p> <p>Evaluate design of mitigating controls.</p> <p>Test effectiveness of controls.</p> <p>Address management override of controls.</p> <p>Perform substantive audit procedures.</p> <p>Evaluate all audit evidence.</p> <p>Communicate to Audit Committee and management.</p>	<p>Whilst we consider the risk of fraud to be low around London South Bank University and its associated entities, we will monitor the following areas throughout the year and adapt our audit approach accordingly.</p> <ul style="list-style-type: none"> <li>— Revenue recognition;</li> <li>— Purchasing;</li> <li>— Management override of controls; and</li> <li>— Manipulation of results to achieve targets and expectations of stakeholders.</li> </ul>

# KPMG's Audit Quality



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework



# KPMG's Audit Quality

"We are three years into the KPMG transformation programme and have made significant investment in audit quality, including hiring over 2,000 additional auditors into the practice.

We have engaged with our key stakeholders, we have made comprehensive reforms in our governance and invested heavily in our people, culture, controls, technology, training and systems - a holistic programme to strengthen the foundations of audit quality.

We are sharing this Audit Quality Scorecard to give you insight into some of our key audit quality indicators, and help you measure our progress across the audit practice."



**Jon Holt**  
CEO  
KPMG UK



## 01 Engaging with our stakeholders

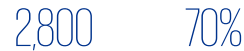
Number of individual contact points with institutional investors and investor associations

Value of assets under management of institutional investors attending our events



Members of our UK Audit Committee Institute

FTSE 100 companies who attend our Audit Committee Institute events



Market share of the FTSE350 (YTD FY20)

FTSE350 audit bids won (YTD FY20)



### Audit Committee Institute survey on audit quality:

Audit committees believe they receive high quality audits

More evidence of auditors demonstrably challenging management

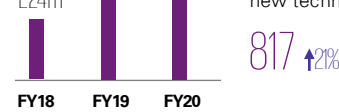


Based on responses from 80 FTSE250 audit committee chairs and refer to the profession overall.

## 02 Investing in our business

Incremental investment in audit quality

Audit professionals working in transformation, data & analytics, information risk management and new technology



Partners and Directors

Top talent retention

Quality through diversity

386 ↑6%

90%

45% ↑1%

30% ↑1%

Women BAME

Upskilling our people

Number of audit professionals attending the 2019 KPMG Audit University

FY18

FY19

65 hours

82 hours

Average number of hours of mandatory training

3,397

515 ↑67%

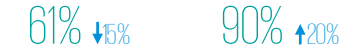
Colleagues completing a professional qualification (e.g. ICAEW, ICAS)

## 03 Measuring our progress

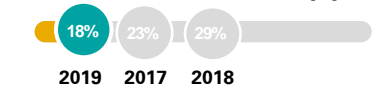
External monitoring

Audit engagements rated 'good or limited improvement required' by the FRC's AQR in 2020

Audit engagements rated 'good or limited improvement required' by the ICAEW's QAD in 2020



Unsatisfactory rating in internal Quality Performance Reviews of audit engagements



Favourable employees responses in our Global People Survey to:

KPMG's commitment to quality is apparent in what we do on a day-to-day basis

I have access to the tools and resources I need to do my job effectively

I am satisfied with the learning and development available to improve my knowledge and skills



# KPMG's Audit Quality

Page 68

## 01 Engaging with our stakeholders

Number of individual contact points with institutional investors and investor associations

Value of assets under management of institutional investors attending our events

59 ↑48%

€7tn > FTSE350 market cap

Members of our UK Audit Committee Institute

FTSE 100 companies who attend our Audit Committee Institute events

2,800

70%

Market share of the FTSE350 (YTD FY20)

FTSE350 audit bids won (YTD FY20)

23% ↓1%

75% ↑45%



We continue to play a full and active part in driving the future of our profession. It's vital that we and other affected stakeholders work closely together towards our common goals and we welcome the recent reviews as a forum in which to do this.

Our engagement with investors is sponsored by the Audit Board, reported to our Public Interest Committee and delivered with the support of a number of our most experienced audit partners. Year-on-year, we are continuing to extend our engagement with investors and investor organisations to better understand their needs and inform our audits.

In our engagement with investors, there is a consensus that high-quality audits are vital, generating confidence in our capital markets through providing independent assurance over financial statements.

Audit committees play a critical and demanding role for capital markets. In recognition of this, our unique and respected Audit Committee Institute provides impartial guidance and resources to help members carry out their role more effectively. In the last year, it has addressed issues facing audit committees, such as ESG information, regulatory change, geopolitical risk, the lack of public trust in business and the audit reform.

To meet our public interest duties and ensure we deliver high audit quality consistently, we have strengthened our procedures for accepting audit engagements, and become more selective in our tender strategy.

### What do investors tell us and how we have responded



Safeguard independence

We were the first audit firm to ban the provision of non-audit services to FTSE 350 companies that we audit.



Produce audits that better reflect investors' concerns

We have delivered new training on areas of focus for investors such as non-GAAP measures and quality of earnings, and have reached out to investors to provide input into the planning of our audits.



Give more insight into management judgements

We pioneered 'graduated findings' in audit reports – where the auditor provides an independent view of the relative caution or optimism of management's key judgements.



Early communication is vital

We remind companies we audit of the requirements concerning timely publication of annual reports, and this year introduced a [new report on prelims](#) that companies can publish to provide earlier insights into our audits.



Focus on ESG and climate change

We have a dedicated ESG Assurance team working closely with Audit teams to ensure emerging risks such as [climate change](#) are reflected in our audit approach and offering the increased assurance investors and Audit Committees tell us they want.

Audit committees believe they receive high quality audits

89%

Only 3% disagreed

More evidence of auditors demonstrably challenging management

82%

Only 1% experienced a reduction

June 2020 Audit Committee Institute survey on audit quality. Results include responses from 80 FTSE350 audit committee chairs and are based on the profession overall.

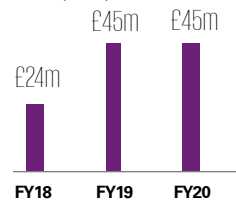


## Appendix eight

# KPMG's Audit Quality

### 02 Investing in our business

Incremental investment in audit quality



Audit professionals working in transformation, data & analytics, information risk management and new technology

817 ↑21%

Partners and Directors  
386 ↑6%

★ Top talent retention  
90%

Quality through diversity  
45% ↑1%

30% ↑1%  
Women BAME

Upskilling our people



Average number of hours of mandatory training

515 ↑67%

Colleagues completing a professional qualification (e.g. ICAEW, ICAS)

Number of audit professionals attending the 2019 KPMG Audit University

3,397

We aim to be the most trusted professional services firm. Our business is already substantially organised to achieve the operational separation envisaged by the FRC in its recently published principles, having introduced a range of measures to enhance our governance and partner performance management, all focused on audit quality.

In January 2020, we created a new Audit Board which oversees, monitors and provides independent challenge to KPMG Audit to ensure that the Firm robustly discharges its public interest obligations to shareholders, and other key stakeholders such as regulators and the entities we audit.

In 2020, we made an additional £45 million investment in audit quality – increasing the number of hours dedicated to training where professional scepticism and challenge of management are essential components, standardising the way we audit, hiring experienced auditors and developing leading technologies.

Providing rewarding careers is a key strategic priority. The new generation of KPMG auditors includes data scientists as well as technical accountants. We are proud of our diverse talent pool, focused on retaining our top talent.

Strong growth is vital to the sustainability of our business, enabling us to continue our ambitious programme of investment, attract and retain the most talented people, and deliver high quality audits into the future.

We have begun the rollout of the KPMG Cloud Working (COW) – the single biggest software deployment in the history of our firm. Once in place it will fundamentally change the processes underpinning our audit work giving us greater consistency, and embedding higher audit quality across our engagements.

- Top 50 Employer for Women, according to Equaldex
- Stonewall Top 100 Employer for LGBT staff
- 2<sup>nd</sup> in the Social Mobility Employer Index
- 6<sup>th</sup> in The Times Top 100 UK Graduate Employers
- Two of our colleagues have been named in the EMpower Ethnic Minority Role Model Lists



The Audit University is not a 'typical' training course. All colleagues, and partners, came together to learn about ways to improve audit quality. It was great to hear so many different perspectives.

**Yasmin**  
Assistant Manager, Audit



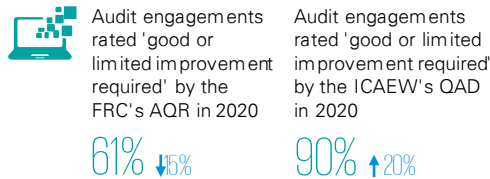
The tone from the top couldn't be clearer – no one can be in any doubt that audit quality is our number one priority.

**Patrick**  
Senior Manager, Audit

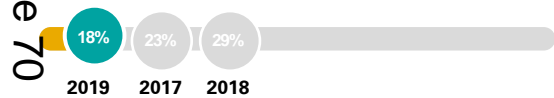
# KPMG's Audit Quality

## 03 Measuring our progress

### External monitoring



Unsatisfactory rating in internal Quality Performance Reviews of audit engagements



Favourable employees responses in our Global People Survey to:



From monitoring a range of measures across the practice, we believe audit quality is improving year-on-year.

Indicators moving in an upward direction include review results from the Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) and internal reviews through our Quality Performance Review (QPR) programme - the cornerstone of KPMG's efforts to monitor engagement quality.

We will not be satisfied until we consistently achieve Audit Quality Review (AQR) scores which reflect the progress we've made. We also continue to work with the Financial Reporting Council (FRC) to resolve open investigations and where there are lessons to be learnt we will learn them.

We undertake root cause analysis of any areas for improvement we uncover. This involves interviewing team members across engagements subject to external and internal review. The outcome of this analysis helps us drive continuous improvement. We take the results from our root cause analysis along with stakeholder feedback and use them to focus actions and target investments.

We monitor the views of our auditors, constantly challenging ourselves by getting their views on our commitment to audit quality, their access to the right tools, and their learning and development.

We are supportive of the FRC's intention to introduce a more holistic approach to supervision and monitoring in the future. We were the first firm to engage an external holistic review of our audit practice, and we have already incorporated the results into our audit strategy.

"We have seen considerable focus on audit quality at the top of the firm and there have been a number of improvements to the audit practice as a result."

"Given the sample sizes involved, our inspection findings may not be representative of audit quality across a firm's entire portfolio; nor do small year-on-year changes in results necessarily indicate any overall change in audit quality at the firm."

### FRC 2020 Audit Quality Inspection report on KPMG UK



# FRC's areas of focus



The areas of focus from the FRC's Annual Review of Corporate Reporting 2019/20, annual letter to CEOs, CFOs and audit committee chairs along with five thematic reviews issued in 2020 should be considered for reporting in the current financial period. The reports identifies where the FRC believes companies should be improving their reporting.

<p><b>Covid-19 and Brexit</b></p>	<p>Disclosures should address risk, judgement and uncertainty in the face of the ongoing impact of Covid-19, and geopolitical tensions. Covid-19 disclosures should be sufficient for users to understand the impact on a company's performance, cash flows and financial position. Investors expect clear information around: available cash and other resources; key actions management has taken or is planning; the longer term impacts on the business model; and the board's assessment of going concern and viability.</p> <p>Regarding the impact of the UK's EU exit, the FRC expects companies to explain company-specific risks and uncertainties, including the potential impacts on different parts of their business and financial statement effects.</p>
<p><b>Forward looking information</b></p>	<p>Disclosure of forward-looking information should be specific to the entity and provide insights into the board's assessment of business prospects and the methods and assumptions underlying that assessment.</p> <p>A clear explanation of any material changes in the business model should be provided and should be appropriately reflected in the financial statement disclosures of, for example, operating segments, or the allocation and impairment testing of goodwill.</p>
<p><b>Improving the quality of annual reports</b></p>	<p>Boards should take a step back and consider the disclosure objectives of accounting standards and legislation when evaluating the quality of their reports and the needs of investors.</p> <p>The FRC expects companies to perform more robust reviews prior to issuing their Annual reports to avoid basic errors.</p>
<p><b>Going Concern</b></p>	<p>Going concern disclosures should explain the basis of any significant judgements, including whether there are any associated material uncertainties, and the matters considered when confirming the preparation of the financial statements on a going concern basis including availability of cash, undrawn facilities and compliance with covenants.</p> <p>Consistency should exist between the business model, going concern disclosures, the viability statement and financial statement assumptions and estimates, notably for impairment testing at group and parent company level.</p>

# FRC's areas of focus



<p><b>Impairment of Assets</b></p>	<p>Users of accounts are likely to have a focus on impairment in the light of the economic effects of the Covid-19 pandemic.</p> <p>Impairment disclosures need to more transparent and company specific. Where impairment indicators are present the disclosures should indicate whether impairment tests have been performed including the approach taken where parent company net assets are assessed for impairment.</p> <p>Improvements in the quantified disclosures of key assumptions applied in calculating the recoverable amount are also sought.</p>
<p><b>Judgements and Estimates</b></p>	<p>Companies need to critically assess whether their company specific disclosures about significant judgements applied in the preparation of the financial statements, sources of estimation uncertainty and other assumptions made, enable users to understand management's exercise of judgement and views about the future.</p> <p>The FRC noted a lack of quantification of estimation uncertainties were a hinderance to achieving this.</p>
<p><b>Financial risk management and Cashflow disclosures</b></p>	<p>Disclosures should provide an understanding of the company's financial risk management, particularly the potential impact of debt covenants on liquidity and the use of factoring and reverse factoring in working capital financing.</p> <p>Cash Flows was the main source of restatements arising from monitoring activities. Companies need to focus on ensuring cash flows are accurately presented in line with IAS 7 requirements and there is consistency between the statement, notes to accounts including changes in financing liabilities and the strategic report.</p>
<p><b>Climate Change</b></p>	<p>The FRC have reported that users expect companies to provide full information about the future impact of climate change on the business and how the company's activities impact the environment.</p> <p>They should describe the environmental policies in the strategic report, give a balanced description of how policies and targets are included in business plans, provide disclosures in relation to the impact of climate related risks and how that affects disclosure in relation to CGUs, useful economic lives of assets, fair value of assets and liabilities and timing of cash outflows.</p>





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	CONFIDENTIAL
Paper title:	2021 Accounting and year end audit plan
Board/Committee	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author:	Natalie Ferer, Group Financial Controller
Sponsor:	Richard Flatman, Group CFO
Purpose:	For information
Recommendation:	The Committee is requested to note the report

The purpose of this paper is to brief the Committee on preparations for the financial year end and audit process. KPMG's Audit Plan is presented as a separate paper.

### **Feedback on process**

A review of the last year end and audit process took place with the Finance team, KPMG and members of GARC. A number of technical and timing issues have been discussed and it is planned to manage these differently in 2021 to ensure sufficient time is allowed for all parties to review the content of the financial statements and to consider technical accounting matters, including those relating to fixed assets and pensions.

### **Timings/timetable**

It is planned that drafts for a number of sections that feed into the Financial Statements will be prepared earlier in 2021 and be considered by the Executive ahead of review by Group Audit and Risk Committee at their October meeting, including:

- Statement on Going concern
- Strategic report and public benefit statement
- Statement of Internal Controls
- Corporate Governance Statement

This will give GARC the opportunity to review and comment on these substantial sections of the accounts before draft accounts are presented at the November meeting.

### **Pension Assumptions**

We are expecting indicative pension assumptions to be circulated by the LPFA scheme actuaries during July. Consideration of pension assumptions and a recommendation to GARC members will be made over the summer. This way assumptions can be agreed before

accounting entries for pension items are finalised and the audit begins. Assumptions for the valuation of the USS scheme deficit provision will be considered at the same time.

Attached for the Committee's information is a paper by consultants ISIO. In this ISIO reflect on assumptions at 31/7/20 and what to expect ahead of 31/7/21.

