Meeting of the Audit Committee

4.00 - 6.00 pm on Thursday, 4 October 2018
in 1B16 - Technopark, SE1 6LN

* Pre meeting with the Internal Auditors and the External Auditors
at 3.30pm in 1B16, Technopark

Agenda

No.	Item	Pages	Presenter
1.	Welcome and apologies		SB
2.	Declarations of interest		SB
3.	Minutes of the previous meeting	3 - 8	SB
4.	Matters arising	9 - 10	SB
5.	ICT risk diagnostic progress report - update	11 - 18	DM
6.	Student Data update	19 - 22	LU

Internal audit

No.	Item	Pages	Presenter
7.	Internal audit progress report	23 - 48	JM
8.	Internal audit reports • Key Financial Systems – period 1 • Risk management • HR Audit • IT technology roadmap	49 - 176	JM
9.	Internal audit annual report 2017/18	177 - 204	RF
10.	Internal audit charter	205 - 236	JM
11.	Internal audit tender	237 - 254	RF

External audit

No.	Item	Pages	Presenter
12.	Pensions assumptions	255 - 258	RF

Risk and control

No.	Item	Pages	Presenter
13.	Corporate Risk	259 - 292	RF
14.	Risk strategy and appetite	293 - 314	RF

No.	Item	Pages	Presenter
	Other matters		
15.	Internal controls annual review of effectiveness	315 - 336	RF
16.	Audit committee annual report	To Follow	RF
17.	Draft corporate governance statement 2017/18	337 - 346	JS
18.	Strategic report (AR&A)	347 - 354	RF
19.	Draft public benefit statement 2017/18	355 - 358	JS
20.	Anti-fraud, bribery and corruption report	359 - 360	RF
21.	GDPR compliance update	361 - 364	JS
22.	Speak up report	365 - 366	JS
23.	Audit committee business plan	367 - 374	JK
24.	Audit TOR & membership	375 - 382	JK
25.	Matters to report to the Board following the meeting		JK
26.	Any other business		SB

**Date of next meeting
4.00 pm on Thursday, 8 November 2018**

Members: Steve Balmont (Chair), Shachi Blakemore, Duncan Brown, Mee Ling Ng and Jerry Cope, Chair of Board of Governors)

Apologies:

In attendance: David Phoenix, Richard Flatman, James Stevenson, Natalie Ferer, Joe Kelly, Justin Martin, Lucy Gresswell, Amy Chiu, Fleur Nieboer and Jack Stapleton

Auditors:

Justin Martin, Lucy Gresswell, Amy Chiu, Fleur Nieboer and Jack Stapleton

London South Bank University
EST 1892

**Minutes of the meeting of the Audit Committee
held at 4.00 pm on Thursday, 7 June 2018
1B16 - Technopark, SE1 6LN**

Present
Steve Balmont (Chair)
Duncan Brown
Mee Ling Ng

Apologies
Shachi Blakemore

In attendance
David Phoenix
Natalie Ferer
Richard Flatman
James Stevenson
Joe Kelly
Justin Martin
Lucy Gresswell
Fleur Nieboer
Jack Stapleton
David Mead
Pat Bailey
Ed Spacey (items 6, 7, and 8)
Lisa Upton (item 11)
Stuart Bannerman (item 12)

A pre-meeting took place with the Committee and internal and external auditors.

1. **Welcome and apologies**

    The Chair welcomed members to the meeting.

    The above apologies were noted.

2. **Declarations of interest**

    No interests were declared on any item on the agenda.

3. **Minutes of the previous meeting**

    The committee approved the minutes of the meeting of 8 February 2018 and their publication.

4.   **Matters arising**

The committee noted that all matters arising had been completed or were on the agenda.

The committee noted an update on the former member of staff who is currently held in custody. A sentencing date of 12 July 2018 has been announced. The committee noted that the University had followed all internal processes and procedures in relation to this matter.

5.   **ICT risk diagnostic - progress report**

The committee noted the update on ICT risk diagnostic.

The committee noted that approximately 50% of the development plan had been completed and that a deeper understanding of system architecture and detail was now informing future work and lowering exposure to risk. The committee noted that extended timeframes on a number of actions reflected the complexity of the issues and that these were being addressed by appropriate project plans.

The committee requested a further update at its next meeting.

6.   **Fire safety report - progress report**

The committee noted the Fire Safety progress report.

The committee noted that both substantive issues from Fire Risk Assessments had been addressed.

The committee noted the mitigating controls on issues with longer timeframes. The committee noted that all life-saving matters are dealt with promptly.

The committee noted that new procedures, with associated training, were being rolled out across the University.

7.   **UKVI audits - progress report**

The committee noted the UKVI audits progress report and actions already taken.

The committee noted that the University continues to develop holistic systems and processes, with associated staff training.

8.   **Emergency planning report and action plan**

The committee noted the emergency planning report and action plan.

The committee noted good progress in the delivery of the action plan.

The committee requested that (i) the emergency plan is tested annually and entered onto the Corporate Risk Register, and (ii) that the committee receives an annual assurance report.

9.   **Key Financial Systems update**

The committee noted the Key Financial Systems update.

The committee noted that the red risks had been addressed including updated credit control procedures and guidance on escalation to the debt collection agency.

10.   **Internal audit progress report**

The committee noted the internal audit progress report. It noted that 74% of the plan had been delivered and that management interaction and response with the auditors was good.

The committee noted that the IT strategy report would be completed before the end of the financial year and would build on the work of the ICT risk diagnostic.

The committee noted there were two high-risk reports, international partnerships and student data: both these reports will be addressed on the meeting agenda.

11.   **Student Data Continuous Audit report**

The committee noted the student data continuous audit report.

The committee noted that the high risk rating was due to the introduction of a new control on apprenticeships which flagged 13 exceptions, of which 12 related to being unable to examine student learner packs; without this control the rating would have been comparable to the previous report. The committee requested management to establish a control for appropriate monitoring of learning plans. The auditors agreed to reduce the risk on student data to medium in their final report pending further follow up of outstanding documentation.

The committee noted that 22 of 25 management responses involved systems development. The committee requested management to reflect on a full range of response options and provide an update at its next meeting.

The committee requested management to review action completion dates in advance of September recruitment.

12.   **Report on International partnerships**

The committee noted the report on International Partnerships.

The committee noted that new processes and controls have been established for new partnerships and are working effectively.

The committee noted that the high risk rating relates to historic partnerships, most of which have been closed and mitigating actions are now in place for those which remain. Accordingly, the auditors would review the risk grading in their final report.

13.   **Internal Audit draft plan 2018/19**

The committee discussed the draft internal audit plan 2018/19. The plan was for 140 days, reflecting an additional 15 days on the 2017/18 audit. Additional days include proposed audits of South Bank Academies, CMA, and GDPR.

The committee approved the draft audit plan subject to finalising the scope of work for South Bank Academies.

14.   **External audit draft plan 2017/18**

The committee discussed the external audit plan, which was based on areas of audit risk, namely pension liabilities and the risk of fraud from revenue recognition and management override of controls.

The committee discussed the proposed materiality level and agreed the levels were appropriate.

The committee noted that high risk journal entries would be identified at the start of the audit. The auditor agreed to revise the letter of engagement in reference to GDPR.

The committee approved the external audit plan 2017/18.

15.   **Risk management benchmarking (KPMG)**

The committee noted the risk management benchmarking report.

The committee noted the report had been reviewed by management in detail and that no significant issues had been identified. The committee noted that all issues are already included in the corporate risk register which is aligned to the internal audit plan.

The committee requested the report is submitted annually.

16.   **Corporate risk**

The committee noted the corporate risk register.

The committee noted the new summary format for reporting risk to the Board and the detailed appendix for Audit Committee review. The risks are grouped according to the goals of the Corporate Strategy.

The committee discussed the medium risk against low staff engagement.

17.   **Annual debt write off**

The committee approved the revised write-off of tuition fee debt of £497k which had been fully provided for in the year end accounts.

The committee noted that LSBU makes efforts to actively recover debt before referring the matter to collection agencies.

18.   **GDPR compliance update**

The committee noted the GDPR compliance update.

The committee noted the creation of a register of processing activity which establishes the legal basis for collection, procedures for breach management, and publication of 1st tier privacy notices, internal and external.

The committee noted the appointment of a new Data Protection Officer.

The committee requested an update at its next meeting.

19.   **Anti-fraud policy review**

The committee noted that the anti-fraud policy remained unchanged from last year. The committee approved the policy.

The committee noted the fraud self-assessment had been undertaken in May 2018.

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

The committee noted the report. No issues had arisen since the last Audit Committee meeting.

21.   **TRAC(T) return to OfS**

The committee reviewed the TRAC(T) return required by OfS.

The committee noted the report had been reviewed by Shachi Blakemore prior to its submission to OfS on 4 May 2018.

The committee ratified the report.

22. **Speak up report**

The committee noted the Speak Up report.

23. **Committee composition**

The committee noted the committee composition report, including the chair succession plan and future skills audit.

24. **Audit Committee business plan**

The committee noted the annual business plan.

The committee requested to see the full plan (looking forward) at each meeting.

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

The committee requested that the Fire Safety report, Student Data report, International Partnerships report, internal audit plan, and external audit plan be reported to the Board. The corporate risk register would be reported to the Board as usual.

**Date of next meeting
4.00 pm, on Thursday, 4 October 2018**

Confirmed as a true record

.... (Chair)

AUDIT COMMITTEE - THURSDAY, 7 JUNE 2018
ACTION SHEET

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
5.	ICT risk diagnostic - progress report	ICT risk diagnostic progress report - update at next meeting	Before 21 Sep 2018	David Mead	On agenda
8.	Emergency planning report and action plan	Emergency plan to be tested annually and entered onto Corporate Risk Register. Emergency plan to be entered on Audit Committee annual business plan		Richard Flatman, John Baker, Ian Mehrtens Joe Kelly	Emergency plan already exists as a risk on the CRR. Completed
11.	Student Data Continuous Audit report	Review target dates for completion of actions Reflect on management use of systems development in response to actions. Report to next meeting.	Before 21 Sep 2018	Lisa Upton Lisa Upton	On agenda On agenda
14.	External audit draft plan 2017/18	Revise Letter of Engagement re GDPR		Fleur Nieboer	To do
15.	Risk management benchmarking (KPMG)	Report to be added to committee annual business plan		Joe Kelly	Completed
17.	Annual debt write off	Investigate the reason for the spike in debt in 2010/11	Before 21 Sep 2018	Natalie Ferer	To do

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
18.	GDPR compliance update	GDPR compliance update to next Audit Committee meeting	Before 21 Sep 2018	James Stevenson	On agenda
22.	Speak up report	Update Chair on SU issue at SBA		Joe Kelly	Completed. Email sent 13 July 2018

	CONFIDENTIAL
Paper title:	ICT risk diagnostic update
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	David Mead, Director of Academic Related Resources
Sponsor(s):	Shan Wareing, PVC Education and Student Experience
Purpose:	For Review
Recommendation:	Audit Committee is requested to review the report

Background

1.1. In June 2017 auditors PwC were commissioned to carry out a risk diagnostic of ICT Operations. The PwC report, attached separately, scores LSBU ICT risks based on evidence shown at the time of the diagnostic. The scoring is benchmarked with other organisations from Education, Utilities, Local Government, Professional Services, Telecommunications, Construction, Transportation, Information Technology, Leisure and Media.