### Fixed Asset Impairment Review

Throughout the year accounting treatment for major capital expenditure is considered in line with the Group's accounting policy for capitalisation of fixed assets. A review of existing fixed assets and expenditure held as assets under construction is underway and this includes a review of when new assets will come into use and of if there is any impairment of fixed assets, including of the major items of expenditure on LEAP, London Road and the Vauxhall site.

### Prior Year Audit Recommendations

KPMG made a number of recommendations in their Audit Findings report in 2020 and also followed up on recommendations made in prior years. Current progress with implementing these recommendations is shown in the table below:

<b>1</b>	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	<b>2</b>	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	<b>3</b>	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.
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		<b>Issue and Recommendation</b>	<b>Management Response / Officer / Due</b>	<b>Current Status</b>
1	<b>1</b>	<b>Bank Reconciliations</b> There were a high number of reconciling items included on the two main bank accounts as at 31 July 2020. We recommend that the University works to clear this backlog and posts the necessary adjustments to reduce any exposure to fraud risk. The University should ensure that there are appropriate processes in place to complete reconciliations on a timely basis going forward.	ICT, supported by an external supplier is working to deliver a solution. Was originally due to be completed by the end of July but has proved to be more complex than thought. expect to be able to start testing by 5 <sup>th</sup> November. and go live 30 <sup>th</sup> November .	Testing and go live did not take place in November as expected due to delays on the University side. The IT outage meant that the project could not be resumed until May 2021 and we are expecting an update on the timeline for completing this work.

			<p>Responsible: Natalie Ferer/Julian Rigby Due Date : 30<sup>th</sup> November 2020.</p>	<p>Work is also underway to post and reconcile bank transactions that took place during the IT outage which is still underway. It is planned that posting and reconciliation will be completed by year end.</p>
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2	2	<p><b>Management of Fixed Assets</b> We identified a number of areas in which controls around management of fixed assets could be enhanced:</p> <ul style="list-style-type: none"> <li>We recommend that the process for undertaking an annual impairment review is formalised and considers the full University estate. We recommend that management ensures formal process are in place to complete and document the impairment review. This review should consider each of the indicators of impairment listed in FRS 102 section 27.0.</li> <li>Given the extent of capital works currently being undertaken both at University and Group level, we further recommend that this review also includes balances held within AUC. This should include consideration of impairment and whether any assets are now brought into use.</li> <li>At the time of our interim audit in June South Bank College had not processed capital additions due to workload, and while an exercise was subsequently performed at year end we did identify one addition below our reporting threshold that was not included. We recommend that processes are put in place to ensure assets are capitalised on a timely basis.</li> </ul>	<p>Agreed, the recommendation will be implemented in full</p> <p>Responsible: Natalie Ferer Due date: June 2021 for 2020/21 year end</p>	<p>A review of fixed assets and expenditure held as assets under construction is underway. This will include getting a broad understanding of when new assets will come into use and if there is any impairment of fixed assets, including of the major items of expenditure on LEAP, London Road and the Vauxhall site. Accounting entries will be made in June and reviewed by KPMG as part of their early audit work.</p>

3	<p><b>2 Journal Approval</b></p> <p>An automated approval workflow is in place for all G6 journals. However, as the user is required to select the type of journal, if the journal type G6 is not selected the automated approval workflow is not triggered.</p> <p>We recommend that the review of non-G6 journals on a monthly basis is reintroduced. This should be reviewed by the Financial Controller or Head of Financial Accounting to provide assurance that the control has operated effectively.</p>	<p>In line with the GL journal procedure, the team will continue to monitor use of the unapproved G5 journals which will be reviewed retrospectively and cases on non compliance addressed. will be reviewed o ensure someone in the Financial Accounting team carries out this task each month.</p> <p>Responsible person: Sally Black/Rebecca Warren</p> <p>Due date: December 2020</p>	<p>This task continues to take place as part of the month end process.</p>
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	<b>Issue, Impact and Recommendation</b>	<b>Management Response / Officer / Due Date</b>	
2	<p><b>2 Review of pension assumptions</b></p> <p>Management currently present the assumptions used in the calculation of the pension provision to the Audit Committee for approval, however this does not contain detail on the extent to which management has challenged the assumptions to ensure they are appropriate for LSBU. We recommend that management document in more detail the precision with which they review the pensions assumptions and challenge the actuaries on the assumptions they have set. Specifically, they should perform an assessment of membership numbers to ensure that the rolled forward number and assumptions applied are in line with current year figures. Additionally, management should challenge the actuary on their estimate of the return on investment to determine if there would be a material impact if actual data as received subsequent to year end was used.</p>	<p><b>Agreed</b></p> <p>We will continue to review the indicative assumptions final assumptions used by the actuaries to ensure that they are appropriate to the University and subsidiaries, including use of estimates as they impact on returns on investments.</p> <p>Responsible officer: Natalie Ferer</p> <p>Due date: 30 June 2020</p> <p><b>Follow up</b></p> <p>We note that management have reviewed and challenged assumptions included in this year's pension Accounts where there is a material impact on the Accounts. Management in particular have challenged the discount rate and pay increases after reviewing against other relevant assumptions. However, management also needs to put in place a framework for reviewing assumptions on a consistent basis.</p>	<p>A framework of consistant review was developed last years. It is expected that indicative pension assumptions will be received from the LPFA scheme actuaries in July and we will assess the suitability of these assumptions for LSBU and SBC and the approach will be consistent with that followed in 2020.</p>

### **Recovery of Accounting Records**

Agresso was restored in Early April although some interfaces are still not operational including those with QL, online payments and the accommodation system. However, it is expected that accounting records will be up to date before year end. KPMG have included additional work around system recovery in their Audit Plan and an Internal Audit review of workaround and recovery processes is underway.

During the system outage, records of debtors and receipts were not complete and therefore credit control activities could not take. The impact on recovery of debt and the year end bad debt provision will be considered in a separate paper to this Committee.

### **Recommendation**

The Committee is requested to note this report.

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# Higher Education

## LGPS accounting



# Bulletin 4

## Assumptions at 2020 and update



Our previous bulletins can be found here

[Bulletin 1](#)

[Bulletin 2](#)

[Bulletin 3](#)

In our fourth bulletin, we reflect on the assumptions observed at 31 July 2020 and what to expect ahead of 31 July 2021.

### 2020 assumptions and 2021 update

There are a range of acceptable approaches to setting assumptions and audit firms will normally consider that range within their review process.

The four firms providing actuarial services to LGPS funds use different approaches to setting actuarial assumptions. This means different universities with similar underlying obligations could be reporting very different relative deficits.

For a university with around £250m of LGPS assets, we estimate that the range of acceptable outcomes for liability values could be as much as £60m to £100m depending on audit committee views.

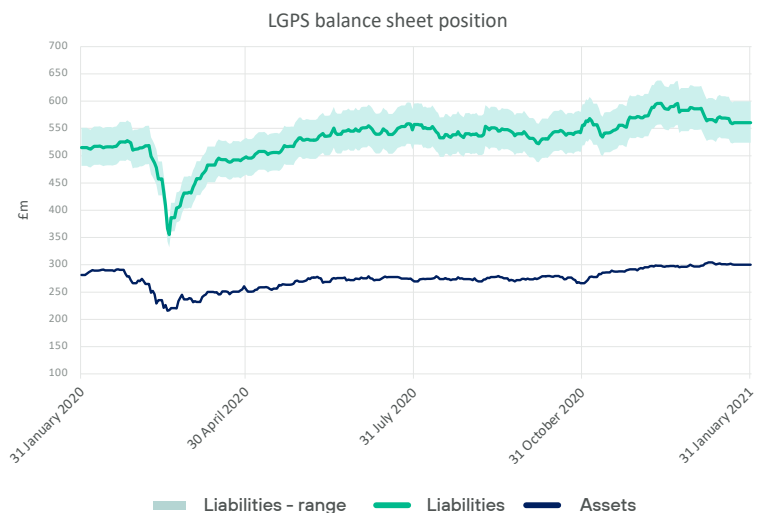
### Experience since 31 July 2020

At halfway through your financial year, we see that FRS deficits have remained broadly unchanged since 31 July 2020. The chart below tracks the position for a typical Post 92 University.

We have included a range around the liability calculation representing likely credible obligation calculations for FRS purposes based on assumptions we have seen used in the market.



The liability range from acceptable assumptions is around £60m for a typical Post 92 university



Source: Isio analysis



The approach for setting accounting assumptions is under the control of each individual University

## Range of assumptions seen at 31 July 2020

	Higher liability	Lower liability
Discount rate	1.4% p.a.	1.6% p.a.
RPI inflation	2.3% p.a.	2.0% p.a.
Life expectancy (male turning 65 in 20 years)	23.9 years	23.2 years

## Emerging issues for 2021 accounting

### GMP equalisation #2

On 20 November 2020, the high court issued its second ruling on GMP equalisation, dealing with the need to equalise past transfer values. For most UK schemes the impact of this ruling will be far smaller than the initial GMP equalisation ruling. Historic transfer value volumes from LGPS have typically been lower than most UK schemes; for many University schemes this ruling would not result in a material impact on its own.

As most Universities report under FRS 102 rather than IAS19 or FRS 101 there is no need to remeasure the Income & Expenditure statement on pensions if a special event occurs, but you should confirm this point with your auditor.

### Changes to RPI and CPI indexation

Proposed changes to the future of RPI and CPI have made the outlook for UK inflation more ambiguous than in previous years. These added complexities are making it more challenging to set assumptions. This is a particularly important assumption for LGPS as many liabilities are CPI linked.

On 25 November the Chancellor provided his response to the consultation on the Retail Prices Index reform, confirming no changes until 2030 and no compensation for holders of index-linked gilts. The Chancellors announcement did not result in a significant impact on market implied inflation, suggesting the outcome was largely in line with market expectations.

Overall, we expect the approach to setting inflation assumptions before 2030 is largely the same as pre-reform. After 2030 there is potential to include an inflation risk premium and a small difference between RPI & CPI with justification for the approach.

	Pre-2030	Post-2030
Inflation Risk Premium	0.00% – 0.30% p.a.	0.00% – 0.30% p.a.
Difference between RPI & CPI	0.80% to 1.10% p.a.	0.00% – 0.20% p.a.

If you'd like to discuss your year-end accounting process and assumptions, please get in touch with the Isio Higher Education team.



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## Contact

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**David Spreckley**  
Director  
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david.spreckley@isio.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

	CONFIDENTIAL
Paper title:	Internal Audit Progress
Board/Committee	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author:	BDO
Sponsor:	Richard Flatman, Group CFO
Purpose:	For approval
Recommendation:	The Committee is requested to note the attached report and approve the changes to the audit plan

### **Executive Summary**

This report tracks progress with the 2020/21 Internal Audit plan and sets out the status of each audit.

Due to ongoing delays resulting from the IT incident and delays to projects, a number of requests to delay audits have been considered by the Group Executive. It is recommended that the student experience and student wellbeing review and the London Road post project reviews are deferred. An additional review of the controls in place to bring the Finance systems up to date following the cyber incident. These changes will ensure sufficient coverage for BDO to issue their annual audit opinion.

### **Recommendation:**

The changes described above have been discussed with the Chair of the Group Audit and Risk Committee and the Committee is requested to approve these changes.

In addition, management at South Bank Colleges have requested that the review of admissions at the College be deferred to 2021/22 to allow for the new admissions system to be deployed. Therefore the Committee is requested to approve this change to the plan.

The committee is also requested to note progress with the 2020/21 plan.

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INTERNAL AUDIT PROGRESS REPORT

# LONDON SOUTH BANK UNIVERSITY GROUP

June 2021

Page 87



# INTERNAL AUDIT PROGRESS SUMMARY

## 2020-21 Audit Programme

The status of our work is as follows:

Final reports	Draft reports	Fieldwork	Planning
▶ SBA budget setting and control	▶ SBC Financial controls	▶ LSBU finance system review	▶ Group KPIs
▶ SBC Prevent	▶ SBA Facilities contract management	▶ LSBU Governance	▶ SBC Finance system review
▶ LSBU Finance follow up		▶ Group IT DR	▶ OfS Conditions of Registration
▶ SBC Staff absence management		▶ SBC Student experience	
		▶ SBA Student experience	

Page 88

## Changes to the Plan

Due to the ongoing system issues resulting from the IT incident and delays to projects we received a number of requests from management to defer audits. A paper was presented to the Executive on 5 May setting out a number of options and as a result the following changes have been made:

- ▶ Student wellbeing - The key system has still not been brought back up following the IT incident. This audit will be deferred but will be undertaken early in the 2021/22 cycle.
- ▶ Student experience - The LSBU part of the audit will be deferred into 2021/22 with the SBA part of the audit being brought forward into this year. The SBA review is currently underway.
- ▶ London Road post-project review - This has been deferred due to delays with the project. The project is due for completion in October 2021 and the post-project review will take place shortly after completion.
- ▶ To replace these deferred audits, management has requested a review of the controls in place to bring the finance system up-to-date following the IT incident is performed. This will be performed as two audits; one for LSBU and a separate review for SBC.

The above changes have been discussed and agreed with the Group ARC Chair.

Management at SBC has since requested that the audit of SBC admissions and enrolment be deferred. The project to map out the student journey and enhance the applications process and implement a new admissions system is still underway and therefore management has requested this audit be deferred into 2021/22. The Audit and Risk Committee is asked to approve this change.

















# INTERNAL AUDIT PLAN 2020-21 DETAILED SCHEDULE

Audit area	Entity	Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
											Design	Effectiveness
Governance, compliance and risk management												
Business continuity/ Covid-19 risk assessment and response	Group	15	21/09/20	16/09/20	Final report	Nov 20	Feb 21	0	2	0		
Regulatory audit (Prevent)	SBC	6	04/01/21	18/12/20	Final report	Jun 21	Jun 21	0	0	2		
Corporate governance	LSBU	40 8	01/06/21	24/05/21	Fieldwork	<del>Jun 21</del> Oct 21						
Finance and management information												
Financial information, cash flow and loan covenants	LSBU	14	08/12/20	12/11/20	Final report	Feb 21	Feb 21	0	2	3		
Budget setting and control	SBA	7	04/01/21	15/12/20	Final report	Jun 21	Jun 21	0	4	1		
Financial systems and controls	SBC	7	19/04/21	06/04/21	Draft report	Jun 21						
Finance follow up	LSBU	5	<del>07/12/20</del> 07/04/21	01/12/20	Final report	Jun 21	Jun 21	0	0	0	N/A	N/A
KPIs	Group	45 10	<del>23/03/21</del> 19/07/21		Planning	<del>Feb 21</del> Oct 21						
Facilities contract management	SBA	7	08/04/21	06/04/2021	Draft report	Jun 21						
Finance system review	LSBU	12	24/05/21	18/05/21	Fieldwork	Oct 21						
Finance system review	SBC	7	TBC		Planning	Oct 21						





# INTERNAL AUDIT PLAN 2020-21 DETAILED SCHEDULE

Audit area	Entity	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
											Design	Effectiveness
Core activities												
Apprenticeships	SBC	7	19/10/20	19/10/20	Final report	Feb 21	Feb 21	1	1	3		
Student experience	LSBU	18	01/02/21 03/05/21	23/04/21	Fieldwork	Jun 21 Oct 21						
	SBA			23/04/21								
Student wellbeing	LSBU	8	15/03/21	N/A	Deferred	Sep 21	N/A					
OfS Conditions of Registration	LSBU	8 (4 used)	29/10/20 05/07/21	26/10/20	Planning	Feb 21 Oct 21						
Student admissions and enrolment	SBC	7	08/02/21 05/07/21	N/A	Deferral requested	Jun 21 Oct 21	N/A					
Estates infrastructure and services												
London Road refurbishment	LSBU	8	07/06/21	N/A	Deferred	Sep 21	N/A					
Universities UK/ Guild HE Code compliance	LSBU	10	14/12/20	02/11/20	Final report	Feb 21	Feb 21	0	2	0	N/A	N/A




# INTERNAL AUDIT PLAN 2020-21 DETAILED SCHEDULE

Audit area	Entity	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
											Design	Effectiveness
Information technology												
IT disaster recovery	Group	20	01/06/21	27/05/21	Fieldwork	Oct 21						
Human Resources												
HR policies and procedures	SBA	5	17/08/20	10/08/20	Final report	Feb 21	Feb 21	0	1	1		
Staff absence management	SBC	8	<del>22/02/21</del> 25/03/21	18/12/20	Draft report	Jun 21	Jun 21	0	2	2		
Management and recommendation follow up												
Recommendation follow up	Group	10			Ongoing							
Management		20	Ongoing									

# APPENDIX I - OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF INTERNAL CONTROLS	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
<b>Substantial</b> 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b> 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b> 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b> 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Page 92

Recommendation Significance	
<b>High</b> 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b> 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b> 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

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	CONFIDENTIAL
Paper title:	Internal Audit Strategy 2021-24
Board/Committee	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author:	Natalie Ferer, Group Financial Controller
Sponsor:	Richard Flatman, Group CFO
Purpose:	For approval
Recommendation:	The Committee is requested to approve the attached Internal Audit Strategy

### **Internal Audit Strategy**

BDO present their three year Internal Audit Strategy for 2021–2024 on page 12 of the attached document.