1.2. The diagnosis looked at 7 areas and provided an overall risk score for each:

Area	Overall level of risk
IT Strategic decision making	Medium
IT Governance	High
IT Management	Low
System Quality	Medium
System Support & Change	High
IT Operations	High
Information Security	Medium

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Audit Committee Paper: ICT PwC Risk Diagnostic   September 2018

1. Action Plan and Governance

1.1. The diagnostic has provided a good baseline for us to review where we are focusing our resources. An action plan and the progress made against it was presented to the Audit Commission in February 2018 and a further update was provided in May 22018. This paper provides a further update on the progress against the action plan as at September 2018.

1.2. The delivery of the action plan is being co-ordinated by the internal ICT Senior Management Team meeting. All actions have a completion target date and as of September 2018:

- 17 of the 24 actions were complete.
- 5 of the 24 actions are on target to complete against their timeframe.
- 2 of the 24 actions now have a revised timeframe and these are highlighted in amber on the action plan over the page.

Audit action plan – Owned by LSBU ICT Senior Management Team

Version: January 2018   <mark>Green</mark>= on track or complete. <mark>Amber</mark> = revised timescale

Ref	Area	Risk identified	Action	Action status
1	IT Strategic decision making- Medium Risk Area	The lack of defined responsibilities may lead to either delays in decision making or sub-optimal decision making, resulting in IT being unable to deliver on its strategic objectives	Governance Board now operational with terms of reference and attendees agreed- Board chaired by Exec member. We are currently creating a formal RACI template to ensure clarity of roles and responsibilities.	<mark>Complete</mark> <mark>Complete</mark>
2	IT Strategic decision making- Medium Risk Area	The absence of mapped interdependencies across people, processes and technology increases the risk that an issue with/or change to a particular IT component may adversely affect other systems, which may lead to severe disruption of IT services.	Systems and architecture currently being documented.	<mark>To complete by **January 19**</mark>

1

Ref	Area	Risk identified	Action	Action status
3	IT Strategic decision making-Medium Risk Area	The absence of consistent management information around sustainability may result in inconsistent/inaccurate reporting which could lead to a lack of awareness around the effectiveness of IT sustainability measures.	Sustainability Management information dataset to be created.	September 18 We are currently migrating to a new datacentre which is due to complete by Jan 19. At that point we will have the complete consumption dataset required for this action.
4	IT Governance-High Risk Area	Responsibilities and accountabilities may not be known and understood across the organisation, resulting in disruption to the University's services in case of an incident.	Major Incident plan has now been revised and updated and is regularly communicated.	Complete
Ref	Area	Risk identified	Action	Action status
5	IT Governance-High Risk Area	The absence of effective communication of identified actions from governance forums may lead to a lack of clarity in delivering services. As a result, business needs might not be addressed effectively or in a timely manner.	Bi-monthly meetings have been set up for sharing information as appropriate throughout all of ICT services.	Complete
6	IT Governance-High Risk Area	The absence of up-to-date IT policies increases the risk of ineffective mechanisms for managing information security activities, resulting in security breaches, major outages and /or reputational issues.	We have implemented several policies through the development of ITIL. This continues to mature and further policies added. A third party is also engaged to help with process documentation.	To reach level 3 ITIL maturity by July 18- Now achieved. Major incident plan in place. Security policy review to be completed by new Head of IT Security. Oct 18
7	IT Governance-High Risk Area	Insufficient assessment and monitoring of IT risks can result in inadequate process controls being implemented to mitigate disruption to the IT applications and	A risk and issues log is now integral to the weekly ICT SMT meeting.	Complete

Ref	Area	Risk identified	Action	Action status
3		infrastructure that support the University's services.		
8	IT Governance- High Risk Area	The absence of formalised SLAs may result in a misalignment of expectations between IT and the business, resulting in a degradation of IT service quality.	The data network access SLA is now in place. Service SLA data now in place. The Roadmap governance Board is now in place to manage expectations on project priorities and timescales. A recent audit of the Roadmap process has been undertaken and this will be reported to committee in a separate report.	Complete
Ref	**Area**	**Risk identified**	**Action**	**Action status**
9	IT Management- Low Risk Area	The absence of a formalised and signed off asset management policy increases the risk that the degree of compliance may deteriorate and inappropriate or incorrect actions may be taken, increasing the likelihood of disruption to services.	Now signed off at Operations Board July 2017.	Complete
10	Systems Quality- Medium Risk Area	The absence of robust BI for all key systems may lead to an inability to produce adequate reporting resulting in ineffective decisions being made by senior management and consequently financial losses or poor business performance.	To review once we have output from systems and architecture work due to complete in March 2018	Complete *We now have a complete BI overview of all our systems that is informing our cloud strategy.*

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Ref	Area	Risk identified	Action	Action status
11	Systems Quality- Medium Risk Area	The failure to effectively capture and identify project related risks and to design appropriate mitigating controls in a formalised project risk register increases the risk of financial, operational, regulatory and reputational impact.	Risk registers in place for all projects. Projects are reviewed weekly at the ICT SMT which includes looking at barriers and key risks.	Complete
12	Systems Support and Change	The absence of formalised and widely shared lessons learned processes increases the risk of a repeat of issues that could have been prevented.	Major Incident Reports cover lessons learnt. Projects now incorporate lessons learnt report upon closure.	Complete
Ref	Area	Risk identified	Action	Action status
13	Systems Support and Change – High Risk Area	The existence of skills shortages may lead to knowledge gaps and consequently may result in an inability of IT to support the business resulting in prolonged outages and business disruption.	Workforce plan being developed and staff are attending training courses as identified through appraisal and management meetings. Reducing the amount of technology we have to reduce the knowledge requirement across the service.	To complete in December 2018 *Workforce plan live and training has been taking place as part of a rolling programme. This will continue as we commission new systems and decommission old systems. Additional Apple support has been contracted through a third party.*
14	Systems Support and Change – High Risk Area	The lack of user education will lead to inefficiencies in the work force as employees are unsure of the best channels to seek support or they may use systems without the	Digital Skills centre set up to support staff with the introduction of new systems. The recently approved asset policy sets out	Complete

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Ref	Area	Risk identified	Action	Action status
5		appropriate knowledge. This could result in major outages or a low quality of service.	that all ICT purchases should be made centrally allowing better control. The new Data network SLA sets out all contact details.	
15	Systems Support and Change – High Risk Area	The lack of robust end-to-end testing could result in critical issues not being tracked and tested, increasing the likelihood of problems during release and implementation.	New projects include testing requirements as part of the capital scope.	Complete
16	Systems Support and Change – High Risk Area	In the absence of up-to-date architectural documentation sub-optimum investment decisions may be made where they contradict or do not enhance existing IT systems and processes.	Work has been commissioned to document the systems and architecture.	To complete Jan 2019
Ref	Area	Risk identified	Action	Action status
17	Systems Support and Change – High Risk Area	The absence of access controls mechanisms and processes regarding developer access to the production environment may lead to unapproved changes being implemented resulting in significant business disruption and financial or reputational losses.	Change Advisory Board (CAB) meets weekly and a policy is in place that makes sure all change requests are approved through the board.	Complete
18	IT Operations- High Risk Area	The high volume of legacy hardware increases the risk that effective support is not provided for the systems from vendors or staff, which may result in major outages or business disruption.	Hardware replacement is under review and a priority on our technical roadmap.	To complete in July 2018 Sept 18 update: We now have the new data centre set up and a migration of existing systems will take place, completing in **Jan 19.**
19	IT Operations-	The absence of DR/BCP testing increases the risk of an inability to restore	A more reliable and robust effective DR/BCP is dependent	To complete in December 2018

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Ref	Area	Risk identified	Action	Action status
6	High Risk Area	services in a timely manner which may result in major outages or business disruption. The current infrastructure makes testing infeasible.	on the work being done on the infrastructure under the datacentre strategy.	On track- DR plan costed and programmed in for set up over Autumn 18.
20	IT Operations- High Risk Area	The absence of problem management procedures increases the risk that issues will not be mitigated in a timely manner, which may result in continued disruption to IT services.	Problem Management procedure now developed and implemented.	Complete .
21	Information Security- Medium Risk Area	The absence of an information security team may lead to an unavailability of knowledge/resource and may result in an inability for IT to successfully secure its data.	A new Head of Information Security started August 18. Matrix management of resources across ICT services.	Complete
Ref	**Area**	**Risk identified**	**Action**	**Action status**
22	Information Security- Medium Risk Area	In the absence of periodic access reviews, access to computing resources may not be revoked in a timely manner upon termination of employment, which increases the risk of malpractice from third parties, leading to potential financial, operational and reputational issues.	We have scoped a role based access control project that is on our technology roadmap as a priority.	December 18
23	Information Security- Medium Risk Area	The absence of document classification procedures increases the risk that during a document's lifecycle, sensitive information can be exposed to inappropriate personnel leading to reputational, financial, operational and or legal issues.	Training is provided to make staff aware of how to handle sensitive information. This is mandatory and constantly reviewed. To formally classify all documents we have would be an expensive undertaking so our approach is to mitigate the risk through training and awareness.	Complete

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	CONFIDENTIAL
Paper title:	Progress Update – Internal Audit Continuous Audit of Student Data
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	Lisa Upton, Head of Registry
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note the attached progress update

Executive Summary

The Audit Committee requested an update on progress against the management responses to the exceptions within the period 2 student data report from 17/18.

- The Audit Committee is requested to note the report and its findings

Recommendation 1 – Course Changes – Control S6:

Detail of finding:
Exceptions identified for 5/25 course changes tested.
•For 3/25course changes, a change of course form could not be evidenced.
•1/25 change of course forms had not been approved by the course director.
•1/25 change of course forms had not been approved by the student.

Agreed Action:
Student Administration Management have been advised of the failures identified in this audit and instructed to communicate with their teams, to ensure that they are aware of the procedure and to set a standard to follow this consistently 100% of the time. This includes ensuring they have a change of course form, pay attention to the detail to check that they are properly completed and comply with the procedure. Once a change has been logged centrally, The Registry has committed to do an additional check for a period of time to test compliance and will not approve changes without due process being followed. A log of failures will be maintained and reported to senior management.

Progress update:

This has been actioned and each change of course request is now being checked by the fees and bursaries team as an additional control measure, with a related log of non-compliance items being collected.

An email has been sent to the student admin team leaders re-emphasising the correct procedure, and the importance of adherence to it, and this communication has been uploaded to the 4-Action tracker platform.

Recommendation 2 – Exception Reports – Control S9:

Detail of finding:
Exception reports are run monthly to identify discrepancies between the actual and expected credits a student is registered to. The registry team contact the Schools to understand the cause of discrepancies and correct the student module data if required.
We identified that responses from Schools were delayed, meaning that at the time of audit fieldwork, there were a number of errors in the module data which had not been resolved. This is because there is no formal deadline for responses to be returned.

Agreed Action:
The registry will introduce a response deadline in the communications provided as a result of the exception report analysis.

Progress update:

The response deadlines have now been actioned and each report now contains a clear deadline for response as per the image below.

PLEASE RESOLVE ALL OF THE PROBLEM CASES AND RETURN THESE TO uptonl@lsbu.ac.uk BEFORE 17 NOVEMBER 2017

A RESOLUTION MUST BE ENTERED IN COLUMN P FOR EACH OF THE CASES BELOW.
WHEN 'CASE RESOLVED' IS SELECTED YOU MUST PROVIDE A BRIEF EXPLANATION OF WHY THE RECORD WAS INCORRECT.
WHEN 'EXCEPTION PRESENT' IS SELECTED YOU MUST COMPLETE AN NON-CONFORMANCE REPORT (NCR) AND RETURN THIS TO @lsbu.ac.uk

A	B	C	D	E	F	G	H	I
DEPARTMENT CODE	AOS CODE (COURSE)	COURSE NAME		STUDENT ID NUMBER	AOS PERIOD	STAFF MEMBER	STUDENT FIRSTNAME	STUDENT SURNAME	DESCRIPTION

Recommendation 3 – Criminal Conviction Checks – Control S1:

Detail of finding:
For 8/25 new students, the criminal conviction self-declaration was not completed.

Agreed Action:
Any positive declarations within UKPASS applications are actioned by the admissions team along the agreed protocols. The response to the criminal convictions question is not currently included in the data transfer process which creates records onto the corporate Student Record System. The university is developing a proposal for use of an alternative admissions platform, that will address the data transfer issue with the UKPASS platform for PG applicants.

Progress update:

Because of GDPR, this question is no longer being asked of applicants who come through the UCAS system. A clause has been inserted into the enrolment declaration to make it clear that students should disclose details of convictions to LSBU, and the process and communications by which they should do this are currently in development, in conjunction with the Legal & Governance team.

The new application portal being developed by LSBU for Post Graduate applicants will include this question, and the team are working to ensure that this data is correctly transferred into the student record system, although it is acted on by the admissions team prior to this point of data migration.

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	CONFIDENTIAL
Paper title:	Internal Audit - Progress Report – September 2018
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	PriceWaterhouseCoopers
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information.
Recommendation:	The Committee is requested to note the attached report

Executive Summary

The Progress Report accompanies other internal audit reports to each meeting of the Audit Committee, and details progress against the internal audit plan in year, alongside implementation progress against the actions falling due, or remaining outstanding from all audit reports outside of the continuous audit programme.

The progress report finds overall improvement in the tested areas from the period 1 report, with Payroll and Accounts Payable improving to green, Cash and General Ledger remaining green, and slight decline to amber in Accounts Receivable.

Four recommendations were followed up in this period, and three have been implemented (75%), with 1 partially implemented.

- The Audit Committee is requested to note the report and its findings

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Internal Audit Progress Report 2017/18

London South Bank University

Final

September 2018

Click to launch

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Progress against plan **3** 📝	*Appendices* A. Follow up on audit actions B. Thought leadership

Summary (1 of 3)

Purpose of this report

We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention any other matters that are relevant to your responsibilities.

Progress against the 2017/18 internal audit plan

We have completed 100% of our 2017/18 internal audit programme for the year. For this Audit Committee, we present the following final reports:

- IT Technology Roadmap;

- HR;

- Risk Management; and

- Key Financial Systems Continuous Audit Phase 1 (2018/19).

We also present:

- Our draft 2017/18 Internal Audit annual report;

- Our draft 2017/18 Internal Audit Charter; and

- Our final 2018/19 Internal Audit plan.

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Summary | Activity in the period | Progress against plan | Appendices
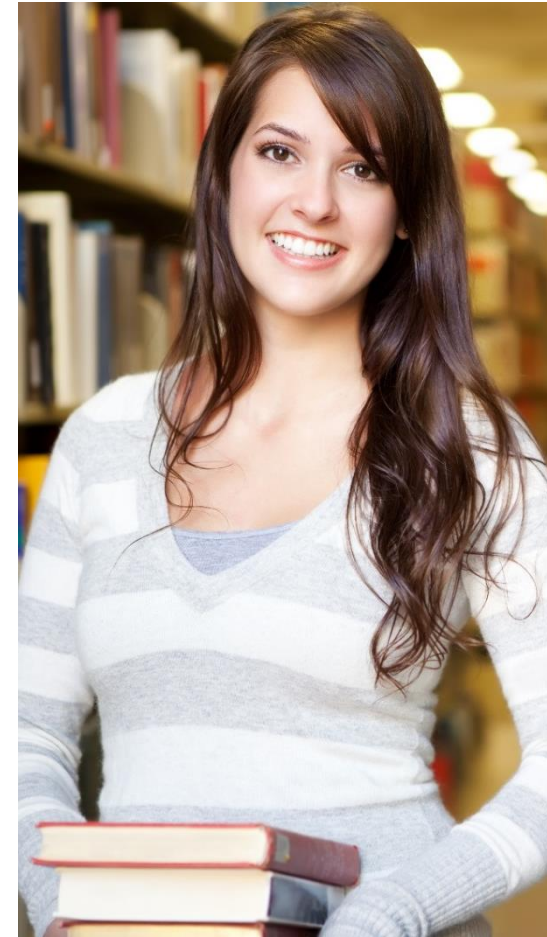
Summary (2 of 3)

Findings of our Follow Up Work

We have undertaken follow up work on actions with an implementation date of 30 September 2018 or sooner. We have discussed with management the progress made in implementing actions falling due in this period. Where the finding had a priority of low or advisory, we have accepted management's assurances of their implementation; otherwise, we have sought evidence to support their response.

A total of seven actions have been followed up this quarter. Two actions have been implemented (29%), two actions have been partially implemented (29%) and three actions have not been implemented (42%).

Additional Follow Up Work - Accommodation code, UUK Code of Practice Audit 2018.

Additionally, we have also followed up on the Halls of Residence actions relating to the Accommodation code, UUK Code of Practice Audit 2018.

There were a total of 8 actions, where 7 of 8 (88%) have been implemented, and where 1 of 8 (12%) is partially implemented.

Progress for both follow ups are summarised in Appendix A.

Summary (3 of 3)

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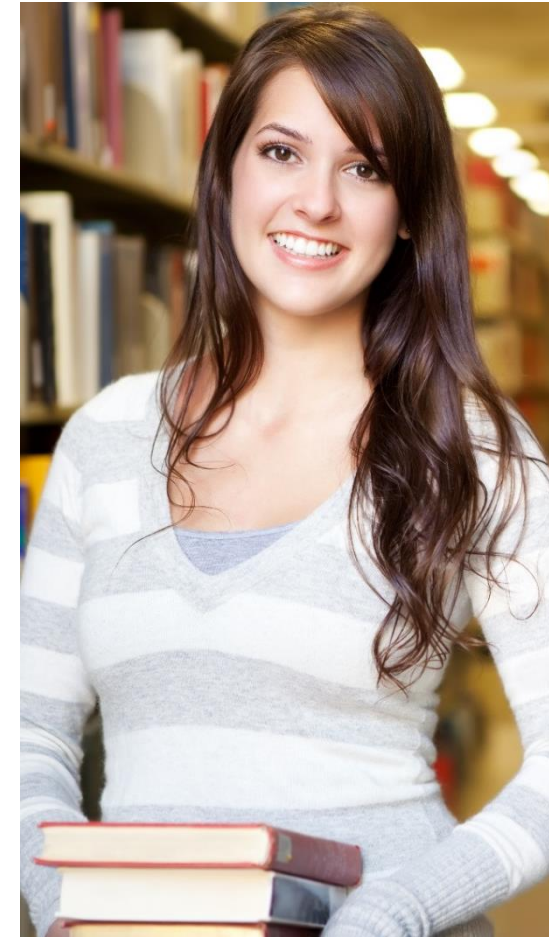
Other Matters

In August we hosted six London South Bank University (LSBU) finance interns at our PwC Embankment Office where we introduced them to PwC, provided details on the PwC graduate scheme and invited four of our junior staff to share their first few years of experience with a professional services firm.

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. Our Higher Education Centre of Excellence and the PwC's Public Sector Research Centre (PSRC) produce a range of research and are the leading centres for insights, opinion and research on good practice in the higher education sector.

In Appendix B we have summarised some of our recent publications.

Recommendations

- That the Audit Committee **notes** the progress made against our 2017/18 Internal Audit Programme.
- That the Audit Committee **comments** on our final report for:
    - ❑ IT
    - ❑ Risk Management,
    - ❑ HR
    - ❑ KFS CAM Phase 1 Audits (2018/19)
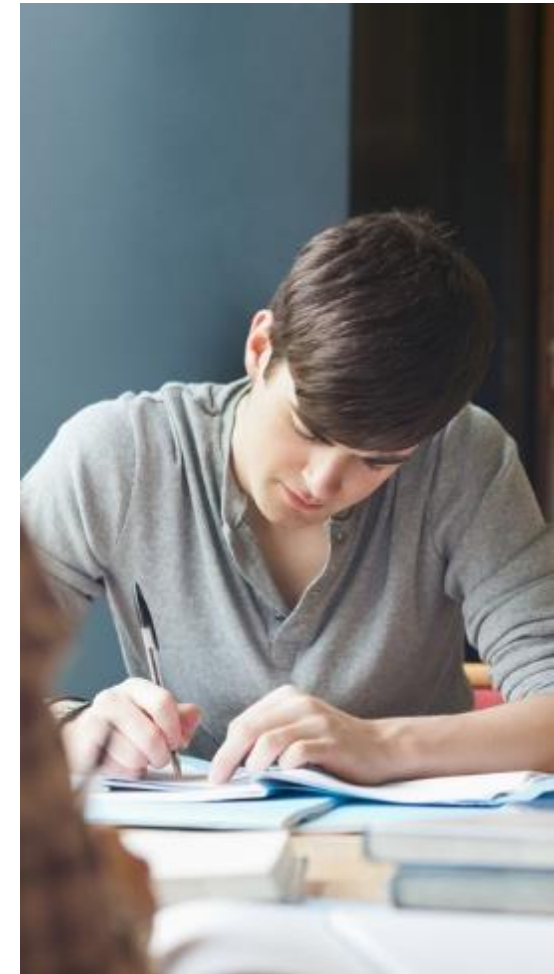
Activity in the period (1 of 4)

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Final reports issued since the previous meeting

<u>IT – Medium Risk</u>

We reviewed whether LSBU's technology roadmap process that can align and control IT changes within the university estate and partner organisations (including schools using the IT network) so that they architecturally aligned, are consistent with LSBU's strategic objectives, and can be monitored for costs.