The Strategy has been rolled forward from 2020-23 and takes into consideration the Group Executive’s views of where the focus and priorities for the group. BDO have drawn on the current risk registers of LSBU, SBC and SBA, the Internal Audit Annual Report and the content of the Group’s recent internal audit reports. They also draw on their knowledge of risk and assurance from across their higher and further education client base.

### **Internal Audit Annual Plan**

The Internal Audit Plan for 2021-22 is outlined in the three-year Internal Audit Strategy for 2021–2024 and BDO will keep the plan under review throughout the year and will highlight for consideration any significant areas of risk identified during that period that may need to be included as part of the internal audit plan. During the year, if the need to vary the plan arises, approval will be sought from the Group Audit and Risk Committee before any changes to are made.

### **Recommendation**

The Committee is requested to approve the attached Internal Audit Strategy and Audit plan.

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Internal Audit Strategy 2021-24

# LONDON SOUTH BANK UNIVERSITY

DRAFT FOR AUDIT AND RISK COMMITTEE

June 2021

Page 97



IDEAS | PEOPLE | TRUST



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# CONTENTS

	<b>Page</b>
Introduction	3
Internal audit approach	4
Internal audit resources and outputs	5
Our approach to planning	6
Internal audit strategy 2021-2024	12
Internal audit plan 2021-22 Group	19
Internal audit plan 2021-22 LSBU	20
Internal audit plan 2021-22 SBC	22
Internal audit plan 2021-22 SBA	23
<b>Appendices:</b>	
Appendix I: SBC risk register mapping	25
Appendix II: SBA risk register mapping	27
Appendix III: Internal audit charter	30
Appendix IV: Working protocols	33
Appendix V: Definitions	36

## Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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# INTRODUCTION

## Introduction

Our role as internal auditors is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

Our approach is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Our approach complies with best professional practice, in particular, the principles set out in the Institute of Internal Auditors' (IIA's) International Professional Practices Framework (IPPF).

The purpose of this paper is to set out, and seek agreement from, the Group's Audit and Risk Committee on the Internal Audit Annual Strategy for 2021/22.

## Internal Audit at London South Bank University

We were appointed as internal auditors to the London South Bank University Group ('the Group'), to provide the Audit and Risk Committee and the Group Executive with assurance on the adequacy of risk management, governance and internal control arrangements.

Responsibility for these arrangements remains fully with management who should recognise that Internal Audit can only provide 'reasonable assurance' and cannot give any guarantee against material errors, loss or fraud. Our role is aimed at helping management to improve their risk management, governance and internal control mechanisms, so reducing the effects of any significant risks facing the organisation.

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# INTERNAL AUDIT APPROACH

## Background

Our risk based approach to internal audit uses the organisation's own risk management processes and risk registers as a starting point for audit planning, as this represents the Group's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Group's own arrangements for managing risk. As this is our first year as auditors we have had limited time to compile the Internal Audit strategy and therefore been unable to assess whether senior management's own assessment of risk accurately reflects the organisation's current risk profile. We will build our understanding of the Group's risk profile throughout our first year of audit work.

## Internal Audit Strategy

A three year Internal Audit Strategy for 2021-2024 is outlined on page 12.

The Strategy has been rolled forward from 2020-23 and taken into consideration management's initial views of where its focus and priorities are. This is to ensure that our audit activity provides sufficient coverage over areas of principal risk, effectively addresses any assurance gaps, and is prioritised to those issues most pertinent to the Group.

As well as taking management's initial views into consideration we have also used information such as the current risk registers (LSBU, SBC and SBA), the Internal Audit Annual Report and the content of the Group's recent internal audit reports. We also used our wider knowledge of risk and assurance from across our higher and further education client base.

## Internal Audit Annual Plan

The Internal Audit Plan for 2021-22 is outlined in the three year Internal Audit Strategy for 2021-2024. We will continue to keep the plan under review throughout the year and we will highlight for consideration any significant areas of risk identified during that period that may need to be included as part of the internal audit plan.

Where auditable areas correspond to corporate risks we will take into account the mitigation strategies in place when performing our reviews. This is to ensure that the mitigating controls, as well as the actions that have been identified by management, are in operation and are effective.

## Individual Audits

In determining the timing of our individual audits, we will seek to agree a date most convenient to the Group and which ensures the availability of key stakeholders. Once this plan is agreed we will discuss priorities and workloads with management and re-issue the plan including the proposed phasing of our internal audit work.

For each audit, we will identify the key objectives of the area subject to audit and the risks of those objectives not being met. We will assess the 'unmitigated' risk (ie before the operation of the controls in place) and, having identified and tested those controls, make an assessment of the 'mitigated' risk. This will enable us to confirm that the control infrastructure does reduce risk to a level the Group is comfortable with. Each of our audit reports will include two opinions:

- ▶ Firstly, on the design of controls that are in place
- ▶ Secondly, on the operational effectiveness of those controls in practice.

## Variations to the Plan

We acknowledge that variations to the plan may arise from our reviews, changes to the Group's risk profile or due to management requests. Approval will be sought from the Audit and Risk Committee before any changes to the plan are made.

---

# INTERNAL AUDIT RESOURCES AND OUTPUTS

## Staffing

The core team that will be managing the programme is shown below:

Name	Grade	Telephone	E-mail
Ruth Ireland	Partner	07545 779124	Ruth.Ireland@bdo.co.uk
Gemma Wright	Senior Manager	07976 198745	Gemma.Wright@bdo.co.uk

This team will be supported by specialists from our national Risk and Advisory Services (RAS) team and wider firm, as and when required.

## Reporting to the Audit and Risk Committee

Each year we will submit the Internal Audit Plan for discussion and approval by the Group Audit and Risk Committee. We will liaise with the Chief Financial Officer and Group Financial Controller and other senior officers, as appropriate, to ensure that internal audit reports, summarising the results of our visits, are presented to the appropriate Audit and Risk Committee meeting.

## Internal Audit Charter

We have formally defined Internal Audit's purpose, authority and responsibility in an Internal Audit Charter, which can be found in Appendix I. The Charter establishes Internal Audit's position within the Group and defines the scope of its activities.

## Working Protocols

We have defined operating protocols for managing each assignment. These can be found in Appendix II. The protocols take account of how we will communicate with stakeholders before, during and after each audit, and the process we go through to create and confirm our reports and recommendations to improve the economy, efficiency and effectiveness of the Group's activities.

## Definitions

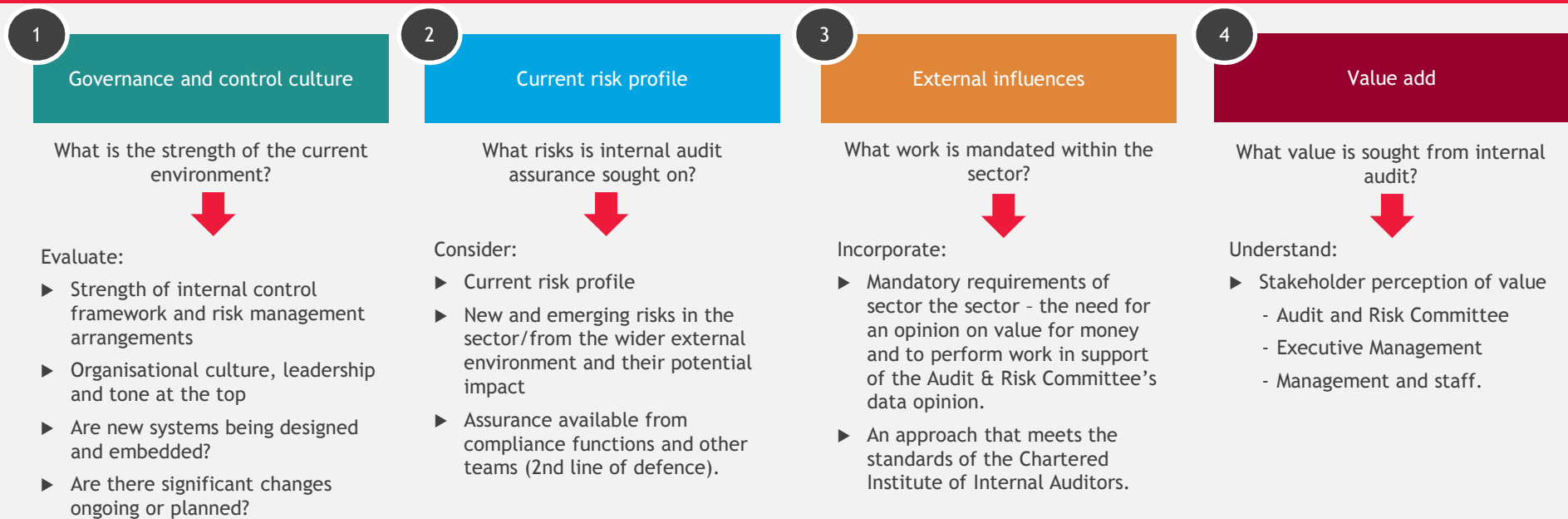
We define in Appendix III our approach for grading individual audit findings and overall audit reports. These definitions have been designed to make the ratings clear to both the Internal Audit team and audit stakeholders.

# OUR APPROACH TO PLANNING

## Strategic objectives of the Group

### Internal audit focus - adding value approach

Page 102



### Scope and make up of internal audit plan

- ▶ Value for money reviews
- ▶ Continuous auditing
- ▶ Assurance audits (risk based)
- ▶ Compliance reviews
- ▶ Project advisory
- ▶ Workshops, training and knowledge share
- ▶ Benchmarking
- ▶ Consulting assignments

---

# OUR APPROACH TO PLANNING

1

## Governance and control culture

The governance and control culture is a fundamental consideration when developing the internal audit approach. We believe that governance is not only effected by procedures, rules and regulations (hard controls); another equally important component is the established culture and the behaviour of employees within the organisation. The behaviour of employees determines the effectiveness of governance.

From our review of internal audits performed by the previous internal auditor, we have not identified any particular concerns about the governance and control culture. However, we will draw our own conclusions through the course of our work and feed these back to the Group both formally, and informally in the form of observations, as the audit plan delivery progresses.

Page 103

2

## Current risk profile

On an ongoing basis, our audit plan will be based upon a detailed assessment of those risks that affect the achievement of the Group's strategic objectives. Our audit programme will be designed to ensure that controls are in place such that key risks are appropriately managed and controlled.

In order to understand the Group's objectives and key risks, we considered the following:

- ▶ The Group's risk register
- ▶ SBC's risk register
- ▶ SBA's risk register
- ▶ The University's strategy and objectives
- ▶ The content of the most recent internal audit reports for LSBU, SBC and SBA.

The programme of work developed from the Audit Strategy is in line with the Code of Ethics and International Standards of the Institute of Internal Auditors (IIA) by:

- ▶ Undertaking an annual assessment of the Group's own risk mapping.
- ▶ Taking a systematic and prioritised review of how effective the Group's risks are managed by its policies, procedures and operations.

The Group's strategic risk register currently includes 29 key risks. We have illustrated on pages 8 to 10 which of these risks are covered by the three year internal audit strategy for the Group. Appendix I and Appendix II include the SBC and SBA risk registers.

# OUR APPROACH TO PLANNING

## LINK TO REGISTER REGISTER

The table below summarises the strategic risks outlined in LSBU's corporate risk register (May 2021). We have linked the risks on the register to the audits from the current Internal Audit Strategy 2021 - 2024 to illustrate the coverage of our planned internal audit work.

Risk Ref	Risk	Score/ RAG Rating (residual)	Covered in 2019/20 or 2020/21	2021/22	2022/23	2023/24
629	OfS Thresholds not met in relation to Condition of Registration B3	High	2020/21 OfS conditions of registration			
402	Income growth from Research & Enterprise unrealised	High		Enterprise activity		Research
637	Failure to recover reputational damage from Dec 2020 ICT Outage	High		Cyber follow up		
37	Affordability of Capital Expenditure investment plans	High			Capital programme	
3	Sustainability of current pension schemes	High				
633	Unable to deliver recovery plan from Covid-19	High				
626	Impact of assurance activity & new initiatives fails to address issues around student experience	High	2020/21 Student experience (SBA and SBC)	Student experience (LSBU)		
632	Alignment of estate with sector requirements across the Group	High			Capital programme	
1	Capability to respond to change in policy or competitive landscape including funding changes	High				Strategic planning
305	Data security and data protection	High	2019/20 cyber	Cyber follow up	GDPR	



# OUR APPROACH TO PLANNING

LINK TO REGISTER REGISTER

Risk Ref	Risk	Score/ RAG Rating (residual)	Covered in 2019/20 or 2020/21	2021/22	2022/23	2023/24
634	Financial Impact of Covid-19 (student refunds/accommodation)	High				
2	Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets	High		Marketing (recruitment)		
628	Availability of NHS placements	Medium			Placements	
631	Full financial benefits including income and expenditure levels fail to leverage potential of Group	Medium				
636	Blended Learning not implemented effectively, impacting student experience	Medium		Student experience (LSBU)		
398	Academic programmes not engaged with technological and pedagogic developments	Medium		Student experience (LSBU)		
494	Inconsistent delivery of Placement activity	Medium			Placements	
518	Core student system inflexibility / failure	Medium	2020/21 IT disaster recovery	Cyber follow up		
627	Impact of new strategy upon organisational culture	Medium				Strategic planning
638	Income, reputational and staff relation impact of Portfolio and Curriculum project	Medium			Staff recruitment and retention	

# OUR APPROACH TO PLANNING

LINK TO REGISTER REGISTER

Risk Ref	Risk	Score/ RAG Rating (residual)	Covered in 2019/20 or 2020/21	2021/22	2022/23	2023/24
630	HE Policy - B3 Registration Regulation and potential introduction of student number controls	Medium				
584	External incident compromises campus operations or access	Medium	2020/21 BCP/ Covid-19			Business continuity
495	Higher Apprenticeship degrees	Medium				Higher apprenticeship degrees
519	Negative Curriculum Assessment	Medium		Quality assurance		
6	Management Information perceived as unreliable, doesn't triangulate or absent	Medium	2020/21 financial management information and KPIs			Management information
362	Low staff engagement impacts performance negatively	Medium				
467	Progression rates don't increase	Medium				
457	Anticipated international & EU student revenue unrealised	Medium			International recruitment	
517	EU Referendum Impact on regulation & market	Low				

Page 106

# OUR APPROACH TO PLANNING

## Strategic planning approach

3

### External influences

Our programme of work is designed to comply with the International Standards for the Professional Practice of Internal Auditing as set out by the Institute of Internal Auditors.