We identified four *medium risk* findings, summarised as follows:

- A baseline enterprise architecture map has not yet been created to assess proposed changes against current technology;

- Benefits realisation and management of projects needs to be defined and implemented for monitoring against;

- The project prioritisation process and the assessment of their alignment to strategic objectives; requires defining and formalising;

- The scope and operating principles of the Technical Design Authority (TDA) requires defining and formalising;

We also identified one *low risk* finding, where the budgeting process for projects should include consideration of a wider range of costs (direct/indirect) for improved accuracy.

Good practice noted

There is a newly established project management process that formalises the gateways for each project to progress towards implementation. Although there is some further development needed it is encouraging to see a process defining what steps need to be taken at each project stage gate, and the governance procedures to follow.

Activity in the period (2 of 4)

Final reports issued since the previous meeting

<u>HR – Low Risk</u>

We reviewed the controls in place for the key end-to-end process for Starters, Leavers and amendments to staff details for LSBU, and have produced a process map of the key controls. Testing of these controls will be in the bi-annual Key Financial Systems review. Additionally, we also reviewed the suitability and transparency of the new performance improvement policy against best practice.

We identified two *low risk* findings:

- The category options in the staff amendments process should be complete and match the options available to be selected by HR admin team and the HR Manager on iTrent;

- A policy owner should be identified for the Performance Management policy and training for key staff such as line managers, on their awareness and understanding of handling such cases.

Good practice noted

The University has appropriate controls designed and in place for the three key HR processes; starters, leavers and changes to staff details, with minor improvements required. The operating effectiveness of these processes will be tested in the bi-annual Key Financial Systems review

For Performance Management, the policy reflects best practice and contains the key areas for managing staff performance including a Performance Improvement Template requiring SMART objectives and a Manager Performance Report template.

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Activity in the period (3 of 4)

Final reports issued since the previous meeting

<u>Risk Management – Low Risk</u>

Controls in place for risk management across the University appear to be robust and well managed. We are pleased to report that in addition to a low risk report in 2016/17, management have continued to make improvements across the University and there has been a decline in both the number and rating of findings since last year.

We identified one *low risk* finding:
- Meeting minutes were not produced for the November Operating Effectiveness Review.

An advisory finding was identified where management should refresh the existing risk register to eliminate the template fields that are not deemed mandatory, or to add a comment to justify why actions are not defined for that risk. This is also best practice for having complete audit trail.

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Activity in the period (4 of 4)

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Final reports issued since the previous meeting

Key Financials Systems Continuous Audit P1 (2018/19)

Overall, there has been a consistent performance of key financial systems in the current period. Fewer exceptions were identified across the systems compared with the previous period, and in particular, the performance of Payroll has improved to a green risk rating due to fewer exceptions identified. The risk rating for Accounts Payable also remains green due to fewer exceptions identified, and for those identified they were low risk. The risk rating for Accounts Receivable remains at amber as we continued to identify a number of instances were debts were not chased in accordance with the debt recovery policy. Our ratings are based on the number and severity of findings noted for controls tested as part of the programme.

System / Rating	P1 2018/19	P2 2017/18	P1 2017/18	P2 2016/17	P1 2016/17	P2 2015/16	P1 2015/16	Trend
Payroll	🟢 Green	🟡 Amber	🔴 Red	🟡 Amber	🟡 Amber	🟡 Amber	🟢 Green	⬆
Accounts Payable	🟢 Green	🟢 Green	🟡 Amber	🟡 Amber	🟢 Green	🟢 Green	🟢 Green	↔
Accounts Receivable	🟡 Amber	🟡 Amber	🟢 Green	🟢 Green	🟢 Green	🟢 Green	🟢 Green	↔
Cash	🟢 Green	🟢 Green	🟢 Green	🟢 Green	🟡 Amber	🟢 Green	🟢 Green	↔
General Ledger	🟢 Green	🟢 Green	🟢 Green	🟢 Green	🟡 Amber	🟢 Green	🟢 Green	↔

Progress against 2017/18 plan (1 of 3)
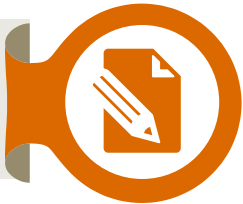
The below table outlines the progress against the 2017/18 Internal Audit Plan:

Days	*ToR*	*Field work start*	*Exit Meeting*	*Final Report*	*Report Classification*	*Total findings*	● Critical	● High	● Medium	● Low	● Advisory
Quarter 1: August 2017 – October 2017											
Continuous Auditing: Key Financial Systems – January 2017 to July 2017											
15 (15)	02/08/2017	14/08/2017	15/09/2017	19/09/2017							
Health and Safety											
12 (12)	18/09/2017	09/10/2017	14/12/2017	26/01/2018	**Medium**	3	-	-	2	1	-
Quarter 2: November 2017 – January 2018											
International Partnership Arrangements											
10 (10)	29/11/2017	06/12/2017	22/02/2018	30/05/2018	**High**	3	-	2	1	-	-
Continuous Auditing: Student Data – April 2017 to October 2017											
13 (13)	29/11/2017	04/12/2017	12/12/2017	31/01/2018							

Progress against 2017/18 plan (2 of 3)

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Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	● Critical	● High	● Medium	● Low	● Advisory
Quarter 3: February 2018 – April 2018											
Continuous Auditing: Key Financial Systems - August 2017 to December 2017											
15 (15)	08/01/2018	08/01/2018	19/01/2018	31/01/2018	N/A						
Continuous Auditing : Student Data - November 2017 to March 2018											
12 (12)	12/04/2018	09/04/2018	13/04/2018	07/05/2018	N/A						
HR audit											
10 (10)	13/07/2018	23/07/2018	14/08/2018	21/09/2018	**Low**	2	-	-	-	2	-
IT audit											
15 (15)	13/07/2018	16/07/2018	08/08/2018	30/08/2018	**Medium**	5	-	-	4	1	-

Ratings column header spans: Critical, High, Medium, Low, Advisory

Progress against 2017/18 plan (3 of 3)

Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							● Critical	● High	● Medium	● Low	● Advisory
Quarter 4: May 2017 – July 2017											
Risk Management											
5 (5)	26/07/2018	14/08/2018	20/09/2018	21/09/2018	**Low**	2	-	-	-	1	1
Other											
15 (15)	Planning, contract management, reporting, value for money and follow up										
Total	**125 (125)**										

Appendices

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Appendix A: Follow up (1 of 9)

Implemented – Internal audit actions

#	Review	Agreed Action	Original due date	Risk rating	Status
1	Contract Management	Guidance for contract management will be updated to include the requirement that Contract Managers authorise payments to supplier before the payment is released. This message will be reiterated in training for Contract Managers. The Accounts Payable team will be reminded that POs can not be produced without authorisation from the relevant staff member.	31/07/2018	● Medium	**Implemented/ closed** All agreed actions have been implemented
2	Fire Safety Management (Health and Safety)	- As part of the new fire policy implementation, training will be provided to those with fire safety responsibilities. - The university will continue to take steps to raise awareness of the dangers of not responding to fire alarms/evacuating appropriately. Awareness campaigns will be periodically carried out to ensure all staff, students and visitors are aware of their responsibilities in the event of a fire. - Where investigation reveals that an alarm has been misused, punitive measures will be considered.	30/08/2018	● Medium	**Implemented/ closed** All agreed actions have been implemented

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Appendix A: Follow up   Appendix B: Thought
                               leadership

Appendix A: Follow up (2 of 9)

Implemented – Additional follow up work (1 of 4)

#	Review	Agreed Action	Update	Status
1A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.6)	Fire safety systems must be maintained in working order and regularly tested in accordance with regulations relating to each particular piece of equipment and each building type. The design and detail of systems in existing buildings will be determined in accordance with a fire safety risk assessment and in consultation with the fire authority or local authority as appropriate. David Bomberg House – a full 100% inspection took place on 05/04/2018 New Kent Road - a full 100% inspection took place on 09/04/2018 Dante Road - a full 100% inspection took place on 11/04/2018 McLaren House a full 100% inspection booked w/c 11/06/2018 (2 weeks completion) We have used a new contractor to carry out 100% device testing and will continue with this contractor going forward. All contractors are now directly managed by LSBU and are not sub contracted. Disabled Refuse System test dates: Dante Road – N/A No Refuge system David Bomber House – 24/04/2018 McLaren House – 12/03/2018 New Kent Road - N/A No Refuge system	September 2018	**Implemented/ closed** All agreed actions have been implemented

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Appendix A: Follow up (3 of 9)

Implemented – Additional follow up work (2 of 4)

#	Review	Agreed Action	Update	Status
2A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.62)	Weekly fire alarms tests take place on the following dates and records are available: McLaren House – Tuesday David Bomberg House – Tuesday Dante Road – Wednesday New Kent Road – Wednesday	September 2018	**Implemented/ closed** We reviewed a sample of the fire alarm tests with no exceptions identified. All agreed actions have been implemented.
3A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.71)	Monthly emergency lighting tests take place and all noted failures have been rectified, records of tests and certificates of remedial works are available. Latest test dates since audit: Dante Road - 17/04/2018 & 08/05/2018 David Bomber House - 19/04/2018 & 31/05/2018 McLaren House - 05/04/2018 & 03/05/2018 New Kent Road - 19/04/2018 & 31/05/2018	September 2018	**Implemented/ closed** All agreed actions have been implemented.
4A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.72)	Emergency secondary power supplies such as generators and battery back up systems. Date of last tests for emergency light battery back up: Dante Road – 07/07/2017 David Bomber House – 01/03/2017 McLaren House – 21/06/2017 New Kent Road – 21/06/2017	September 2018	Implemented/ closed All agreed actions have been implemented.

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Appendix A: Follow up (4 of 9)

Implemented – Additional follow up work (3 of 4)

#	Review	Agreed Action	Update	Status
5A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.15)	Following the FWT, an independent electrical consultant was contracted to review the findings. As a result the consultant and not LSBU, advised that a number of ratings should be amended, this is inaccurate reporting on the auditors behalf and was challenged at the time. Some ratings were decreased and some were increased. All remedial work has taken place and certificates are available to demonstrate this. In addition to demonstrate compliance, the independent consultant has written a full report justifying the re-calcification of certain items, this report unfortunately was not available at the time of audit hence the reason the auditor failed this element of the code.	September 2018	**Implemented/ closed** We reviewed the report received from Hoggarth Consulting Limited (HCL) and confirmed all remedial works have been completed and that LSBU are compliant with regulations. All agreed actions have been implemented.
6A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.21)	Hot and cold water services are monitored on a weekly basis, the last 4 test dates in each residence are as follows and records are available, this included flushing outlets in empty rooms: Dante Road – 17/05/2018, 24/05/2018, 31/05/2018 & 07/06/2018 David Bomber House – 17/05/2018, 23/05/2018, 29/05/2018 & 05/06/2018 McLaren House – 15/05/2018, 23/05/2018, 30/05/2018 & 05/06/2018 New Kent Road – 12/02/2018, 08/03/2018, 11/04/2018 & 17/05/2018 (no little used outlets these are dates for temp checks) **Latest water tank inspection and tests as follows, unfortunately the certificates were not available at the time of audit:** Dante Road – 11/10/2017, David Bomber House – 11/10/2017, McLaren House – Conducted in October 2017 Certificate to follow, New Kent Road – 11/10/2017 **Latest Legionella testing (all showing not detecting):** Dante Road – 15/03/2018, David Bomber House – 19/04/2018 McLaren House – 15/03/2018, New Kent Road – 15/03/2018	September 2018	**Implemented/ closed** We reviewed a sample of the hot and cold water inspections with no exceptions identified. All agreed actions have been implemented.