We will also comply with the following:

Statutory body/ Regulator	Detail of requirement
Office for Students	We will provide an overall opinion on governance, risk and internal control, as well as value for money to support your statement of internal control.
Universities UK/ Guild HE	Accommodation Code of Practice - a full audit every three years, with interim reviews to check compliance (if deemed appropriate).
Education and Skills Funding Agency	Required to provide evidence to support funding

Page 107

4

### Value add

We understand that 'value' is perceived differently by each client and therefore we do not seek to have a standard approach to this element of the audit programme. Our methodology considers the additional value the Audit and Risk Committee and management are seeking from internal audit, beyond the assurance our work provides.

We therefore consider this alongside our understanding of the risks. Added value may take a range of forms, from benchmarking and other peer comparisons, to involvement with advising on new systems implementation, advisory assignments and providing training and seminars.

We will clearly set out in the plan which elements of adding value activity we will deliver.

# INTERNAL AUDIT STRATEGY 2021-2024

The table below outlines a summary of current two year Internal Audit Strategy for 2021-2024.

Audit area	2021-22 Days	2022-2023 Days	2023-2024 Days
Governance, compliance and risk management	28	40	30
Finance and management information	47	70	50
Core activities	63	27	27
Research, enterprise and international	12	15	30
Estates infrastructure and services	8	0	25
Information technology	20	10	15
Human resources	0	15	0
<b>Total planned audit days</b>	<b>178</b>	<b>178</b>	<b>178</b>
Management planning, reporting and liaison	18	18	18
Recommendation follow up	10	10	10
<b>Total days</b>	<b>206</b>	<b>206</b>	<b>206</b>

# INTERNAL AUDIT STRATEGY 2021-2024

LSBU GROUP

Strategic Risk Ref.	Audit area	Last audited	Previous opinion			2021-22 Days	2022-23 Days	2023-24 Days	Comments
			LSBU	SBC	SBA				
Governance, compliance and risk management									
All	Risk management	2019/20	N/A	N/A	N/A			15	Previously annual
	Corporate Governance						10		
305, 629, 630	Legal and regulatory environment e.g. OfS, Prevent, CMA, GDPR, safeguarding	2020/21	TBC	TBC	S	S	8	20	20/21 OfS (LSBU) Prevent (SBC) 21/22 Safeguarding (SBA) 22/23 GDPR (LSBU)
1, 627	Strategic and business planning								No previous coverage
584, 633	Business continuity and emergency response plans / Covid-19 responses	2020/21	M		S				13/14 (LSBU) 20/21 Covid (Group)
	Health and safety	2021/20 (SBC) 2020/21 (LSBU)	TBC	TBC	L	M	20		SBA receives other third party assurance. 20/21 Health and safety reporting (LSBU)
	EDI						10		No previous coverage
	Environmental							15	No previous coverage
	Insurance								No previous coverage
	LSBU family transition	2021/20	S		S				

# INTERNAL AUDIT STRATEGY 2021-2024

## LSBU GROUP

Strategic Risk Ref.	Audit area	Last audited	Previous opinion				2021-22 Days	2022-23 Days	2023-24 Days	Comments		
			LSBU	SBC	SBA							
Finance and management information												
	Financial systems and controls (continuous auditing - finance)	2020/21	M TBC	M TBC	TBC	TBC	M	M	37	40	40	Annual all entities
	VAT											No previous coverage
	Procurement and tendering									15		18/19 (LSBU)
	Contract management	2020/21					TBC	TBC				20/21 facilities contracts (SBA)
	Data quality and returns (TRAC/HESA/HESES)	2019/20	S	S	N/A				10		10	13/14 TRAC reviewed (LSBU) 19/20 HESES (LSBU) 19/20 ESFA FU (SBC)
6	KPIs	2020/21		TBC			TBC					
	Continuous auditing - student data	2019/20	M M	M S						15		

Note - those with TBC for an opinion represents audits where audit work is still underway.

# INTERNAL AUDIT STRATEGY 2021-2024

## LSBU GROUP

Strategic Risk Ref.	Audit area	Last audited	Previous opinion				2021-22 Days	2022-23 Days	2023-24 Days	Comments
			LSBU	SBC	SBA					
<b>Core activities</b>										
2, 457	Student recruitment, admissions and enrolment						19			21/22 LSBU marketing - recruitment, 21/22 SBC applications to enrolment
	Curriculum planning						8			21/22 SBC and SBA
398, 626, 636	Student experience	2020/21			TBC	TBC	TBC	TBC	10	20/21 SBC and SBA covered, LSBU deferred from 20/21
	Student wellbeing						10			LSBU deferred from 20/21
495	Apprenticeships	2019/20 LSBU 2020/21 SBC	M	M	M	M			15	23/24 Higher degree (LSBU)
519	Quality assurance						16			No previous coverage
494, 628	Placements							12		
	TEF preparation									
	Access and participation								12	
	Student employability									
	UKVI compliance (all tiers)	2019/20	L	M					15	Tier 2 Tier 4

# INTERNAL AUDIT STRATEGY 2021-2024

LSBU GROUP

Strategic Risk Ref.	Audit area	Last audited	Previous opinion			2021-22 Days	2022-23 Days	2023-24 Days	Comments
			LSBU	SBC	SBA				
Research and enterprise									
402	Research (eg REF, ethics, portfolio management)	19/20	M	M	-	-		15	19/20 REF (LSBU)
402	The London South Bank Innovation Centre (LSBIC)				-	-			18/19 (LSBU)
402	Enterprise activity				-	-	12		12/13 (LSBU)
402	Partnerships and collaborations							15	17/18 Int. partnership (LSBU)
457	International activity						15		
	International Academic Partnership Unit								
	The Confucius Institute								

Page 112



# INTERNAL AUDIT STRATEGY 2021-2024

LSBU GROUP

Strategic Risk Ref.	Audit area	Last audited	Previous opinion			2021-22 Days	2022-23 Days	2023-24 Days	Comments
			LSBU	SBC	SBA				
<b>Estates infrastructure and services</b>									
37, 632	Estates development / capital programme	19/20	M	M	M	M	8		19/20 (LSBU and SBC)
	Facilities management (including space management, energy management, conference and lettings, waste management, security)							15	No previous coverage (LSBU)
	Planned and preventative maintenance/ Statutory testing / regulatory compliance								
	UUK Code compliance	20/21	N/A	-	-			10	Triennial
<b>Information technology</b>									
	IT Strategy					5	10		21/22 SBC
305, 518, 637	IT Security (cyber)	19/20	L	L	M	L	L	L	15
518	IT Disaster Recovery	20/21				TBC			
	IT asset security and management								
	IT Service delivery/support and helpdesk								
								15	17/18 General IT audit (LSBU)

Page 113

# INTERNAL AUDIT STRATEGY 2021-2024

LSBU GROUP

Strategic Risk Ref.	Audit area	Last audited	Previous opinion			2020-21 Days	2021-22 Days	2022-23 Days	Comments
			LSBU	SBC	SBA				
<b>Human resources</b>									
	HR policies and procedures	20/21			M	M			17/18 HR audit (LSBU)
638	Staff recruitment/ retention						15		
	Workload planning								
	Learning and talent development / staff engagement								
	Appraisal process and performance management								
362	Staff wellbeing								
	Absence management	20/21			M	M			20/21 SBC
<b>Management, liaison and Audit Committee reporting</b>									
	Management time					18	18	18	
	Recommendation follow up	✓				10	10	10	
<b>TOTAL</b>						<b>206</b>	<b>205</b>	<b>205</b>	

Page 114

# INTERNAL AUDIT PLAN 2021-22

## Detailed internal audit plan 2021/22

Our proposed audit programme for 2021/22 is shown below. We will keep the programme under review during the year and will introduce to the plan any new significant areas of risk identified by management during that period. In determining the timing of our individual audits we will seek to agree a date which is convenient to the Group and which ensures availability of key officers.

Audit area	Days	Audit driver				Proposed outline scope and rationale	Proposed delivery month	Executive lead	To Group Audit & Risk Committee
		Routine gov / control	Key risk	Ext. driver	Added value				
Group audits									
Cyber	15		✓			A detailed follow up review of the recommendations from the cyber audit and actions implemented following the recent cyber incident.	Dec 21	Chief Customer Officer	Feb 22
Health and safety	20	✓				An audit of health and safety reporting was performed in 2020/21. Therefore this audit will focus on the operational controls in place to manage health and safety risks. As SBA receives alternative third party assurance on health and safety matters, this audit will only include LSBU and SBC.	Sep 21		Nov 21

# INTERNAL AUDIT PLAN 2021-22

Audit area	Days	Audit driver				Proposed outline scope and rationale	Proposed delivery month	Executive lead	To Group Audit & Risk Committee
		Routine gov / control	Key risk	Ext. driver	Added value				
SBU audits									
Financial systems and controls	15	✓				An annual audit of financial controls has been included within the plan. The scope will be determined with management through a detained scoping meeting.	Feb 22	Chief Financial Officer	Jun 22
Student experience	10		✓			A deferred audit from 2021/22. The audit will assess the controls for capturing student feedback, comments and complaints and identifying, prioritising and communicating actions to improve student experience.	Nov 21	Chief Customer Officer	Feb 22
Student wellbeing	10			✓	✓	A deferred audit from 2021/22. The purpose of the audit is to provide assurance over the arrangements in place to support and promote student mental health and wellbeing at LSBU. This will also assess whether the University has considered the latest guidance from UUK and draw upon good practice seen across the sector.	Aug 21	Chief Customer Officer	Nov 21
London Road refurbishment	8	✓	✓			A deferred audit from 2020/21. This will be a post project completion review of the London Road refurbishment project. This will include an assessment of the lessons learned.	Nov 21	Deputy Vice-Chancellor and Chief Business Officer	Feb 22

# INTERNAL AUDIT PLAN 2021-22

Audit area	Days	Audit driver				Proposed outline scope and rationale	Proposed delivery month	Executive lead	To Group Audit & Risk Committee
		Routine gov / control	Key risk	Ext. driver	Added value				
LSBU audits									
Data quality	10	✓		✓		A review of one of the required data returns (HESA, HESES, TRAC etc). The specific return will be confirmed through a detailed planning session.			
Enterprise activity	12		✓			A review of the University's enterprise activity including strategy, engagement and contracting with partners, financial viability and cost recovery, freedom to operate and monitoring and reporting processes.			
Marketing - student recruitment	12		✓	✓	✓	A review of the University's marketing activities around student recruitment. This audit will have a value for money element.			

# INTERNAL AUDIT PLAN 2020-21

Audit area	Days	Audit driver				Proposed outline scope and rationale	Proposed delivery month	Executive lead	To Group Audit & Risk Committee
		Routine gov / control	Key risk	Ext. driver	Added value				
SBC audits									
Financial controls	7	✓				The audit will focus on the controls around making bursary payments to students. This will include assessing needs and compliance with funding rules.	Dec 21	Executive Principal	Feb 22
Admissions and enrolment	7					A deferred audit from 2020/21. Work is currently underway to map the student journey and enhance the student application process. This will review of the new application, admissions and enrolment process.	Jun 22	Executive Principal	Oct 22
Curriculum planning	8					A review of the controls around curriculum planning process and alignment to the business planning process.	Nov 21	Executive Principal	Feb 22
Quality assurance processes	8	✓				A review of the quality assurance controls in place at the College.	Apr 22	Executive Principal	Jun 22
Transition project	5					A specific management request to perform a high level review of the project to transfer SBC databases onto the LSBU network.	Oct 21	Executive Principal	Feb 22

# INTERNAL AUDIT PLAN 2020-21

Audit area	Days	Audit driver				Proposed outline scope and rationale	Proposed delivery month	Executive lead	To Group Audit & Risk Committee
		Routine gov / control	Key risk	Ext. driver	Added value				
SBA audits									
Financial controls - Income	8	✓	✓			A review the controls for logging and reporting income and generating revenue in line with new plans.	Mar 22	Executive Principal	Jun 22
Financial controls - Payroll	7	✓				A project is underway to move the Trust's payroll to iTrent. This audit will be performed post-transition to assess whether there are appropriate controls in place to manage the risk around payroll.	Jan 22	Executive Principal	Jun 22
Safeguarding	8		✓		✓	review of the controls SBA has in place to over Safeguarding, including policies and procedures, roles and responsibilities, training and for identifying, reporting and investigating safeguarding concerns. This would be performed by a safeguarding specialist.	Oct 21	Executive Principal	Feb 22
Quality assurance processes	8	✓		✓		A review of the quality assurance controls in place across both schools.	Dec 21	Executive Principal	Feb 22

# INTERNAL AUDIT PLAN 2020-21

	Days	Audit driver				Proposed outline scope and rationale	Proposed delivery month	Executive lead	To Group Audit & Risk Committee
		Routine gov / control	Key risk	Ext. driver	Added value				
Management and recommendation follow up									
Recommendation follow up	10	✓				Periodic assessment of the implementation of previous internal audit recommendations.	Ongoing	All	All
Management	18						Ongoing	N/A	Ongoing
<b>TOTAL</b>	<b>206</b>								

Page 120



# APPENDIX I: LINK TO SBC RISK REGISTER

The table below summarises SBC’s risks outlined its risk register (February 2021). We have linked the risks on the register to the audits from the current Internal Audit Strategy 2021 - 2024 to illustrate the coverage of our planned internal audit work.

Risk Ref	Risk	Score/ RAG Rating (residual)	Covered in 2019/20 or 2020/21	2021/22	2022/23	2023/24
1	College fails to improve Faculty contributions to sector norms and CFADs target; cost of delivery too high For	High				
2	Internally delivered student numbers do not grow	Medium				
3	Other income opportunities are not pursued	Medium				
4	Facilities costs grow to maintain an old estate at Clapham	Low	19/20 project management		Capital programme	
5	College runs out of cash once ESFA fund is exhausted.	High				
6	Relations with staff though Unions becomes strained	Medium				
7	College fails to discharge safeguarding duties	Medium				Safeguarding
8	College fails to discharge its Health and Safety obligations	Medium	19/20 health and safety	Health and safety		
9	College fails to discharge PREVENT duties	Medium	20/21 Prevent			
10	Failure to meet achievement targets	Medium		Quality assurance		
11	Failure to develop growth curriculum to meet local needs	High		Curriculum planning		

## APPENDIX I: LINK TO SBC RISK REGISTER

Page 122

Risk Ref	Risk	Score/ RAG Rating (residual)	Covered in 2019/20 or 2020/21	2021/22	2022/23	2023/24
12	Failure to achieve Good at next Ofsted visit	Medium				
13	Breach of funding body rules	Low				
14	MIS systems not robust enough for compliance and funding maximisation	Low				
15	Changes to funding rules	Medium				
16	Adverse press/social media coverage	Low				
17	High levels of Sub Contractor use	Medium	This is audited separately through sub-contractor audits			
18	Fraud	Medium	19/20 financial controls	Financial controls	Financial controls	Financial controls
19	Access to key Financial systems fail	High	20/21 IT Disaster recovery			
20	Cyber Risk	Medium	19/20 cyber	Cyber follow up		

## APPENDIX II: LINK TO SBA RISK REGISTER

The table below summarises SBA's risks outlined its risk register (March 2021). We have linked the risks on the register to the audits from the current Internal Audit Strategy 2021 - 2024 to illustrate the coverage of our planned internal audit work.