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Appendix A: Follow up   Appendix B: Thought
                            leadership

Appendix A: Follow up (5 of 9)

Implemented – Additional follow up work (4 of 4)

#	Review	Agreed Action	Update	Status
7A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.3)	Due to a change in local legislation within Southwark Council, the kitchens in David Bomberg House require an additional oven. The layout of these kitchens will require units to be altered and moved, therefore the work to make these changes has been scheduled for the summer months. Since the audit has taken place quotes have been received and an order placed with an external contractor to make the necessary changes and supply the additional equipment. Work will commence on the 20th August 2018 and will be complete by 7thSeptember 2018 before the new intake of students.	September 2018	**Implemented/ closed** For David Bomberg House, we reviewed an email from Keith Wilson (Contract Delivery Manager) confirming that the kitchens at DBH have been fitted and are now up to standard. As confirmed by management, there were no issues identified with the Kitchens at Dante Road, McLaren House and New Kent Road. As such, no issues noted. All agreed actions have been implemented.

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Appendix A: Follow up (6 of 9)

Partially implemented – Internal audit actions (1 of 2)

#	Review	Agreed Action	Original due date	Risk rating	Status
3	Data Security	**Security** We are not able to technically restrict unencrypted USB devices across the whole organisation as this would have a negative impact on teaching and learning, as well as on our disabled students. Instead we will begin deploying encrypted USBs to all staff that request them, and enforcing by policy; that all members of staff must use LSBU provided encrypted USBs whenever transporting any data away from their machines. We have not been accepting 'opt outs' for encryption policies since July 2015, we will no longer be accepting 'opt outs' for any encryption related policy. This messaging will be reinforced to our helpdesks during September. We have undertaken a cost benefit analysis of known desktop machines across the organisation. We have identified that public machines hold no accessible sensitive information therefore can be viewed as low risk. As a department we have decided that only sensitive devices will be encrypted. We recently (August 2016) implemented a system (System Centre Configuration Manager) capable of cataloguing and tracking machines across our network. This system will help to address historic tracking issues for laptops and other mobile devices. We are expecting this system to reach maturity by the end of 2016. In addition we are exploring options to restrict access to staff areas of the network to only allow registered and tracked devices (Network Access Control system) during the 16/17 academic year. The password parameters applied in AD are a known issue related to a deprecated system that has been decommissioned, a change request has been submitted as of 07/09/2016 to have the technical password policy parameters changed. We will review the listing of incomplete encryptions and remind users to ensure that these are up-to-date so they are actively encrypted. As above, this work will be covered as part of our SCCM database.	30/05/2018	● **High**	As updated to the Audit Committee on 7 June 2018, the majority of this action has been implemented. We are awaiting an update on a minor part of the action relating to the password parameters including the number of attempts a user can try before they are locked out.

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Appendix A: Follow up (7 of 9)

Partially implemented – Internal audit actions (2 of 2)

#	Review	Agreed Action	Original due date	Risk rating	Status
4	International Partnership Arrangements	The international Office will work with the systems team in Research Enterprise & Innovation to enable the use of their Haplo software platform to track and manage all potential partnership activity. This will enable snapshot reporting of progress across the institution enabling all interested parties to track progress in real time, and utilise the CRM benefits within this platform	30/09/2018	● Medium	The International office have been working with the REI team and HAPLO to enable the roll out of the new prospect management module with the customisation required for international partnerships. Project meetings have taken place in September, and the soft launch is scheduled for October. Revise due date to 31/10/2018.

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Appendix A: Follow up (8 of 9)

Partially implemented - Additional follow up work

#	Review	Agreed Action	Update	Status
8A	LSBU UUK Code of Practice Audit 2018 (Ref: 2.17)	All portable appliances supplied by an H/FEE, or used in the premises by H/FEE staff, must be inspected and maintained in accordance with an establishments PAT policy. Where arrangements exist for the testing of students' personal electrical equipment these should be set down in the PAT policy. The H/FEE must make students aware of the PAT policy, and any procedure for having students personal electrical equipment tested. PAT does take place and is accurately referred to in the Accommodation Agreement and Residents Handbook. A PAT Policy is being implemented by the Estates Technical Services Team and will be in place from September ready for the new intake of students.	September 2018	**Partially implemented/open** The policy is still in draft format and has not yet been finalised. We have reviewed the electrical safety policy and confirmed that there is sufficient reference to PAT testing and the importance of this. However, this is only a draft policy. Management have confirmed his policy is still in draft format, it is under University consultation until the end of September 2018 and will then be presented to the Universities Joint Health and Safety Committee.

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Appendix A: Follow up   Appendix B: Thought leadership

Appendix A: Follow up (9 of 9)

Not implemented

#	Review	Agreed Action	Original due date	Risk rating	Status
5	Contract Management	Procurement are working on a framework for contract management across the University. Contracts will be categorised based on impact and the process for managing supplier performance will be tailored to each category. This process will include guidance on the frequency of meetings with suppliers and specify what records should be maintained from these meetings.	31/07/2018	● **Medium**	Not implemented, revised due date of 31/07/2019.
6	Contract Management	Procurement are in the process of developing training for Contract Managers, this will be tailored to individuals based on the impact of the contracts they manage. This will also include introducing touchpoint meetings for high impact contracts. Guidance for contract management will include the process to be followed for terminating contracts.	31/07/2018	● **Low**	Not implemented, revised due date of 31/07/2019.
7	Fire Safety Management (Health and Safety)	- The EAE team will provide a Fire Action Plan status update to the EAE Senior Management team periodically (at least every quarter). This should reflect what is entered into the concept system and the progress made against each agreed action. - HSR team will include a KPI for FRA actions completed/outstanding in the annual H&S reports provided to the executive board.	30/06/2018	● **Medium**	Not implemented, revised due date of 30/11/2018.

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Appendix B: Recent publications and thought leadership

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PwC PSRC produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.
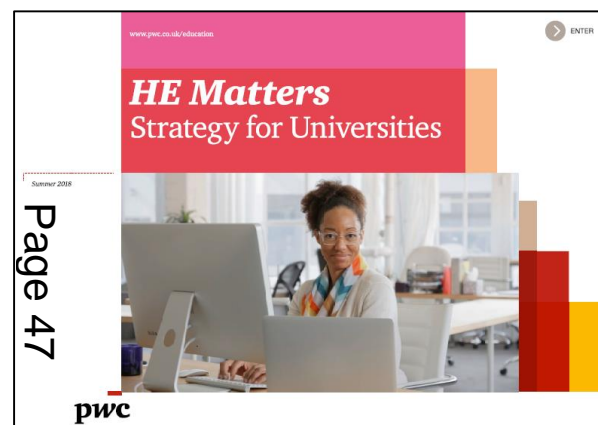
HE Matters: Strategy for Universities

This edition of HE Matters explores many of the big strategic challenges that universities are grappling with, some of the ways in which these can be analysed, and the tools that universities can deploy in response. These include: the power of choice, the challenge or opportunity with apprenticeships, managing risk in HE, differentiation through employability, investing for the future, aligning cost to strategy and course correction.

Managing Risk in Higher Education: The OFS Regulatory Framework – Implications for HE providers

The OfS formally came in to existence on 1 April 2018 and succeeds HEFCE as the primary regulator for providers. The seven Research Councils were incorporated in to a new organisation called UK Research and Innovation ("UKRI"), who the OfS will work closely with in regulating the sector.
This paper seeks to provide an introduction the OfS, highlight the 10 key areas of the framework issued by OfS in February 2018, the 2017/18 OfS Accounts Direction and Implications and questions for Audit Committees.

We are happy to provide full electronic or hard copy versions of these documents at your request.
All publications can be read in full at *www.psrc.pwc.com/* .

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Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Memorandum of Assurance and Accountability between the Office for Students and institutions. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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151118-224115-GC-OS

	CONFIDENTIAL
Paper title:	Internal Audit - Continuous Audit Report – Key Financial Systems – Period 1 2018/19
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	PriceWaterhouseCoopers
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note the attached report

Executive Summary

The report finds overall improvement in the tested areas from the previous report, with Payroll improving to green.

- The Audit Committee is requested to note the report and its findings

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Internal Audit Report 2017/18

Continuous Auditing: Key Financial Systems 2018/19 – Phase 1

London South Bank University

September 2018

Final

Click to launch

pwc

Contents

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Distribution list

For action: Natalie Ferer (Financial Controller)

For information: Richard Flatman – Chief Financial Officer
                  John Baker (Corporate & Business Planning Manager)
                  Audit Committee

| Executive summary | Background and scope | Findings | Appendices |

Executive summary

System Summaries

Overall, there has been a consistent performance of key financial systems in the current period. Fewer exceptions were identified across the systems compared with the previous period, and in particular, the performance of Payroll has improved to a green risk rating due to fewer exceptions identified. The risk rating for Accounts Payable also remains green due to fewer exceptions identified, and for those identified they were low risk. The risk rating for Accounts Receivable remains at amber as we continued to identify a number of instances were debts were not chased in accordance with the debt recovery policy. The performance of General Ledger remains green. Our ratings are based on the number and severity of findings noted for controls tested as part of the programme.

The below summary does not include control design issues which are individually risk rated. We identified seven control design findings – one finding was rated high risk, three findings were rated medium risk and three findings were rated low risk.

Our detailed findings are set out in Findings section of this report, starting on page 5. Our rating criteria are set out at Appendix A.

System / Rating	P1 2018/19	P2 2017/18	P1 2017/18	P2 2016/17	P1 2016/17	P2 2015/16	P1 2015/16	Trend
Payroll	🟢 Green	🟡 Amber	🔴 Red	🟡 Amber	🟡 Amber	🟡 Amber	🟢 Green	⬆
Accounts Payable	🟢 Green	🟢 Green	🟡 Amber	🟡 Amber	🟢 Green	🟢 Green	🟢 Green	↔
Accounts Receivable	🟡 Amber	🟡 Amber	🟢 Green	🟢 Green	🟢 Green	🟢 Green	🟢 Green	↔
Cash	🟢 Green	🟢 Green	🟢 Green	🟢 Green	🟡 Amber	🟢 Green	🟢 Green	↔
General Ledger	🟢 Green	🟢 Green	🟢 Green	🟢 Green	🟡 Amber	🟢 Green	🟢 Green	↔

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Background and scope

Background

The purpose of our Continuous Auditing programme is to test key controls on an on-going basis to assess whether they are operating effectively and to flag areas and/or report transactions that appear to circumvent controls. The systems included within the scope of our work in 2017/18 are:

- Payroll;
- Accounts Payable;
- Accounts Receivable;
- Cash; and
- General Ledger.

We have outlined the controls we tested in Appendix B. These have been identified through our annual audit planning process and meetings with management to update our understanding of the control framework in place. We will continue to refresh this knowledge throughout the year to ensure we focus upon the key risks facing London South Bank University (LSBU).

Performance Ratings

Performance is indicated either as 'green' or 'red'. 'Green' indicates that there were no operating effectiveness issues noted during the testing period. 'Red' indicates that an exception was identified. Control design issues are raised separately with individual risk ratings.

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Executive summary   **Background and scope**   Findings   **Appendices**

Detailed Findings

Payroll

Key Control		P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
P1	Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.	🟢	N/A	🔴	🔴	🔴	🔴

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Detailed Findings

Payroll

	Key Control	P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
P2	Leaver documentation, including evidence of line manager approval, is received from Human Resources upon notification of resignation or redundancy.	🟢	N/A	🟢	🔴	🔴	🔴
P3	The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.	🟢	N/A	🟢	🟢	🟢	🟢

Detailed Findings

Payroll

	Key Control	P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
P4	Exception reports are produced and reviewed as part of month-end procedures, before the payment run is authorised.*	🟢	N/A	🟢	🟢	🟢	🟢
P5	Variation forms, with supporting documentation, are received prior to any changes being made to standing data.	🟢	N/A	🟢	🔴	🟢	🟢

* This included the following reports: Errors and warnings reports (i.e. processing issues encountered); Payroll differences (difference between each element between two periods, with tolerances of between 5% and 10%); Gross pay over £6,000; Number of staff paid in comparison to previous month with subsequent reconciliation; Starters and leavers for the period; Element differences between two periods for overtime and bonuses; and, HMRC payments.

Detailed Findings
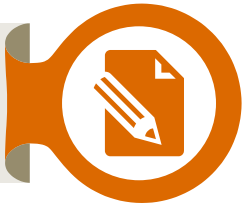
Payroll

	Key Control	P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
P6	Access to the payroll system is restricted to appropriate personnel.	🟢	N/A	🟢	🟢	🟢	🟢
P7	Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	🟢	N/A	🟢	🔴	🔴	🔴

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Detailed Findings

Payroll

	Key Control	P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
P8	Monthly reconciliations are performed between the general ledger and the payroll system. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	🔴	• For 1/2 months selected, 2 of the 10 ledger reconciliations did not have the date of authorisation to confirm it was authorised after being prepared. **Management response:** We will develop a template proforma for these reconciliations to include an explicit date box which should support staff in ensuring that date of authorisation is recorded on a consistent basis. **Responsibility for action:** Rebecca Warren, Head of Financial Accounting	🟢	🟢	🔴	🔴
P9	Expenses are supported by appropriately authorised claim forms.	🟢	N/A	🔴	🔴	🔴	🟢

Detailed Findings

Accounts Payable

	Key Control	P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
AP1	Authorised documentation must be received prior to the creating a new or amending a supplier record.	🟢	N/A	🟢	🔴	🔴	🔴
AP2	Invoices are approved for payment by an appropriately authorised individual.	🟢	N/A	🟢	🟢	🟢	🟢
AP3	Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.	🟢	N/A	🔴	🟢	🟢	🟢

Detailed Findings

Accounts Payable

Key Control		P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
AP4	BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	🟢	N/A	🟢	🟢	🟢	🟢
AP5	Agresso does not allow duplicate suppliers.	🔴	• For 1/25 samples (4%), the new supplier form was not dated and signed by the supplier before being inputted into the system. A Control design issue was also noted. No duplicate supplier was identified but for 8 of 25 suppliers, the duplicate supplier check was not confirmed as completed.	🔴	🔴	🟢	🔴

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Detailed Findings

Accounts Payable

Key Control		P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
AP6	Daily reconciliations are performed between the general ledger and the creditors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	🟢	N/A	🟢	🟢	🔴	🟢

AP5: Duplicate Suppliers
Control Design

1

Finding rating

Rating	Low

Findings

No duplicate supplier was identified from our testing but for 8 of 25 suppliers, the duplicate supplier check was not confirmed as completed. There is a tick box on the form that should be marked to confirm the check has been performed.

Management must ensure these checks are confirmed as completed before approving any supplier to be set up.

Implications

Amounts due to suppliers for goods and services are overpaid.

Agreed action

a) Recommunicate the importance of confirming that the check for duplicate suppliers has been completed and the box is required to be ticked.

Responsible person/title:

Penny Green, Head of Procurement

Target date:

31 October 2018
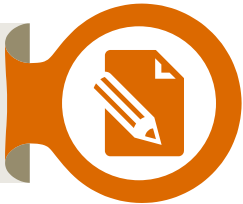
Reference number:

1

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Executive summary   Background and scope   **Findings**   Appendices

Detailed Findings

Accounts Receivable

Key Control		P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
AR1	Credit checks are performed on new customer accounts upon request, prior to the commitment of service.	🟢	N/A	🟢	🟢	🟢	🟢
AR2	Invoices are properly authorised on Agresso in line with the authorised signatory register.	🟢	N/A	🟢	🔴	🟢	🟢

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Detailed Findings

Accounts Receivable

Key Control		P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
AR3	Commercial debt: reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	🔴	3/25 (12%) exceptions noted and a control design issue. • 1/ 25 debts, no chasing letters were sent for 10 months; • 1/25 debts, first reminder was sent 45 days after invoice issue – a 15 day delay; • 1/ 25 debts, the correct invoice has not been re-raised and is now 57 days outstanding.	🔴	🟢	🔴	🔴

Management response:

Are three separate actions that should reduce the risk of these exceptions occurring again :

-monthly review of debt as part of the month end check list will ensure that reasons for not chasing are noted on the system

-check new customer accounts to ensure that the parameters for statements are reminders are correct

- Month end check list will reduce the risk that all debts are chased in line with our debt collection procedure .

Responsibility for action:

Julian Rigby, Head of Financial Processing

Detailed Findings

Accounts Receivable

	Key Control	P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
AR4	Student debt: reminder letters are sent in respect of overdue fees on a monthly basis in line with policy.	🔴	2/20 (10%) exceptions noted and a control design issue. • 1/20 debts, no chasing activity has been performed since October 2016; • 1/20 debts, no correction and chasing activity has been performed since the Student admitted they did not have Student Finance England (SFE) loan in May 2018 and had incorrectly selected this during enrolment.	🔴	🟢	🔴	🟢

Management response:

Please see Management response on page 19, finding 3.

Responsibility for action:
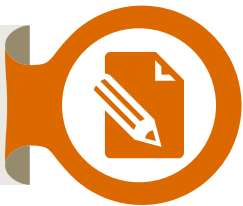
Julian Rigby, Head of Financial Processing

Detailed Findings

Accounts Receivable

	Key Control	P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
AR5	Debts are written off following appropriate review and authorisation.	🟢	N/A	🟢	🟢	🟢	🟢
AR6	Monthly reconciliations are performed between the debtors balance on the general ledger and QLX.	🟢	N/A	🟢	🟢	🟢	🟢

Detailed Findings

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Accounts Receivable

Key Control		P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
AR7	Monthly reconciliations are performed between the debtors balance per QLX to QLS.	🟢	N/A	🟢	🔴	🟢	🟢
AR8	Monthly reconciliations are performed between the General Ledger and the debtors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	🟢	N/A	🟢	🟢	🟢	🟢

AR3: Debtor chasing and tracking

Control Design

2

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Finding rating

Rating	Medium

Findings

Reminder letters are currently sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt. The 3/25 (12%) exceptions identified from our testing evidences weaknesses in the tracking process of reminder letters and debt chasing.

Implications

There is a risk that debts are not being collected on a timely basis and income is not being maximised.

There is also a risk that staff time is not being utilised effectively due to the resource commitment of chasing long-outstanding debts.

Agreed action

a) Since June 2018 a monthly check list has been in place in the income team which should reduce the risk of debts not being chased without the reason being documented. It should also reduce the risk of staff absence impacting on our debt collection activities. This will be operating for the Phase 2 testing.

Responsible person/title:

Julian Rigby, Head of Financial Processing

Target date:

N/A - already in place.

Reference number:

2

AR4: Reconciliation of Student debt and payments

Control Design

3

Finding rating

Rating	Medium

Findings

The 2/20 (10%) exceptions identified from our testing, evidences the following process gaps relating to controls AR6, AR7 and AR8 :

- There is no control to ensure that monthly payments are received if this has been selected by the Student as the payment option;

- There is no control to ensure that Students who have confirmed the SFE loan, the loan is received by the University, and chased if not received.

This is a weakness in managing and collecting student debt. We have tested the operating effectiveness of the reconciling the QLS student record system to the QLX financial system (control AR7); and found no exceptions. No exceptions were found in the testing of AR6 and AR8. However as this check is performed as part of the Monthly Finance checklist and reviewed as a whole, there may be issues in the accuracy of the reconciliation and relating data.

Implications

Without appropriate controls in place to ensure payments either by the Student or other third party are received and chased promptly, this will impact the University financially and may further expose them to fraud.

Agreed action

a) Monthly review of debt as part of the month end check list will ensure that reasons for not chasing are noted on the system

b) Check new customer accounts to ensure that the parameters for statements are reminders are correct

c) Month end check list will reduce the risk that all debts are chased in line with our debt collection procedure

Responsible person/title:

Julian Rigby, Head of Financial Processing

Target date:

31 October 2018

Reference number:

3

Detailed Findings

Cash

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Key Control		P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
C1	Cash takings in respect of tuition fees and student residences as recorded on QLX and KX are reconciled to cash balances held on a daily basis and discrepancies investigated.	🟢	N/A	🟢	🟢	🔴	🔴
C2	Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	🟢	N/A	🟢	🟢	🟢	🟢

Detailed Findings

Cash

	Key Control	P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
C3	Cash receipting responsibility within the QLX system and KX system is restricted to appropriate individuals.	🟢	Control design issue noted. There is no review of user access to KX.	🟢	🔴	🟢	🟢
C4	Reconciliations are performed on a monthly basis between Agresso and the Bank Statement. These are performed by Treasury Team and reviewed on a timely basis (by the Financial Accountant), with supporting documentation. Reconciling items are investigated on a timely basis.	🟢	N/A	🟢	🟢	🟢	🟢

C3: Review of KX user access
Control Design

4

Finding rating

Rating	Medium

Findings

There is no control in place to detect or prevent inappropriate access to KX, such as a regular review of user access including the levels of access.

As this report is not reviewed, there is a risk that inappropriate users have access to the KX system.

Implications

Inappropriate access to the KX system may be granted to employees leading to financial loss through fraud and account misuse.