Risk Ref	Risk	Score/ RAG Rating (residual)	Covered in 2019/20 or 2020/21	2021/22	2022/23	2023/24
18	Poor Financial performance by one or more of the schools - Covid-related cost increases	High				
3a	Risk to community health if virus is spread unchecked. Risk to education operations if virus results in staff shortages, inability of suppliers to fulfil contracts (e.g. cleaning, catering). Risk to outcomes if education is disrupted.	High	20/21 Covid-19 response			
33	Cyber security incident	High	19/20 Cyber	Cyber follow up		
2	Overspend budget, caused by poor budgeting	Medium	20/21 Budget setting and monitoring			
3	Received less income than budgeted, caused by poor budgeting	Medium	20/21 Budget setting and monitoring			
8	Errors in accounts caused by inadequately skilled or inexperienced finance staff	Medium				
9	Loss caused by lack of security over assets including cash	Medium			Financial controls	
10	Fraudulent payments to suppliers	Medium	19/20 Financial controls		Financial controls	
13	Failure to ensure that the income due to the school is collected in a timely and efficient manner and fully reconciled as per financial regulations	Medium		Income		
16	Changes to funding via Government Policy	Medium				

## APPENDIX II: LINK TO SBA RISK REGISTER

Page 124

Risk Ref	Risk	Score/ RAG Rating (residual)	Covered in 2019/20 or 2020/21	2021/22	2022/23	2023/24
22	Failure of the trust to produce open and regular management accounts	Medium	19/20 Budget setting and monitoring			
23	Safeguarding incident at any of the Schools	Medium		Safeguarding		
24	Failure to meet GDPR guidelines for storing and collating data in the Trust and its Schools	Medium			GDPR	
25	Inadequate challenge and ineffective local governance for Trust and Schools	Medium			Governance	
27	Failure to comply with ESFA and DFE guidelines	Medium		Considered in each audit		
29	Failure to carry out the correct audit/review procedures to ensure building, maintenance, health and safety regulations are upheld in both schools	Medium	Assurance provided by another third party provider			
31	Failure of the Trust to follow employee legislation	Medium	20/21 HR policies and procedures			
32	Failure to ensure that the School complies with Tax legislation	Medium				
21	Changes in personnel/ high turnover of staff creating instability in operations at the Trust	Medium				
1	Overspend budget, caused by weak expenditure management	Low	20/21 Budget setting and monitoring			
4	Overspend on capital schemes	Low				

## APPENDIX II: LINK TO SBA RISK REGISTER

Page 125

Risk Ref	Risk	Score/ RAG Rating (residual)	Covered in 2019/20 or 2020/21	2021/22	2022/23	2023/24
5	Short term cash shortages	Low	20/21 Budget setting and monitoring			
6	Long term cash shortages - insufficient reserves	Low	20/21 Budget setting and monitoring			
7	Improper or irregular use of funds	Low			Financial controls	
11	Fraudulent payments to staff	Low		Payroll		
12	Insufficient insurance cover	Low				
14	Failure to ensure that Goods and Services are purchased in line with Financial Regulations and that Suppliers are paid in a timely and efficient manner	Low	19/20 Financial controls		Financial controls	
15	Failure to ensure that a comprehensive, up-to-date list of suppliers to the School is maintained	Low	19/20 Financial controls		Financial controls	
17	Failure to meet internal/ external financial targets and deadlines	Low	20/21 KPIs		Financial controls	
20	Failure to ensure that up-to-date information regarding the legislation relating to charities is maintained and kept updated by Trust Business Manager	Low				
26	UKVI regulations not met	Low				
28	Failure to safeguard the Trusts' and its Schools' assets from theft or damage	Low			Financial controls1	
19	Changes in Leadership creating an instability in strategy, vision and values across the Trust and its Schools.	Low				Strategic planning

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# APPENDIX III: INTERNAL AUDIT CHARTER

## Purpose of this Charter

This Charter formally defines Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within the Group and defines the scope of internal audit activities.

## Internal Audit's Purpose

Internal Audit provides an independent and objective assurance and consulting activity that is designed to add value and improve Group operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit acts primarily to provide the Audit and Risk Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in Internal Audit's role is that it supports the Group's management to fulfil its own risk, control and compliance responsibilities.

## Internal Audit's Authority

The Head of Internal Audit and internal audit staff are authorised to:

- ▶ Have unrestricted access to all of the Group's records, property, and personnel relevant to the performance of engagements
- ▶ Obtain the necessary assistance of the Group's personnel in relevant engagements, as well as other specialised services from within or outside the Group.

Internal Audit has no authority or management responsibility for any of its engagement subjects. Internal Audit will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence.

## Internal Audit's Responsibility

The BDO Head of Internal Audit is responsible for all aspects of internal audit activity, including strategy, planning, performance, and reporting.

For each, the Head of Internal Audit will:

- ▶ Strategy:
  - Develop and maintain an Internal Audit Strategy
  - Review the Internal Audit Strategy at least annually with management and the Audit and Risk Committee.
- ▶ Planning:
  - Develop and maintain an Internal Audit Plan to fulfil the requirements of this Charter and the Internal Audit Strategy
  - Engage with management and consider the Group's strategic and operational objectives and related risks in the development of the Internal Audit Plan
  - Review the Internal Audit Plan periodically with management
  - Present the Internal Audit Plan, including updates, to the Audit and Risk Committee for periodic review and approval
  - Prepare an internal audit budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan
  - Submit the internal audit budget to the Audit and Risk Committee for review and approval annually
  - Coordinate with and provide oversight of other control and monitoring functions, including risk management, compliance and ethics, and external audit
  - Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage to the Group.

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# APPENDIX III: INTERNAL AUDIT CHARTER

## Internal Audit's Responsibility cont.

### ▶ Performance:

- Implement the Internal Audit Plan
- Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan
- Allocate and manage resources to accomplish internal audit engagement objectives
- Establish and maintain appropriate internal auditing procedures incorporating best practice approaches and techniques
- Monitor delivery of the Internal Audit Plan against the budget
- Ensure the ongoing effectiveness of internal audit activities.

### Reporting:

- Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of management actions to be taken
- Provide periodic reports to management and the Audit and Risk Committee summarising internal audit activities and the results of internal audit engagements
- Provide periodic reports to management and the Audit and Risk Committee on the status of management actions taken in response to internal audit engagements
- Report annually to the Audit and Risk Committee and management on internal audit performance against goals and objectives
- Report, as needed, to the Audit and Risk Committee on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan
- Inform the Audit and Risk Committee of emerging trends and practices in internal auditing.

## Independence and Position within Client

- ▶ To provide for Internal Audit's independence, its personnel and external partners report to the Group Financial Controller, who in turn reports to the Chief Financial Officer, and to the Audit and Risk Committee.
- ▶ The Head of Internal Audit has free and full access to the Chair of the Audit and Risk Committee.
- ▶ The Head of Internal Audit reports administratively to the Group Financial Controller who provides day-to-day oversight.
- ▶ The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit and Risk Committee.
- ▶ The Internal Audit service will have an impartial, unbiased attitude and will avoid conflicts of interest.
- ▶ If the independence or objectivity of the internal audit service is impaired, details of the impairment should be disclosed to either the Vice Chancellor or the Chair of the Audit and Risk Committee, dependent upon the nature of the impairment.
- ▶ The internal audit service is not authorised to perform any operational duties for the Group; initiate or approve accounting transactions external to the service; or direct the activities of any Group employee not employed by the internal auditing service, except to the extent such employees have been appropriately assigned to the service or to otherwise assist the Internal Auditor.

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# APPENDIX IV: INTERNAL AUDIT CHARTER

## Internal Audit's Scope

The scope of internal audit activities includes all activities conducted by the Group. The Internal Audit Plan identifies those activities that have been identified as the subject of specific internal audit engagements.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by Internal Audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management. The nature and scope of consulting engagements are subject to agreement with management. When performing consulting services, Internal Audit should maintain objectivity and not assume management responsibility.

## Standards of Internal Audit Practice

Internal Audit will perform its work in accordance with the the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. This Charter shall be reviewed and approved annually by management and by the Audit and Risk Committee on behalf of the Board of Governors.

## Annual Reporting

Following completion of the internal audit programme for 2021/22 we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements.

The annual report will be presented to the Audit and Risk Committee containing the overall annual opinion as to the adequacy and effectiveness of the Groups's arrangements for risk management, control and governance, and economy, efficiency and effectiveness.



# APPENDIX IV: WORKING PROTOCOLS

## Internal Audit Delivery

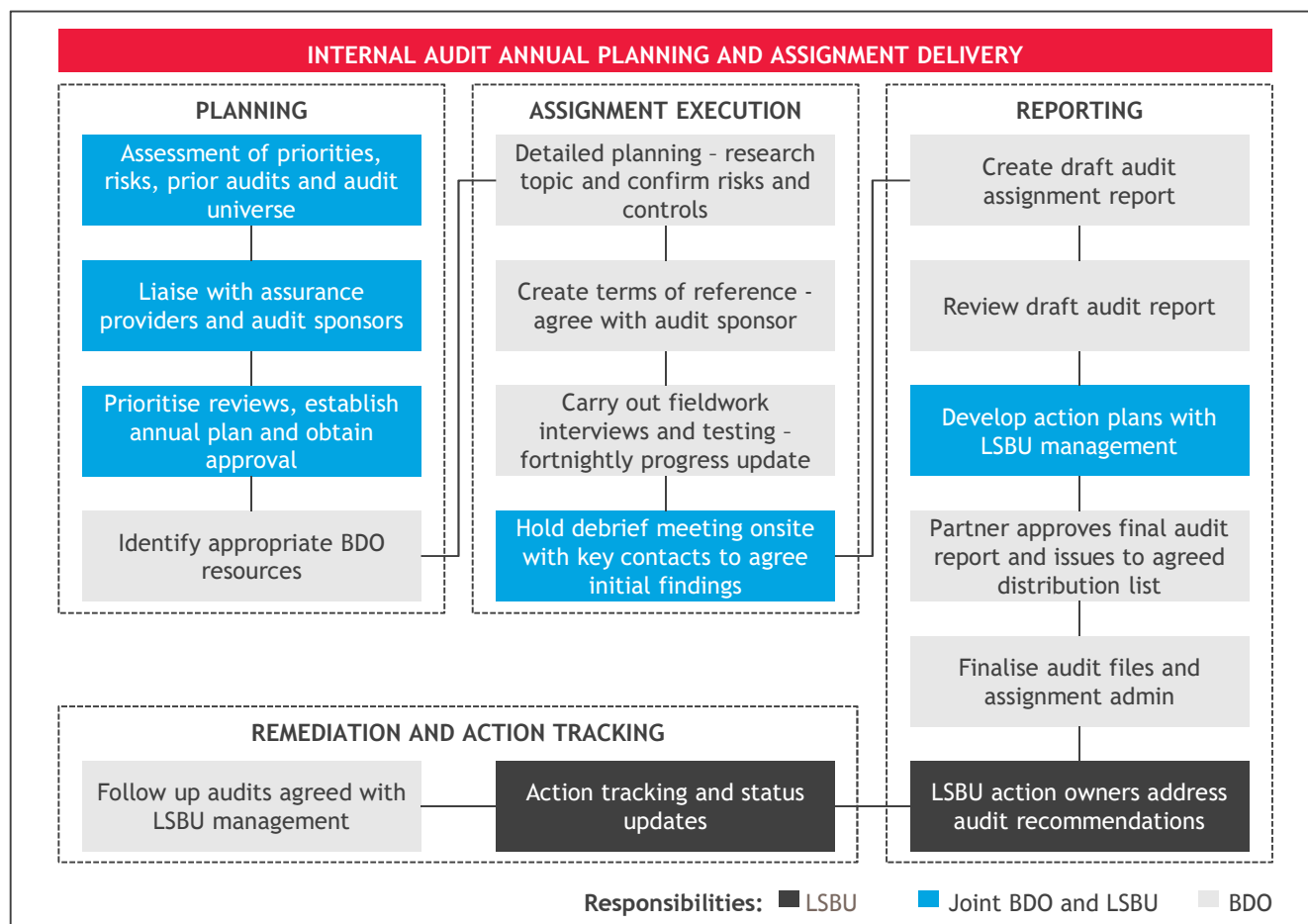
We summarise opposite the annual planning and assignment delivery model we will use at the Group. The model journeys through the four main processes associated with internal audit delivery; audit planning, assignment execution, reporting, and finally, remediation and action tracking. We have illustrated throughout the process those responsible for each step.

A key aspect of our work is high quality reporting. It is important to note that it is always our intention that final reports do not contain any nasty surprises. Our approach is always to maintain regular communications with management throughout the audit and to notify the key audit contacts of any significant issues as they arise.

We annually agree with the Audit and Risk Committee the internal audit strategy and annual plan.

We present the annual audit programme to the senior management team and feed their comments into our planning, and address audit work plans to management responsible for the area being audited to ensure proper ownership.

We liaise closely with the Group's external auditors to identify areas where they may place reliance on our work, ensure the annual schedule is phased so as to provide maximum benefit and limit the impact on business operations.



# APPENDIX IV: WORKING PROTOCOLS

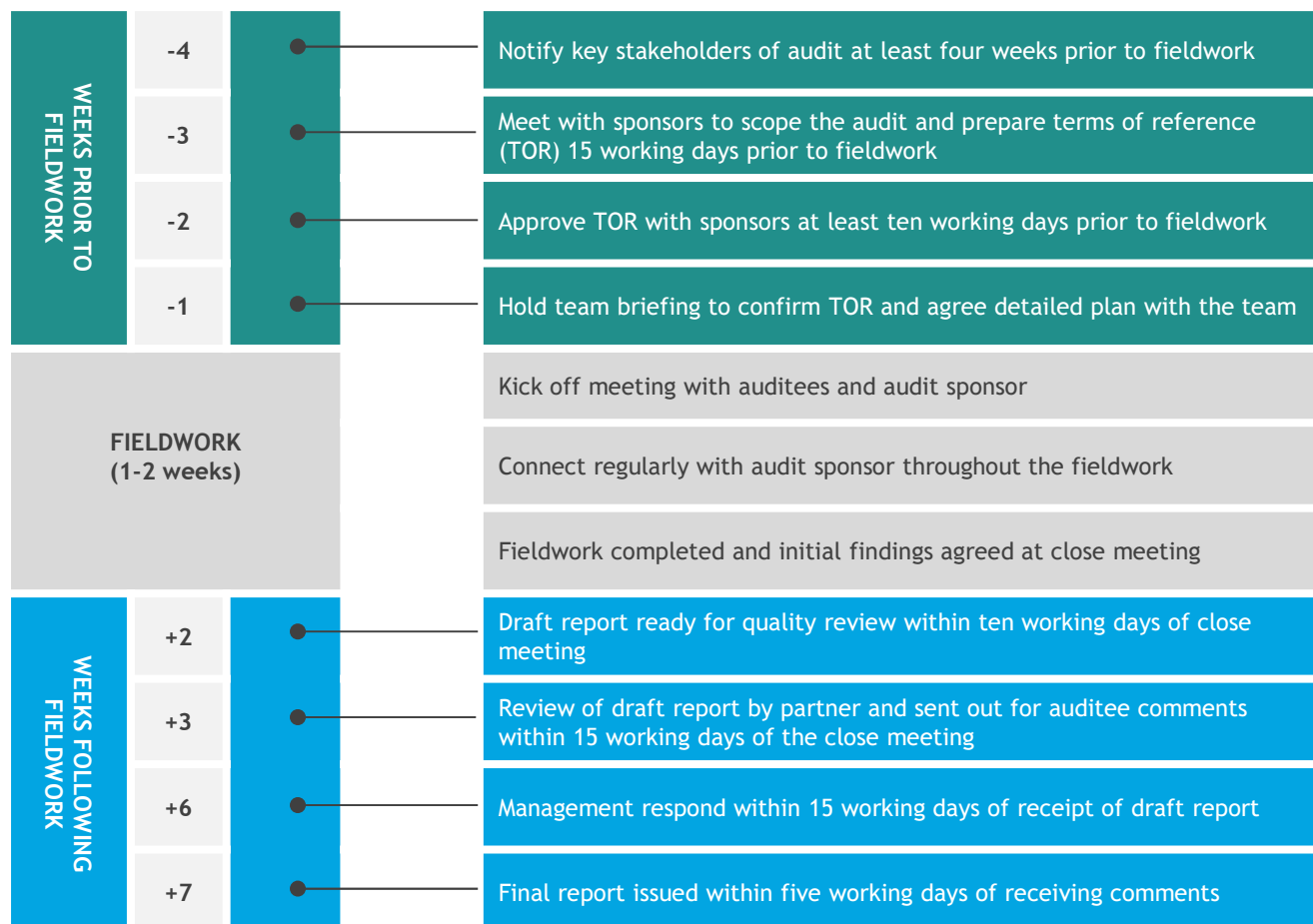
## Protocols for Individual Audit Assignments

Our approach to delivering internal audit services is based on clear protocols. How this will work in practice for an individual assignment is set out opposite. For simplicity, the process has been based on a typical two-week audit assignment.

## Internal Audit Communications

Strong communication is fundamental to quality delivery and for maintaining trusting relationships with our clients. We communicate with management in full accordance with agreed protocols, including during annual meetings to confirm the audit programme for the forthcoming year, and quarterly update meetings to evaluate progress and discuss activities and priorities for the next quarter. We also provide monthly updates against an agreed set of performance indicators, and meet regularly with relevant directors and managers throughout the year to stay abreast of developments.

During audit assignments we hold planning meetings in person (our preference), by phone or by email to discuss terms of reference and scope prior to commencement of any fieldwork, and hold debrief meetings at the conclusion of each piece of fieldwork to discuss audit findings and resolve any outstanding issues.



## APPENDIX IV: WORKING PROTOCOLS

The tables below set out the principal communication and reporting points between the Group and Internal Audit, which are subject to regular review. Any future changes to the communication and reporting points are reported to the Audit and Risk Committee for approval.





**Table One: Liaison Meetings Between the Group and Internal Audit**

Meeting	Frequency	Audit and Risk Committee	Group Financial Controller	Managers	Relevant Staff	External Audit
Internal audit liaison meeting	Quarterly		✓			
Internal audit update meetings	As required		✓	✓		
Quality Assurance Meeting	Annually		✓			
Liaison meeting with Chair of Audit and Risk Committee	As required	✓				
Audit and Risk Committee to discuss audit progress	As necessary	✓				
Meetings to raise immediate concerns	As necessary	✓	✓	✓	✓	
Meetings with external audit	As necessary					✓




**Table Two: Key Reporting Points Between the Group and Internal Audit**

Meeting	Audit and Risk Committee	Group Financial Controller	Managers	Relevant Staff	External Audit
Annual Internal Audit Plan	✓	✓			✓
Individual internal audit planning documents		✓	✓	✓	
Draft Internal Audit Reports		✓	✓	✓	
Final Internal Audit Reports	✓	✓	✓	✓	
Progress Reports	✓				

# APPENDIX V - OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF INTERNAL CONTROLS	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
<b>Substantial</b> 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b> 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b> 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b> 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Page 132

Recommendation Significance	
<b>High</b> 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b> 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b> 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

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	INTERNAL
Paper title:	Risk Appetite and Strategy
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author(s):	Karen McLernon, Head of Performance Analysis
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Discussion
Recommendation:	For discussion by the Committee in preparation for the annual review of Risk Appetite and Policy at the October meeting

## **Executive summary**

As part of the Risk Policy, it is stated that the October Group Audit and Risk Committee meeting should recommend the risk appetite to the Board. Included in this paper is the last approved risk appetite statement.

In preparation for the October 2021 annual review and recommendation to the Board, GARC should give consideration to the following factors, with a view to potentially updating LSBU's risk appetite:

- To which extent do the levels of risk appetite align? For example, is there tension in having a 'seek' appetite for academic delivery (including partnership delivery) and 'open' for financial and reputational with 'cautious' for legal and compliance? Are there operational consequences to this combination?
- To which extent does risk appetite align with the current market and sector conditions?

## **Excerpt from the LSBU Group Risk Policy 2020/21**

### **Risk Categories**

The following risk categories are used across the LSBU risk management framework. Each risk, regardless of level of reporting is assigned a risk area.

- Financial
- Legal and Compliance
- Academic Activity
- Reputation

### **Risk Appetite**

Risk appetite is devolved to each individual entity of the LSBU Group. This is not aggregated at Group Level. A risk appetite is defined in each entity of the Group, using the consistent risk appetite framework. This framework is detailed in Appendix A. A risk appetite is set for each of the risk categories outlined above.

### **London South Bank University Risk Appetite:**

The risk appetite statements are as follows for each risk type:

- a. Financial – open;
- b. Legal and compliance – cautious;
- c. Academic delivery – seek;
- d. Reputational – open.

An overall appetite is not set, but is used as a framework for decision making.



**Appendix A: Risk Appetite matrix**

	<b>Avoid / Averse</b>	<b>Minimal</b>	<b>Cautious</b>	<b>Open</b>	<b>Seek</b>	<b>Mature</b>
<b>Overall</b>	Avoidance of risk and uncertainty is a key organisational objective	(as little as reasonably possible) Preference for ultra- safe delivery options that have a low degree of inherent risk and only for limited reward potential	Preference for safe delivery options that have a low degree of inherent risk & may only have limited potential for reward	Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VfM)	Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)	Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust
<b>Financial</b>	Avoidance of financial loss is a key objective.	Only prepared to accept the possibility of very limited financial loss if essential.	Prepared to accept possibility of some limited financial loss. Resources generally restricted to existing commitments.	Prepared to invest for return and minimise the possibility of financial loss by managing the risks to a tolerable level. Resources allocated in order to capitalise on opportunities.	Investing for the best possible return and accept the possibility of financial loss (with controls may in place). Resources allocated without firm guarantee of return – ‘investment capital’ type approach	Consistently focused on the best possible return for stakeholders. Resources allocated in ‘social capital’ with confidence that process is a return itself
<b>Legal Compliance</b>	Play safe; avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge. Similar situations elsewhere have not breached compliances.	Limited tolerance for sticking our neck out. Want to be reasonably sure we would win any challenge.	Challenge would be problematic but we are likely to win it and the gain will outweigh the adverse consequences	Chances of losing any challenge are real and consequences would be significant. A win would be a great coup	Consistently pushing back on regulatory burden. Front foot approach informs better regulation
<b>Academic Activity</b>	Defensive approach to objectives – aim to maintain or protect, rather than innovate. Priority for tight management controls & limited devolved authority. General avoidance of systems and technology developments.	Innovations always avoided unless essential or commonplace elsewhere. Decision making authority held by senior management. Only essential systems / technology developments to protect current operations.technology developments to protect current operations.	Tendency to stick to the status quo, innovations in practice avoided unless really necessary. Decision making authority generally held by senior management. Systems / technology developments limited to improvements to protection of current operations.	Innovation supported, with demonstration of commensurate improvements in management control. Systems / technology developments used routinely to enable operational delivery.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust rather than tight control.	Innovation the priority – consistently ‘breaking the mould’ and challenging current working practices. Investment in new technologies as catalyst for operational delivery. Devolved authority – management by trust rather than tight control is standard practice.
<b>Reputation</b>	No tolerance for any decisions that could lead to scrutiny of, or indeed attention to, the organisation. External interest in the organisation viewed with concern.	Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the organisation. Senior management distance themselves from chance of exposure to attention	Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be failure. Mitigations in place for any undue interest.	Appetite to take decisions with potential to expose the organisation to additional scrutiny/interest. Prospective management of organisation’s reputation.	Willingness to take decisions that are likely to bring scrutiny of the organisation but where potential benefits outweigh the risks. New ideas seen as potentially enhancing reputation of organisation.	Track record and investment in communications has built confidence by public, press and politicians that organisation will take the difficult decisions for the right reasons with benefits outweighing the risks.

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	INTERNAL
Paper title:	Corporate Risk Report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author(s):	Karen McLernon, Head of Performance Analysis
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Discussion
Recommendation:	For noting and discussion by the Committee

### Executive summary

The Corporate Risk Register currently contains:

- Zero critical risks;
- Thirteen high risks;
- Fourteen medium risks;
- Three low risks

Risks were reviewed on a monthly basis by the Senior Leadership Team (SLT) until April 2021. Following the changes to governance structures and meetings, the monthly review will now be conducted by the Executive. The Risk Register as at 7 May 2021 was reviewed by the Board.

The following updates have been made since the version most recently reviewed by GARC in February 2021. These changes resulted from a review by the Vice Chancellor, Chief Finance Officer and Director of Strategy & Planning on 1<sup>st</sup> March 2021 and from the subsequent monthly SLT reviews:

- Risk 637 – Since Audit committee which upgraded to critical impact, the impact has been downgraded to high in view of the progress made in restoring student and staff access to core systems, resulting in a high overall rating
- Risk 467 – Progression rates have increased in 2019/20, therefore reducing the likelihood to low, resulting in an overall rating of medium
- Risk 635 – Deterioration in league table rank seen as very highly likely (upgraded from highly likely). The overall risk rating remains at high
- Risk 3 – Unaffordability of pension schemes risk downgraded to medium. Overall risk remains at high however

- Risk 625 – Has been removed, as is now covered by Risk 1 (Capability to respond to change in policy or competitive landscape)
- Risk 631 – This risk has been reworded to add the words in bold; ‘Full financial benefits including Income and expenditure levels fail to leverage potential of Group **and fails to address changes resulting from government policy**’. Risk ratings remain the same however
- Risk 457 – Likelihood of not realising international and EU student fee reduced from high to medium, as projections largely in line with forecasts. Overall risk unchanged (high)
- Risk 2 – Likelihood downgraded to medium, as fee forecasts relatively positive. This has no impact on the overall rating
- Risk 402 – Impact increased to high from medium, due to increased targets in relation to R&E targets
- Risk 638 – A new risk has been added; ‘Income, reputational and staff relation impact of Portfolio and Curriculum project’. This has been rated as medium likelihood and medium impact (overall medium)
- Risk 584 – Likelihood of an external incident compromising campus operations or access has been downgraded from Medium to low, reducing the overall risk severity to low
- Risk 633 – Likelihood of being unable to deliver the recovery plan from Covid-19 has been downgraded from medium to low, and impact from high to medium. This reduces the overall risk to low
- Risk 305 – now owned jointly by the Chief Customer Officer and the Company Secretary

**Corporate Risk Register as at 4 June 2021**

Author: Karen McLernon, Head of Performance Analysis

Sponsor: Richard Flatman, Group CFO

*Risk Exposure Matrix – Severity by risk type (from Risk Appetite)*

Severity Rating/Risk Type - Appetite	Low	Medium	High	Critical
<b>Financial (open)</b>	(517) EU Referendum Impact on regulation & market (DP)	(631) Full financial benefits including Income and expenditure levels fail to leverage potential of Group and fails to address changes resulting from government policy (RF) (638) Income, reputational and staff relation impact of Portfolio and Curriculum project (DJ) (630) HE Policy - B3 Registration Regulation and potential introduction of student number controls (DJ)	(2) Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL) (402) Income growth from Research & Enterprise unrealised (PI) (457) Anticipated international & EU student revenue unrealised (NL) (3) Sustainability of current pension schemes (RF) (634) Financial Impact of Covid-19 (student refunds/accommodation (RF)	
<b>Legal / Compliance (Cautious)</b>	(584) External incident compromises campus operations or access (JDS)	(519) Negative Curriculum Assessment (DJ)	(305) Data security and data protection (NL + JDS)	
<b>Academic Activity (Seek)</b>	(633) Unable to deliver recovery plan from Covid-19 (DP)	(628) Availability of NHS placements (PB) (495) Higher Apprenticeship degrees (FM) (398) Academic programmes not engaged with technological and pedagogic developments (DJ) (494) Inconsistent delivery of Placement activity (NL) (518) Core student system inflexibility / failure (DJ) (636) Blended Learning not implemented effectively, impacting student experience (DJ) (467) Progression rates don't increase (DJ) (627) Impact of new strategy upon organisational culture (MMJ)	(629) OfS Thresholds not met in relation to Condition of Registration B3 (DJ) (37) Affordability of Capital Expenditure investment plans (RF)	
<b>Reputation (Open)</b>		(6) Management Information perceived as unreliable, doesn't triangulate or absent (RF) (362) Low staff engagement impacts performance negatively (MMJ)	(626) Impact of assurance activity & new initiatives fails to address issues around student experience (PB) (632) Alignment of estate with sector requirements across the Group (PI) (1) Capability to respond to change in policy or competitive landscape including funding changes (DP) (635) League table rank deterioration / reputational impact (DJ) (637) Failure to recover reputational damage from Dec 2020 ICT Outage (NL)	

Risk Exposure Matrix – Impact and Residual Likelihood

Impact	4 Critical <i>Corporate plan failure / removal of funding, degree award status, penalty / closure</i>				
	3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>	<p>(495) Higher Apprenticeship degrees (FM)</p> <p>(519) Negative Curriculum Assessment (DJ)</p> <p>(6) Management Information perceived as unreliable, doesn't triangulate or absent (RF)</p> <p>(362) Low staff engagement impacts performance negatively (MMJ)</p> <p>(467) Progression rates don't increase (DJ)</p>	<p>(37) Affordability of Capital Expenditure investment plans (RF)</p> <p>(3) Sustainability of current pension schemes (RF)</p> <p>(626) Impact of assurance activity &amp; new initiatives fails to address issues around student experience (PB)</p> <p>(632) Alignment of estate with sector requirements across the Group (PI)</p> <p>(1) Capability to respond to change in policy or competitive landscape including funding changes (DP)</p> <p>(305) Data security and data protection (NL + JDS)</p> <p>(634) Financial Impact of Covid-19 (student refunds/accommodation) (RF)</p> <p>(2) Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL)</p> <p>(457) Anticipated international &amp; EU student revenue unrealised (NL)</p>	<p>(629) OfS Thresholds not met in relation to Condition of Registration B3 (DJ)</p> <p>(402) Income growth from Research &amp; Enterprise unrealised (PI)</p> <p>(637) Failure to recover reputational damage from Dec 2020 ICT Outage (NL)</p>	(635) League table rank deterioration / reputational impact (DJ)
	2 Medium <i>failure to meet operational objectives of the University</i>	<p>(517) EU Referendum Impact on regulation &amp; market (DP)</p> <p>(633) Unable to deliver recovery plan from Covid-19 (DP)</p> <p>(584) External incident compromises campus operations or access (JDS)</p>	<p>(398) Academic programmes not engaged with technological and pedagogic developments (DJ)</p> <p>(494) Inconsistent delivery of Placement activity (NL)</p> <p>(518) Core student system inflexibility / failure (DJ)</p> <p>(627) Impact of new strategy upon organisational culture (MMJ)</p> <p>(638) Income, reputational and staff relation impact of Portfolio and Curriculum project (DJ)</p> <p>(630) HE Policy - B3 Registration Regulation and potential introduction of student number controls (DJ)</p>	<p>(628) Availability of NHS placements (WT)</p> <p>(631) Full financial benefits including Income and expenditure levels fail to leverage potential of Group and fails to address changes resulting from government policy (RF)</p> <p>(636) Blended Learning not implemented effectively, impacting student experience (DJ)</p>	
	1 Low <i>little effect on operational objectives</i>				
		1 - Low	2 - Medium	3 - High	4 - Very High
	<i>This risk is only likely in the long term</i>	<i>This risk may occur in the medium term.</i>	<i>The risk is likely to occur short term</i>	<i>The risk is likely to occur in the immediate term</i>	
<b>Residual Likelihood</b>					

	CONFIDENTIAL
Paper title:	Anti Fraud Policy Review
Board/Committee	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author:	Natalie Ferer – Group Financial Controller
Executive/Operations sponsor:	Richard Flatman – Group Chief Financial Officer
Purpose:	For approval
Recommendation:	It is recommended that Audit Committee approve the current anti-fraud policy and fraud response plan and note the self-assessment check list.

## **Executive Summary**

### **The Anti-Fraud Policy and Fraud Response Plan.**

No changes are proposed and a copy of the policy and plan is attached.

### **Self Assessment**

As in previous years, we have used the British Universities Finance Directors Group (BUFDG) ‘self-assessment checklist’ for Universities to assess the suitability of our counter-fraud measures, The checklist attached was completed as of June 2021.

### **Recommendation**

It is recommended that Audit Committee approve the current anti-fraud policy and fraud response plan and note the self-assessment check list.

## **Anti Fraud Policy**

### **1. Introduction**

The Anti Fraud Policy outlines LSBU's position on fraud and sets out responsibilities for its prevention and detection. The policy is intended to ensure that all cases of suspected fraud are promptly reported, investigated and dealt with as necessary, thereby safeguarding the finances and resources of the University and its subsidiaries.