Agreed action

a) We will investigate the feasibility of preforming a monthly check on user access for all key financial systems

Responsible person/title:

Natalie Ferer, Financial Controller

Target date:

21 December 2018

Reference number:

4

Detailed Findings

General Ledger

Key Control		P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
GL1	Journals must be authorised, with supporting documentation, prior to being posted on the system.	🟢	N/A	🔴	🔴	🟢	🟢
GL2	On a monthly basis management accounts are prepared and significant variances against budget are investigated.	🟢	N/A	🟢	🟢	🟢	🟢

Detailed Findings

General Ledger

			Prior period exceptions			
Key Control	**P1 18/19**	**Details on exceptions**	**P2 17/18**	**P1 17/18**	**P2 16/17**	**P1 16/17**
GL3 Suspense accounts are cleared or reconciled on a quarterly basis.	🔴	For 1/5 (20%) suspense accounts tested, the balance of £2639.82 was not cleared by June month end. Finance confirm that his was due to a payroll file that did not reconcile, and they are awaiting further confirmation from the Payroll team. **Management response:** This was caused by an error in the payroll journal for that month which was subsequently investigated and corrected. Although procedures around reconciliation and review were followed, the special status of this as a 'suspense' account means that balances should be resolved and cleared before the month is closed **Responsibility for action:** Rebecca Warren, Head of Financial Accounting	🟢	🟢	🟢	🟢

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Detailed Findings

General Ledger

	Key Control	P1 18/19	Details on exceptions	Prior period exceptions			
				P2 17/18	P1 17/18	P2 16/17	P1 16/17
GL4	Balance sheet control accounts are cleared or reconciled on a monthly basis.	🟢	N/A	🟢	🔴	🟢	🔴
GL5	Access to the general ledger is restricted to appropriate personnel.	🟢	N/A	🟢	🟢	🟢	🟢
GL6	No single individual has access to make changes to both the QLX and QLS systems.	🟢	N/A	🟢	🟢	🟢	🟢

Appendix A: Basis of our classifications

Appendix B: Terms of reference

Appendix C: Limitations and responsibilities

Appendices

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Appendix A: Basis of our classifications

System summary ratings

The finding ratings in respect of each financial sub-process area are determined with reference to the following criteria.

	Rating	Assessment rationale
	● **Red**	A high proportion of exceptions identified across a number of the control activities included within the scope of our work; or Control failures which, individually or in aggregate, have resulted in the significant misstatement of the University's financial records.
	● **Amber**	Some exceptions identified in the course of our work, but these are limited to either a single control or a small number of controls; or Control failures which, individually or in aggregate, have resulted in the misstatement of the organisations financial records, but this misstatement is not significant to the University
	● **Green**	Limited exceptions identified in the course of our work Control failures which, individually or in aggregate, do not appear to have resulted in the misstatement of the organisations financial records.

Control design improvement classifications

The finding ratings in respect of each financial sub-process area are determined with reference to the following criteria.

Critical   A finding that could have a:

- **Critical** impact on operational performance resulting in inability to continue core activities for more than two days; or
- **Critical** monetary or financial statement impact £5m; or
- **Critical** breach in laws and regulations that could result in material fines or consequences over £500k; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.

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Appendix A: Basis of our classifications

High	A finding that could have a: • **Significant** impact on operational performance resulting in significant disruption to core activities; or • **Significant** monetary or financial statement impact of £2m; or • **Significant** breach in laws and regulations resulting in significant fines and consequences over £250k; or • **Significant** impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.
Medium	A finding that could have a: • **Moderate** impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or • **Moderate** monetary or financial statement impact of £1m; or • **Moderate** breach in laws and regulations resulting in fines and consequences over £100k; or • **Moderate** impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.
Low	A finding that could have a: • **Minor** impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or • **Minor** monetary or financial statement impact of £500k; or • **Minor** breach in laws and regulations with limited consequences over £50k; or • **Minor** impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

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Appendix A: Basis of our
classifications

**Appendix B: Terms of
reference**

Appendix C: Limitations
and responsibilities

Appendix B: Terms of reference
Continuous Auditing: Key Financial Systems
2018/19

To: **Richard Flatman – Chief Financial Officer**

From: **Justin Martin – Head of Internal Audit**

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Background and audit objectives

This review is being undertaken as part of the 2018/19 internal audit plan approved by the Audit Committee.

Background and audit objectives

The purpose of our Continuous Audit programme is to test key controls on an on-going basis to assess whether they are operating effectively and to flag areas and/or report transactions that appear to circumvent controls. Testing is undertaken twice a year and provides the following benefits:

• It provides management with an assessment of the operation of key controls on a regular basis throughout the year;

• Control weaknesses can be addressed during the year rather than after the year end; and

• The administrative burden on management will be reduced when compared with a full system review, in areas where there is sufficient evidence that key controls are operating effectively.

We have outlined the specific controls we will be testing in Appendix 1. These have been identified through our annual audit planning process and meetings with management to update our understanding of the control framework in place. We will continue to refresh this knowledge throughout the year to ensure we focus upon the key risks facing London South Bank University (LSBU). Where the control environment changes in the financial year or we agree with management to revise our approach, we will update Appendix 1 and re-issue our Terms of Reference.

Our work touches upon the following areas that form part of our annual report to Audit Committee:

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
30	x	x	x	x	x

x = area of primary focus

x = possible area of secondary focus

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Scope

The financial processes, key control objectives and key risk areas included within the scope of this review are:

1. Payroll and staff expenses (1 of 3)

Key control objective	Key risks
Accurate payments are made to valid employees of the organisation. Accurate payments are made in respect of valid expenses claims.	Fictitious employees are established on the payroll and/or employees are established on the payroll incorrectly (e.g. incorrect pay scale). Payments are made in error to employees who have left the organisation and / or inaccurate final salary payments are made. Overtime or other timesheet based records are inaccurate leading to salary over / under payments. Invalid changes are made to employee salary and bank details leading to incorrect salary payments being made. Information transferred from the payroll system to the main accounting system is not complete and accurate. Expenses are incurred and reimbursed that are not allowable.

Key control	Reference	Key contact
Authorised and accurate new starter system tasks, received prior to an individual being entered onto the payroll system.	**P1**	Dave Lee Leo Kalzula
Leaver notification from Manager or HR Business Partner logged and stored on HR Service Desk.	**P2**	Dave Lee Leo Kalzula
The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.	**P3**	Joe McGarrity

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1. Payroll and staff expenses (2 of 3)

Key control	Reference	Key contact
The following exception reports are produced and reviewed as part of month-end procedures, before the payment run is authorised: • Errors and warnings reports (i.e. processing issues encountered); • Payroll differences (difference between each element between two periods, with tolerances of between 5% and 10%); • Gross pay over £6,000; • Number of staff paid in comparison to previous month with subsequent reconciliation; • Element differences between two periods for overtime and bonuses; and • HMRC payments.	**P4**	Joe McGarrity
Contractual Changes - variation forms with supporting documentation are received prior to any changes being made to standing data. Changes to personal information - completed by employee via employee self-service, an audit trail is retained on iTrent in respect of these changes. Changes to bank detail – completed by employee face to face (administered by payroll)	**P5**	Dave Lee
Access to the payroll system is restricted to appropriate personnel.	**P6**	Dave Lee Leo Kalzula
Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	**P7**	Dave Lee

1. Payroll and staff expenses (3 of 3)

Key control	Reference	Key contact
Monthly reconciliations are performed between the general ledger and the payroll system. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	**P8**	Rebecca Warren Loretta Audu
Expenses are supported by appropriately authorised claim forms.	**P9**	Norda Graham

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2. Accounts Payable (1 of 2)

Key control objective	Key risks
Expenditure commitments are made with prior budgetary approval. Payments are made only following the satisfactory receipt of goods or services. Payments are made only to valid suppliers.	Payments are made for goods and services which have not been ordered, received or are inadequate. Invalid suppliers or supplier standing data is maintained leading to inaccurate or fraudulent payments. Information transferred from the accounts payable system to the main accounting system is not complete and accurate. Amounts due to suppliers for goods and services are overpaid.

Key control	Reference	Key contact
Authorised documentation must be received prior to the creating a new or amending a supplier record.	**AP1**	Emily Parker
Invoices are approved for payment by an appropriately authorised individual	**AP2**	Ravi Mistry Maureen Stanislaus
Invoices are matched to purchase orders for expenditure prior to payment and variances investigated.	**AP3**	Ravi Mistry Maureen Stanislaus

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2. Accounts Payable (2 of 2)

Key control	Reference	Key contact
BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	**AP4**	Maureen Stanislaus
Agresso does not allow duplicate suppliers.	**AP5**	Emily Parker
Weekly reconciliations are performed between the general ledger and the creditors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	**AP6**	Emily Parker

3. Accounts Receivable (1 of 2)

Key control objective	Key risks
Fee income is collected on a timely basis. Goods or services are delivered only to credit worthy customers. Debts due are collected promptly.	Agreements are entered in to with customers prior to the performance of credit checks or credit limits are exceeded. This may mean debts are not recoverable. Overdue debtor balances are not identified and balances are not actively chased to ensure timely collection of debts and maximisation of income. Information transferred from the accounts receivable system to the main accounting system is not complete and accurate.

Key control	Reference	Key contact
Credit checks are performed on new customer accounts upon request, prior to the commitment of service.	**AR1**	Julian Rigby For testing: Ian Macleay
Invoices are properly authorised on Agresso in line with the authorised signatory register.	**AR2**	Julian Rigby For testing: Ian Macleay
Commercial debt: reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	**AR3**	Julian Rigby For testing: Vic Van Rensburg
Student debt: reminder letters are sent in respect of overdue fees on a monthly basis in line with policy.	**AR4**	Julian Rigby For testing: Vic Van Rensburg

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3. Accounts Receivable (2 of 2)

Key control	Reference	Key contact
Debts are written off following appropriate review and authorisation.	**AR5**	Julian Rigby
Monthly reconciliations are performed between the debtors balance on the general ledger and QLX.	**AR6**	Julian Rigby
Monthly reconciliations are performed between the debtors balance per QLX to QLS.	**AR7**	Julian Rigby
Monthly reconciliations are performed between the General Ledger and the debtors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	**AR8**	Julian Rigby

4. Cash

Key control objective	Key risks
Cash ledger balances are accurate and complete. Cash is not lost or misappropriated.	Information transferred from the accounts receivable system and student record system to the main accounting system is not complete and accurate. Discrepancies between the ledger and till or float records are not promptly identified and investigated. This could mean cash balances are incomplete and / or inaccurate.