It applies to all staff and students within the LSBU Family.

### **2. Policy**

LSBU does not tolerate fraud in any form. We aim to prosecute anyone who commits fraud against the University.

Consistent with our values and behavioural framework, the University requires all staff and students to act honestly, with integrity and to safeguard any University resources for which they are responsible at all times.

Holders of letters of delegated authority are formally responsible for ensuring that all staff are aware of the University's fraud reporting protocols and that all incidents of suspected theft, fraud, misuse of the University's assets or serious weaknesses in internal control are reported in accordance with the procedures set out in this document.

### **3. Definition of fraud**

Fraud can be defined as the use of deception with the intention of:

- Gaining an advantage, personally and/or for family or friends
- Avoiding an obligation
- Causing a financial loss to the University or any subsidiary or associated company, including SBUEL, South Bank Colleges and its subsidiaries and South Bank Academies.

Whilst not a definitive list, the main types of fraud are:

- The theft of cash, assets or any other property of the University by staff or students
- False accounting – dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with the intent to cause loss to the University or furnishing information which is or may be misleading, false or deceptive
- Deliberate claiming of expenses that were not incurred on University business, or the use of University Purchasing Cards for the same purpose
- Abuse of position – abusing authority and misusing University resources or information for personal gain or causing loss to the University
- Entering into unfavourable contracts or arrangements with suppliers in order to benefit personally from the relationship.
- Attempting to make payments to the University with a stolen or unauthorised credit/debit card.
- Money laundering
- Insurance Fraud
- Bribery
- Cyber fraud



#### **4. Prevention of fraud**

Fraud is costly, both in terms of reputational risk and financial loss, as well as time consuming to identify and investigate. Therefore minimising the risk of fraud is a key objective.

The University has established systems and procedures in place which incorporate effective and efficient internal financial controls. One of the main objectives of these controls is to minimise the risk of fraud and allow fraud to be detected promptly. These systems and processes are embodied in the Financial Regulations, and it is therefore important that all staff are aware of, and follow, the Financial Regulations.

All staff should be vigilant and consider the risk of fraud within their areas. Staff should notify their line manager if they believe an opportunity for fraud exists because of poor procedures or lack of effective supervision. The Finance Department can provide guidance where procedures need to be improved.

Managers should be aware that certain patterns of behaviour may indicate a desire for concealment, including:

- Taking few holidays
- Resistance to delegation
- Resentment to normal discussion of work issues
- Frequently working late or at weekends without an obvious reason or outside of agreed work patterns.

With many staff now working flexibly or from home, patterns of leave, working alone or outside of normal business hours are often part of normal working arrangements, but managers should still consider the risk of fraud when the reasons for these patterns of behaviour are not understood.

#### **Reporting a suspected fraud**

Any member of staff who suspects with good cause that fraud has been committed must report the matter immediately to their line manager. The line manager should then immediately inform the relevant Dean/Head of Professional Function and the Group Chief Financial Officer.

LSBU has a Speak Up hot line which may be used by staff who, for any reason, wish to submit information outside of the management chain described above. This policy can be viewed at <https://our.lsbu.ac.uk/article/teamslsbu/speak-up-policy>

All reported cases of suspected fraud will be investigated.

The internal and external auditors have their own procedures for reporting any incidences of suspected fraud that they discover during the course of their audit work.

#### **5. Fraud Response plan**

When an incidence of fraud is identified, there is an immediate need to safeguard assets, recover losses and secure evidence for legal and disciplinary processes. In order to meet these objectives, the University has a fraud response plan. Staff and students are required to act in accordance with the fraud response plan.

If a member of staff discovers or suspects a fraud, theft, corruption or other financial irregularity, they must immediately inform their Dean or Head of Professional Function and the Group Chief Financial

Officer. Failure to do so will result in disciplinary action. The Chief Financial Officer will instigate the following responses:

- Take action to mitigate the potential loss to the University
- Immediately inform the Vice Chancellor, the University Secretary, the Head of Internal Audit and The University's Employee and Officers insurers.
- Initiate an investigation. The scope of this investigation should be agreed with the Vice Chancellor and the University Secretary.
- Decide whether or not to treat this incident as a criminal investigation and involve the police and/or accredited fraud investigators
- Take steps to prevent a recurrence of such an irregularity or breach of internal controls.

**If it is suspected that a fraud may be significant:**

- The chair of the Audit Committee, the Chair of the Board of Governors and the University's Accounting Officer should also be informed (The Accountability and Audit: OfS Code of Practice, which flows from the OfS Financial Memorandum, contains a mandatory requirement that any significant fraud must be reported to the OfS Accounting Officer)
- The Chair of Audit Committee will decide whether or not to convene an extraordinary meeting of Audit Committee to consider action already taken, or proposed to be taken.
- The CFO will liaise with the VC, Chair of Audit Committee and Head of Internal Audit as appropriate to determine the role of internal audit in the investigation.
- The OfS when the matter constitutes a reportable event.

**A significant fraud is one where:**

- The sums of money involved are significant
- The fraud involves senior officers of the University
- The particulars of the fraud or irregularity are novel, unusual or complex
- There is likely to be public interest because of the nature of the fraud or irregularity, or the people involved.

We will also have regard for the OfS definition of a material actual or suspected fraud or financial irregularity and take action in line with our definition of a significant fraud. These include:

- Any fraud relating to the misuse of public funds
- Any other financial fraud exceeding £50,000, or 1% of annual income if occurring in an entity with turnover of less than £5m.

In the event of a suspected fraud involving Finance and Management Information (FMI), the Vice Chancellor will initiate action. The Group Chief Financial Officer will not be involved in the subsequent investigations.

In the event of a suspected fraud involving the Vice Chancellor, the Group Chief Financial Officer will inform the Chair of the Board of Governors directly.

**Investigation of a suspected fraud**

The investigation must be conducted on a timely basis, in line with University procedures and preserving confidentiality.

All staff must cooperate in an investigation or action to mitigate loss and must observe reasonable expectations of confidentiality.

The Vice Chancellor may take action during the investigation against any member of staff who is potentially implicated in the suspected fraud. This action may include:

- Temporary suspension from duty
- Denial of access to University buildings and computer networks

### **Result of investigation**

In the event that an allegation is substantiated, the action taken by the Vice Chancellor as a consequence will be recorded in writing. Such action should be proportionate to the allegation but may include:

- Temporary suspension from duty
- Denial of access to University buildings and computer networks
- Summary dismissal or dismissal under notice
- Notification of the police
- Notification of other parties likely to be affected
- Restitution by the perpetrator
- Other disciplinary procedures

## HEI Fraud Self-Assessment Checklist

<p><b>Name: Natalie Ferer</b></p> <p><b>Position: Group Financial Controller</b></p> <p><b>Date of completion: June 2021</b></p>
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Question	Response and comments	Flag
<b>1. Anti-fraud arrangements</b>		
1.1. Do you have a formal fraud policy and/or fraud response plan, approved by the governing body? If so, how often are these updated?	Yes, reviewed and updated annually	
1.2. Do you undertake a formal fraud risk assessment? If so, how often is this done?	No formal separate fraud risk assessment although significant fraud risk would be covered by local operational risk assessment processes	
1.3. Does your university do business overseas? Does your fraud risk assessment include specific risks from international activity?	Yes. Before commencing contract negotiations, the Global team conduct due diligence on the prospective partner. Generally we then have a contract with this partner which usually covers validation but no separate risk assessment	
1.4. Is there a nominated senior manager with overall responsibility for anti-fraud management arrangements? If so, what is their role/position?	Yes, Group Chief Financial Officer	
1.5. Do you have any staff trained in handling suspected frauds or running a fraud investigation?	Any investigations are led by the Group CFO and involve senior staff with experience. If significant, investigations involve specially trained forensic staff from our Internal Auditors.	
1.6. Is there a dedicated Counter-Fraud group in your institution? If so, does it include representatives from Finance, Registry, HR,	No such group exists in the organisation but managers are aware of the procedure for reporting suspecting frauds.	

Procurement, Estates, and Academia?		
1.7. What specific actions do your internal auditors take to detect and prevent fraud?	The Internal Auditors endeavour to plan their work so that they have a reasonable expectation of detecting significant control weaknesses and, if detected, carry out additional work directed towards identification of consequent fraud or other irregularities. They cannot however guarantee that fraud will be detected.	
1.8. Do you have fraud insurance in place? How recently have you claimed on it? How much has it cost/saved?	Yes, no claims have been made.	
<b>2. Internal Controls and Audit</b>		
2.1 Does staff induction and training include guidance on fraud? Does it include: A whistleblowing policy, anti-bribery policy, money laundering policy, and code of conduct?	The Anti -Fraud Policy, Anti -Bribery Policy, Anti Money Laundering policy, LSBU values, Financial Regulations whistleblowing policy and IT security materials are all available on the staff intranet. Going forward new staff will be made aware of the Financial regulations and related procedures.	
2.2. Does internal management training cover fraud culture and policy awareness? Who is this aimed at and how often is the training run?	Mandatory training for staff includes an anti Fraud module. Anti-fraud policies are available on the staff intranet	
2.3 Do you test the effectiveness of internal controls designed to prevent or detect fraud? If so, how?	Through management controls and the Internal Audit process	
2.4 Does your institution publish details of attempted or successful frauds internally? Either as a deterrent or for awareness-raising?	To Finance team and Company Audit Committees	
2.5 What work do your external auditors undertake in accordance with ISA 240? How is this work reported?	Included in external audit plan with any findings reported to Audit Committee.	
2.6 Does your institution have designated "counter-fraud champions" (CFCs) registered to access the	Not at present.	Y

BUFDG fraud discussion boards and CFC network?		
2.7 Are fraud assurance and controls embedded within University change programmes?	Not specifically covered but are addressed through training and as part of the routine internal audit programme.	
2.8 How is this work reported by the auditors?	Direct with management and to audit committee	
2.9 Are all cases of fraud reported to the audit committee or just those classed as Serious Incidents?	All cases	
2.10 Does this inform the committee's annual opinion on internal control?	Yes	
<b>3. Assessment and experience of financial fraud</b>		
3.1 Is your current assessment that fraud is a low, medium or high risk? Is this an overall assessment? There could be variability of risk rating across different areas.	Overall assessment is low risk, with higher risk in some areas such as overseas operations.	
Do you believe that there is an effective anti-fraud culture in your organisation, with high levels of fraud risk awareness amongst all staff?	Yes and training and the need for additional guidance is addressed in 2.2 above	
3.2 In the last two financial years have you notified any frauds to your funding council / regulator?	None above the reporting threshold to report.	
3.3 In the last two financial years, how many frauds or suspected frauds have you experienced that were below the regulator's reporting threshold?	There was an attempted insurance fraud by the owner of a company that was a tenant in the Clarence Centre but the claim was withdrawn and there was no loss to the University as a result of this attempt.  There was an attempt to collect funds from a local business by a person claiming to be collecting on behalf of the LSBU Students' Union. The business reported the matter to the police and there was no financial loss to the University.	

	Two fraudulent transactions were identified on a statement of a purchasing card held by an employee of South Bank Academies. The charges were accepted as fraudulent by the card provider and there was no financial loss to the Trust.	
3.4 If you have trained fraud-response staff (Q1.5), are there any recent instances of these staff being deployed in an investigative capacity?	See response to 1.5	
3.5 Have you disciplined, dismissed or, with the relevant authorities, prosecuted any members of staff for fraud in the period?	None in the past year	
3.6 Have you involved the police in any action to deal with suspected or actual fraud in the period?	None reported in the past year	
3.7 Have you reported any frauds, successful or attempted, to the fraud alert service (the BUFDG Fraud discussion boards?)	No	
3.8 How would you summarise your experience of working with the police?	No experience in the past year	
3.9 Do you have grounds to suspect that there have been any other attempts to defraud the University either by staff or by outside organisations such as suppliers in the period?	No	

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	CONFIDENTIAL
Paper title:	Anti Fraud, Bribery and Corruption Report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group Chief Financial Officer
Purpose:	For Information
Recommendation:	The committee is requested to note the report.

### **Executive summary**

There are no new matters to report since the last report.

### **Recommendation**

That the Committee note the report.

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	INTERNAL
Paper title:	OFS Report - Consumer Protection, Communication and Regulation
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author(s):	Sally Skillett-Moore & David Barker, Deputy Directors Academic Quality Enhancement (AQE)
Sponsor(s):	Deborah Johnston, PVC Education
Purpose:	For discussion
Recommendation:	The Committee is requested to discuss the report on the audit requested by the OfS.

## **Executive summary**

On the 14<sup>th</sup> of January 2021 Higher Education Institutions (HEIs) were asked by the Office for Students (OfS) to undertake a review of the three of Consumer Protection, Communications with students, and regulation that may have been impacted by the Covid-19 pandemic and the ensuing restrictions related to public safety.

The subsequent audit and review of extensive supporting documentary evidence was triangulated and tested where possible to provide confident reassurance that the questions from the OfS have been answered.

**Audit Report OfS: Consumer Protection, Communication and Quality****Update: 18<sup>th</sup> May 2021****1.0 Executive Summary**

1.1 On the 14<sup>th</sup> of January 2021 Higher Education Institutions (HEIs) were asked by the Office for Students (OfS) to undertake a review of the three areas identified below, that may have been impacted by the Covid-19 pandemic and the ensuing restrictions related to public safety. The subsequent audit and review of extensive supporting documentary evidence was triangulated and tested where possible to provide confident reassurance that the questions from the OfS have been answered.

1.2 The three areas for under review are Consumer Protection, Communications, and Regulatory approach.

- **Consumer Protection:** The audit concludes that new and returning students were provided with sufficiently clear information about how teaching and assessment would be delivered in 2020-21, and that teaching and assessment were delivered as promised. We consider that LSBU have met our obligations under consumer law and do not expect that conditions for refunds or further redress are met. The audit review confirms compliance with condition C1.
- **Communications with Students:** The audit of communications has provided evidence of extensive communications with students that provide clear information, advice and guidance about the implications of changes and the options available to them.
- **Regulatory approach:** The audit concludes that the established regulations and policies regarding academic standards of delivery and assessment were sufficient and appropriately used to protect and maintain the academic integrity and standards of the awards. The mitigating policies were effectively communicated with students including students who may have been directly impacted by Covid-19 and those with characteristics protected under the Equality Act 2010. Measures such as the no detriment and exceptional circumstances policies were implemented in a timely fashion and communicated to provide appropriate safety nets for students during the pandemic and we were able to ensure that most groups of students can graduate as planned this academic year. Apprenticeship work-based training and some work placements such as clinical practice may not have taken place as planned and this may impact on completing their course as originally planned.

## 2.0 **OfS Audit Focus**

2.1 The OfS issued broad instructions on how to conduct the audit on the three areas and set questions on each area to guide the audit.

### 2.2 *Consumer Protection*

- a) Re-test whether you were sufficiently clear with new and continuing students about how teaching and assessment would be delivered in 2020-21, the circumstances in which changes might be made, and what those changes might entail.
- b) Assess whether students received, during the autumn term, the teaching and assessment they were promised and might reasonably have expected to receive based on the information provided.
- c) Assess whether your current plans for the spring and summer terms would ensure that students receive the teaching and assessment they were promised and might reasonably expect to receive based on the information provided.

#### *Conclusions on Consumer Protection*

Following a comprehensive review of information sent to students and of the delivery of modules and courses during the pandemic we are confident that delivery and assessment was implemented as planned and communicated to the students.

We are confident that LSBU has met its obligations under the consumer law and there is no requirement for refunds or redress.

Semester 1 was completed as planned and communicated with students. Where re-ordering of modules or teaching, learning and assessment has been necessary to protect the safety of students and staff during the pandemic, this has been communicated effectively to students. A Pulse survey was conducted with the students in the middle of the first semester, alongside a course directors survey in December 2020 confirming that the semester had been delivered as planned.

The Mid Semester Evaluation Survey was completed by students in March 2021, (2846 respondents), indicated that overall student satisfaction had fallen slightly in most areas when compared to results from the Semester 1 Mid Semester Survey. However, the decrease was less than 5%. The primary reasons given were feeling disconnected from cohort and the quality of online provision. More than 80% of respondents indicated their course was delivered as expected.

The current plans for the spring and summer terms ensure that students have or will receive the teaching and assessment they were promised and be able to graduate as planned. This is confirmed by the Schools in the responses from the Course

Directors Surveys in Semester 1 and Semester 2 together with the DESEs confirmation of delivery response in Semester 2. This is also supported by the responses to module evaluations.

We are in a position to confirm compliance with condition C1.

#### 2.4 *Communications with Students*

- a) Inform students of any further changes to teaching and assessment arrangements, such that these are broadly equivalent to those previously offered to students within the context of requirements of public health advice
- b) Inform students about their entitlement to seek refunds or other forms of redress – such as the opportunity to repeat parts of their course that you are unable to deliver this year – if they have not received the teaching and assessment promised
- c) Provide students with clear information, advice and guidance about the implications of the changes and the options available to them. This must include clear signposting of the route to complain or seek redress.

#### 2.5 *Conclusions on Communications with Students*

The audit of communications has provided evidence of extensive communications with students at institution, School and course that provide clear information, advice and guidance about the implications of changes and the options available to them.

The communications strategy has been to combine central communications with students through Student Services with more specific communications of course addendums at a local level directly through the schools. This is supported by evidence provided by the Student Services, Course Directors Survey and Communications directly from the schools.

New students starting in September 2020 were sent course addendums and information in advance of starting the course and have consented to the course arrangements during enrolment.

Evidence from the Student Union, student forum, and module evaluations indicates that students received and understood the communications and are generally satisfied with arrangements made.

Students have been provided with clear information, advice and guidance on their entitlement to seek refunds or other forms to redress if they feel they have not received the teaching and assessment as promised. We are confident that this has been effective due to the complaints received through the LSBU complaints

procedure, feedback from the schools, and the Students Union (Issues)tracker.

A recent check on the Student Union Student Tracker (May 2021) identified some positive themes emerging. Students are generally reporting to the Student Union that they are recognising and appreciating the immense effort staff are putting in to support them. Students are generally finding online learning to be a very helpful model that fits into their complex life circumstances. Feedback from students to the Students Union was generally with the vast majority happy about their student experience. Evidence suggests that any issues are being sorted out at course level.

Students were sent a Mid Semester Evaluation Survey in March 2021. 2846 students across the University responded. Overall levels of satisfaction had fallen slightly from Semester 1 Mid Semester Survey, less than 5%, in most areas. Primarily, reasons given were feeling disconnected from their cohort and some issues with the quality of online provision. More than 80% felt their course had been delivered as expected. Unhappiness was linked to the general situation rather than specific issues with the University. The survey was designed with the aim of allowing schools the opportunity to solve any problems within the academic year.

## 2.6 *Regulatory Approach during the Pandemic*

Updated expectations for the current phase of the pandemic in relation to appropriate measures for degree awarding bodies to take when considering mitigating or exceptional circumstances:

- i. Ensure that standards remain secure.
- ii. Continue to consider appropriate 'safety nets' for individual students affected by the pandemic and recognise its impact, for example, through the implementation of your mitigating circumstances policies. With such safety nets in place, you may determine that it is no longer necessary to implement the type of 'no detriment' policies put in place by some providers in 2019-20 to mitigate the early disruption caused by the pandemic on students.
- iii. Consult appropriately at an early stage with students about your assessment and awarding plans and should consider in particular the needs of different students, including those with characteristics protected under the Equality Act 2010.
- iv. Ensure that students are informed of the approach you intend to take as early as possible, including where they can seek further advice if they have questions about how the approach will apply to them.
- v. Minor changes to our existing reportable events requirements to update references to academic years and continue the requirement to report to OfS

where you are not able to ensure that a group of students can graduate as planned this academic year

### *Conclusions from Regulatory Approach during the Pandemic*

LSBU has responded to public health advice and have made efforts to protect the interests of students during the pandemic. The use of the existing policy tools such as the No-detriment policy and Extenuating Circumstances policy have been communicated and effectively used to protect the interests of the students. Further support was given to disadvantaged students with the provision of laptops and other financial support.

Despite the challenges presented by adopting in year changes to remote delivery and assessment the schools have maintained the standards and value of the assessments. This is confirmed by the review of multiple sources such as External Examiner reports, School Reviews, Module Evaluations and course monitoring. Although there is a localised example of assessment below the normal expected standard, this was identified within the quality processes and strategies to restore and maintain standards were implemented. However, this was not found to be widespread or common across courses.

Communications from Student Services and from the Schools indicate that students' welfare and access arrangements for continued teaching, learning and assessment for all students, particularly those from protected characteristics are proactively considered and communicated.

The No-detriment policy was implemented and published in March 2020 at the onset of the Pandemic restrictions. Some of the changes from the no-detriment policy were incorporated into the general University regulations for academic year 2020 / 21. These enable the University to respond to changes proactively in year aligned to the needs of specific cohorts.

The Extenuating Circumstances Policy is actively promoted by the Schools and Students services for further protection and this has been effectively used to provide an avenue for students to report any impact on their performance during the pandemic. This has been effectively communicated to students. Further flexibility has been introduced to scheduled assessments and examinations to accommodate additional teaching and learning if this is needed.

### 3.0 **Approach to the Audit:**

- 3.1 In preparation for the Audit, information was requested from across the university. This was collated centrally, indexed appropriately and cross referenced for effective access. Care was taken to gather information to demonstrate a balanced view from a broad range of stakeholders such as Schools, professional service groups, students and the Student Union.



Consideration was given to ensure the approach should be appropriate for all students and, in particular, those who might be most vulnerable to disruption. This includes students who are suffering from coronavirus and who need to self-isolate, international students, and students unable or less able to access remote learning for whatever reason, together with care leavers, those estranged from their families, and students with disabilities.

Supporting evidence requested included Course addendums, Directors of Student Experience (DESEs) confirmation of Delivery Survey, Course Director Surveys, Central Communications, Communications from Schools and Student Services (Including the Student Union).

- a) We were seeking evidence to confirm that new and returning students received communications about the changes to delivery of teaching, learning and assessment for their courses. We were also seeking to check that such communications were effectively received and understood, by examining any student feedback that was returned. Students were sent mid semester review surveys which gave them the opportunity to feedback on how their courses were progressing and to confirm that delivery had taken place as planned. The Student Union set up a Student Tracker at the beginning of the year to give students a way to raise issues, which would be forwarded to the appropriate school or department for response. Responses are tracked and followed up.
- b) Evidence gathered should provide reassurance that where LSBU acted in response to public health advice, reasonable efforts have been made to protect the interests of students. Particularly:
  - By adopting a No-detriment Policy and implementing an amended extenuating circumstances procedure to ensure that students were not disadvantaged by the pandemic restrictions. These were kept under review depending on the current phase of the pandemic.
  - We have a requirement to report to OfS, a situation where LSBU are not able to ensure that a group of students can graduate as planned this academic year. At this point, we are confident that most students will graduate as planned. Where work-based training is required, there may be some delay to graduating, due to employers' circumstances.
- c) The AQE Team scrutinised the information collected to evidence how the University had communicated with students and reviewed information from different sources of student feedback, e.g. student mid semester surveys, complaints process and Student Union issue tracker. This allowed a judgement to be made on the effectiveness of the communications.
- d) Processes were designed to check current positions e.g. questionnaires sent to course directors in December and April asking them to confirm that

modules/courses and assessment were being delivered as planned. School Directors of Education and Student Experience were asked to confirm on behalf of the school that courses were being delivered as planned and to flag any courses where a cohort may be at risk of not being able to complete their studies this year.

#### 4.0 **Areas for Development:**

Evidence from employer feedback, feedback from apprentices and complaints submitted through the LSBU complaints process, and those concerns communicated through the student union suggest the timeliness of decision making and communications to students is an area that could reduce stress and anxiety amongst students during an event that creates great uncertainty.

Communications using the LSBU email account was less effective than anticipated with some central communications accessed by just 46% of students. Further work is recommended in developing this as a reliable and effective communications tool with students.

#### 4.1 **Access to records** - A Microsoft Teams site was created to store copies of all of the evidence provided for the audit. This site will be archived and retained at the end of the academic year and will remain accessible should the evidence be required.

#### 5.0 **Acknowledgements**

This report was written and prepared by Sally Skillett-Moore and David Barker, Deputy Directors of Academic Quality Enhancement (AQE) with contributions and support from colleagues in AQE and from across the University.

We would like to thank our colleagues in the Schools, Student Services, Student Administration, Admissions and Marketing, the Apprenticeship Team, Governance Information and Legal Team (Complaints) and the Student Union for the speedy response to our request for information to support the audit. A special thanks to the members of the Academic Quality and Enhancement Team for setting up the Audit site and reviewing the vast amount of evidence that we gathered.

	CONFIDENTIAL
Paper title:	Data Protection breaches report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author(s):	Joe Dilger, Group Data Protection and Information Compliance Officer (DPO) - maternity cover for Alice Black
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The Committee is requested to note the following update on recent reportable and non-reportable data breaches.

## Reporting Breaches of personal data

There have been four incidents involving breaches of personal data since the last report for the February Audit Committee. One of these was reported to the ICO.

### Non-reportable breaches

**BR 2024** - LSBU received on 7 May notification of data breaches on 6 May from our partners QS Enrolment Solutions (QSES). From the (updated) personal data breach reporting form completed, a malfunction of a storage management system allowed a small batch of old temporary files to be re-used incorrectly. Three individuals were affected via a separate incident each, and the personal data affected included in each case their respective names and dates of birth, plus for incidents 1 and 2 their passport numbers/details and also for incident 1 their bank details. From incident 1, the applicant who had received the information by mistake was quickly contacted and asked to delete any copies of the file, which he agreed to and later confirmed. From incidents 2 and 3, the respective applicants who had received the information by mistake, were contacted and asked to delete any copies of the file. The respective files for each of incidents 1 to 3 were removed from the QS systems on 7 May.

**BR 2025** - in late May 2021, an email was sent from the University's Finance Department to notify some students of their outstanding course fees. By mistake, in addition to some students' own personal data, some students also received by mistake that same information for other students - being 'Student ID' (numbers), respective balances, respective Academic Years, and their names. It is estimated that approximately 100 (one hundred) students were affected by this breach. The DPO worked with the University's Finance Department to minimise the risks to the students

affected by the data breach. This primarily involved a communication being sent out by the Finance department on 4 June 2021 to those affected asking them both:

- (1) to delete the other students' personal data received by mistake; and
- (2) not to share or copy data received by mistake here of other students.

**BR 2026** - a user at LSBU provided data subject data to Quantum IT outside the agreed mechanism for providing data, resulting in some personal data (for which LSBU is the 'data controller') not being managed in the agreed manner. This was brought to LSBU's attention (to the DPO) as part of their obligations (to LSBU) on 1 June 2021 by QuantumIT Europe Ltd, and they supply the InPlace Placement Management Solution to LSBU. The breach here consisted of a MS Word document being emailed by a LSBU staff member with a list of 24 student names. The emails and content has been purged from Quantum IT solutions. The DPO will talk with the staff member concerned to minimise the risks of the same or a similar event happening again.

### **Reportable breaches**

**BR2023** - in essence, there were 2 personal data breaches in the same series of events, with: (a) breach 1 on Friday 9 April at 4.09pm; and (b) breach 2 at 6.35pm also on Friday 9 April. In terms of breach 1, the chair of a disciplinary panel when issuing a disciplinary outcome letter, copied in an unauthorised person (another LSBU staff member instead of the intended trade union representative of the staff member subject to the disciplinary hearing) on that email and attached outcome letter; and in terms of breach 2 after the staff member subject to the disciplinary hearing then sent that email and attached outcome letter to their actual trade union representative, the representative then emailed a compliant (with the same attached outcome letter) to several relevant LSBU staff members, the staff member who was subject to the disciplinary hearing and a LSBU student (whose surname was the same as that of the staff member who had chaired the disciplinary panel). The LSBU DPO determined that the 2 above breaches were 'notifiable' to the ICO, and made that notification (report) on 14 April 2021; and the DPO determined that the breaches also met the ICO standard of "a high risk", and so notified in writing on 19 April the staff member who was subject to the disciplinary hearing here of the 2 breaches. An acknowledgement was received from the ICO in this case, but no formal response has yet been received from them.

# Agenda Item 15

	INTERNAL
Paper title:	Speak up report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the report on speak up matters raised since the last meeting

No new speak up matters have been raised since the previous committee meeting.

At the last meeting it was reported that a former employee, who raised a matter under the speak up policy in 2019, was suing the university for constructive unfair dismissal; automatic unfair dismissal (whistleblowing); and whistleblowing detriment. The case has been settled out of court.

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	CONFIDENTIAL
Paper title:	Reportable events update
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the update.

## Reportable events since the last committee meeting

One event has been notified to the OfS since the last GARC meeting: the impact of the IT incident on some groups of students.

Due to a delay in the recovery of parts of the student record system, some students that had successfully completed their programme experienced difficulty in obtaining the evidence of their degree award as required for employment. A manual work around was immediately put in place including exam board verification, and formal letters were prepared for each student to confirm their award. 160 students were affected.

A number of other events were considered by the Executive and deemed to be not reportable under the temporary guidance issued by the OfS on reportable events during the pandemic.

These are:

- A new partnership with the Eastman Dental Hospital;
- A new partnership with International University of Applied Sciences (IUBH based in Germany);
- Closure of the subject areas of history and geography; and
- The potential material change to the forecasts submitted to the OfS due to the material cost overrun of the London Road redevelopment project.

The committee is requested to note the update.

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Paper title:	Committee business plan, 2020/21
Board/Committee	Group Audit and Risk Committee
Date of meeting:	15 June 2021
Author:	Kerry Johnson, Governance Officer
Sponsor:	Duncan Brown, Chair of the Committee
Purpose:	To inform the committee of its annual business plan
Recommendation:	To note the committee's annual business plan

## **Group Audit and Risk Committee Business Plan**

The committee's business plan is based on the model work plan for audit committees developed by the CUC. It is intended to help the committee review the adequacy and effectiveness of risk management, control and governance (including ensuring the probity of the financial statements) and for the economy, efficiency and effectiveness of LSBU's activities delegated to it from the Board.

The plan lists regular items. Ad hoc items will be discussed as required.

As a result of the recent GARC effectiveness review, it is proposed that the Governance Team, working with the Chair and key members of the Executive, will conduct a full review of the workplan for 2021/22. An updated workplan will be brought to the October 2021 meeting of the committee.

The committee is requested to note the current annual business plan.

	Oct	Nov	Feb	June
Anti-bribery policy review				x
Audit Committee Annual Report to Board		x		
Audit Committee business plan	x	x	x	x
Membership and Terms of Reference - approve	x			
Speak up report	x	x	x	x
Speak up policy review			x	
Annual Report and Accounts		x		
Anti-fraud policy review				x
Anti-fraud, bribery and corruption report	x	x	x	x
Data assurance report		x		
Debt write off - annual				x
Draft public benefit statement	x			
Draft corporate governance statement	x			
External audit findings		x		
External audit letter of representation		x		
External audit management letter		x		
External audit performance against KPI's		x		
External audit plan				x
External auditors - non-audit services	x			

GDPR/data protection update	x	x	x	x
Internal audit annual report	x (draft)	x (final)		
Internal audit plan - approval				x
Internal audit progress reports	x	x	x	x
Internal audit reports (inc continuous audit)	x	x	x	x
Internal Controls - review	x			
Pensions assumptions	x			x
Corporate Risk	x	x	x	x
Detailed review of risk register	x			
Risk strategy and appetite				x
Going concern statement		x		
TRAC return to OfS - (by email in Jan)			x	
Modern slavery act statement		x		
Prevent annual return		x		
OfS reportable events	x	x	x	x