Key control	Reference	Key contact
Cash takings in respect of tuition fees and student residences as recorded on QLX and KX are reconciled to cash balances held on a daily basis and discrepancies investigated.	**C1**	Vic Van Rensburg Alex Twerdochlib
Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	**C2**	Vic Van Rensburg Alex Twerdochlib
Cash receipting responsibility within the QLX system and KX system is restricted to appropriate individuals.	**C3**	Vic Van Rensburg Alex Twerdochlib
Reconciliations are performed on a monthly basis between Agresso and the Bank Statement. These are performed by the Financial Accounting Team and reviewed on a timely basis (by the Financial Accountant), with supporting documentation. Reconciling items are investigated on a timely basis.	**C4**	Judy Robson

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5. General Ledger (1 of 2)

Key control objective	Key risks
Ledger balances are valid and accurate.	Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made.
	Suspense accounts and balance sheet control accounts are not cleared on a timely basis.
	Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information.

Key control	Reference	Key contact
Journals must be authorised, with supporting documentation, prior to being posted on the system.	**GL1**	Rebecca Warren Loretta Audu
On a monthly basis management accounts are prepared and variances against budget are investigated. The following thresholds are applied at an account code level for investigation: • ≥ 10% variance between actuals and the budget or forecast where the total variance greater than £10,000 • ≥ £100,000 variance between actuals and the budget or forecast.	**GL2**	Ralph Sanders
Suspense accounts are cleared/ reconciled and reviewed on a monthly basis.	**GL3**	Rebecca Warren Loretta Audu

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5. General Ledger (2 of 2)

Key control	Reference	Key contact
Balance sheet control accounts are cleared/ reconciled and reviewed on a monthly basis.	**GL4**	Rebecca Warren Loretta Audu
Access to the general ledger is restricted to appropriate personnel.	**GL5**	Ravi Mistry Lisa Upton
No single individual has access to make changes to both the QLX and QLS systems.	**GL6**	Lisa Upton

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Limitations of scope

Our work is not intended to provide assurance over the effectiveness of all the controls operated by management over these financial systems; the focus of our work will be limited to those controls which are deemed by management to be most significant to the system under consideration.

Our work will not consider the organisations IT security framework and associated controls in place.

Audit approach

We will undertake our testing twice a year, covering the following testing periods during 2018/19:

• Phase 1: 01 January 2018 – 30 June 2018

• Phase 2: 01 July 2018 – 30 November 2018

Internal audit team

Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@pwc.com
Amy Chiu	Engagement Manager	07843 330 912 amy.chiu@pwc.com
Janak Savjani	Engagement Supervisor	07802 660 974 janak.j.savjani @pwc.com
Josh Thomas	Continuous Auditing Technician	07718 978 628 joshua.thomas@pwc.com

Key contacts

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Chief Financial Officer (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Review draft report
			Review and approve final report
Natalie Ferer	Financial Controller	0207 815 6316 ferern@lsbu.ac.uk	Hold initial scoping meeting
Markos Koumaditis	Acting Director of People and Organisation	markos.koumaditis@lsbu.ac.uk	Review and meet to discuss issues arising and develop management responses and action plan
Joe McGarrity	Head of Payroll and Pensions	mcgarrij@lsbu.ac.uk	Audit contact
Dave Lee	HR Systems & Analytics Manager	leed10@lsbu.ac.uk	Audit contact
Leo Kalzula	HR Recruitment Manager	kaluzal@lsbu.ac.uk	Audit contact
Norda Graham	Payroll Clerk	grahamn4@lsbu.ac.uk	Audit contact
Maureen Stanislaus	Payments Team Leader	stanism@lsbu.ac.uk	Audit contact
Julian Rigby	Head of Financial Processing	rigbyj@lsbu.ac.uk	Audit contact

Key contacts

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Vic Van Rensburg	Income Team Leader	vanrensv@lsbu.ac.uk	Audit contact
Judy Robson	Accounts Clerk	robsonj2@lsbu.ac.uk	Audit contact
Ralph Sanders	Financial Planning Manager	sanderr4@lsbu.ac.uk	Audit contact
Brian Wiltshire	Payments Manager	wiltshbl@lsbu.ac.uk	Audit contact
Penny Green	Head of Procurement	greenp7@lsbu.ac.uk	Audit contact
Emily Parker	Procurement Services Operations Manager	parkere7@lsbu.ac.uk	Audit contact
Ravi Mistry	Financial Systems Manager	mistryrm@lsbu.ac.uk	Audit contact
Rebecca Warren	Head of Financial Accounting	warrenra@lsbu.ac.uk	Audit contact
Alex Twerdochlib	Finance Apprentice	twerdoca@lsbu.ac.uk	Audit contact
Loretta Audu	Financial Accountant	audul@lsbu.ac.uk	Audit contact

Timetable

Timetable

	Phase 1	**Phase 2**
Fieldwork start (Part 1)	09/07/2018	10/12/2018
Fieldwork completed (Part 1)	13/07/2018	21/12/2018
Fieldwork start (Part 2 – HR)	20/08/2018	-
Fieldwork completed (Part 2 - HR)	22/08/2018	-
Draft report to client	05/09/2018	15/01/2019
Response from client	19/09/2018	29/01/2019
Final report to client	26/06/2018	05/02/2019

Agreed timescales are subject to the following assumptions:

• All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.

• Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

Please note that if LSBU requests the audit timing to be changed at short notice (2 weeks before fieldwork start) and the audit staff cannot be deployed to other client work, LSBU may still be charged for all/some of this time. PwC will make every effort to redeploy audit staff in such circumstances.

Appendix A: Basis of our classifications

Appendix B: Terms of reference

Appendix C: Limitations and responsibilities

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or

- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University in our agreement dated 16 October 2017. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Memorandum of Assurance and Accountability between the Office for Students and institutions. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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151118-224115-GC-OS

Paper title:	Internal Audit – Risk Management Review – September 2018
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	PriceWaterhouse Coopers
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note the attached report

Executive Summary

This Report into the effectiveness of risk management was completed as part of the 17/18 Internal Audit plan, and directly relates to the annual internal audit opinion.

The report is rated as low risk, consistent with the 16/17 review, with XX low risk findings.

These relate to risk management at an operational level, and concern the completeness and specificity of some record entries, and discipline in review processes.

- The Audit Committee is requested to note the report and its findings

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Internal Audit Report 2017/18

Risk Management

London South Bank University

September 2018

Final

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Contents

Distribution list

For action:	John Baker (Corporate & Business Planning Manager)
For information:	Richard Flatman (Chief Financial Officer) Audit Committee

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Executive summary

Report classification

Low Risk

Trend

Performance has improved from the 2016/17 review due to fewer findings.

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	0	0	0	1	0
Operating effectiveness	0	0	0	0	1
Total	**0**	**0**	**0**	**1**	**1**

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Summary of findings

Controls in place for risk management across the University appear to be robust and well managed. We are pleased to report that in addition to a low risk report in 2016/17, management have continued to make improvements across the University and there has been a decline in both the number and rating of findings since last year.

We identified one *low risk* finding:

• Meeting minutes were not produced for the November Operating Effectiveness Review.

An advisory finding was identified where management should refresh the existing risk register to eliminate the template fields that are not deemed mandatory, or to add a comment to justify why actions are not defined for that risk. This is also best practice for having complete audit trail.

Background and scope (1 of 2)

Background

Effective risk management is essential in helping any organisation to improve governance, focus decision making and achieve objectives. Risk management is ensured through maintenance of risk registers and an awareness of risk throughout within an organisation. HEFCE direction states that institutions are required to have effective risk management policies and processes that cover all significant risks, assess exposure and regularly monitor risk to ensure effective governance.

Effective risk management has numerous benefits. These include:

• Reduced time spent 'fire-fighting';

• Increased confidence moving into new areas, or undertaking new projects;

• Getting things right first time;

• Improved management information; and

• Protection of the organisation's reputation.

The ability of an organisation to successfully implement effective risk management arrangements in order to take advantage of these benefits is heavily dependent on staff and officers having an understanding of their responsibilities together with the principles and processes that underpin effective risk management. Only with this understanding will individuals buy-in to and engage with risk management, and help embed the arrangements into the culture of the organisation.

Our work touched upon the following areas of our annual report to Audit Committee:

Total plan days	*Financial Control*	*Value for Money*	*Data Quality*	*Corporate Governance*	*Risk management*
5	x			x	*x*

x = area of primary focus

x = possible area of secondary focus

Background and scope (2 of 2)

Page 105

Scope and limitations of scope

Our review included the following sub-processes and key control objectives:

Sub-process	Key control objectives
Risk Strategy	• Vision, commitment and ownership of risk management are defined within London South Bank University (LSBU). • Roles and responsibilities are clearly defined. • Risks – at a corporate and operational level - are aligned to the LSBU's Strategic Plan.
Statement of Risk Appetite	• The Risk Appetite is defined and is considered in the management of risk and resource allocation. • Sufficient data is captured to allow the organisation to assess performance against Risk Appetite.
Risk identification	• The risk identification process encourages the identification of risk, an assessment of magnitude, likelihood and impact at all levels of LSBU, with key partners and is a continuous process. • There is clear ownership and responsibility for managing key risks at an operational level.
Monitoring and reporting	• Risks are regularly monitored and mitigation measures updated. This is reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level.

Limitations of scope

Our work was limited to the procedures outlined in the table above.

Our testing on Risk Strategy and Risk Appetite was limited to checking that these documents have been reviewed by the Executive Board on an annual basis.

The majority of our testing was focussed on testing the Corporate Risk Register and a sample of PSG and School risk registers. We did not interview PSGs or School's as part of this review; our work was limited to a desktop review of operational plans only.

Our work did not include any testing of contract or project risk registers.

Risk review
Control Design

1

Page 106

Finding rating

Rating	Low

Findings

For 2017/18, Operating Effectiveness Review meetings were held for each School and Professional Service Group (PSG) bi-annually, and where Review packs were provided as part of the meeting. As part of our testing we reviewed the packs, minutes and local roadmaps for a sample of five PSG/ Schools.

We found that no minutes prepared for the November Operating Effectiveness Review meetings for each of the five PSG / Schools.

Implications

- If risks to the School/ PSG are not identified in the Local Roadmap, LSBU may be unable to put appropriate actions and controls in place to mitigate the risk.

- If minutes for the Operating Effectiveness Review meetings are not recorded, Management may be unable to manage actions raised during the meeting and have complete audit trail and future reference.

Action plan

We will ensure that responsibility for producing and circulating minutes of review meetings is clearly articulated in the guidance being developed for the 18/19 cycle as part of the OEG project around strategy & planning.

Responsible person/title:

Richard Duke, Head of Planning, Performance & Assurance

Target date:

30 November 2018

Reference number:

1

Organisational Risk Registers

Operating effectiveness

(1 of 2)

2

Page 107

Finding rating

Rating	Advisory

Findings

We reviewed the risk registers in place for 5 out of 11 PSGs and Schools. No exceptions were identified, however the following housekeeping point was raised to ensure there is clarity in the documentation:

<u>Completeness</u>

In 2 of the 5 (40%) risk registers tested, the following fields were incomplete:

- Action required;
- Person responsible; and
- Date of implementation.

These are key fields for actions that should be completed per risk identified. Management confirm that due to the new reporting format, they cannot remove those fields. This applies even though actions are yet to exist due to either being newly added to the risk register or are yet to be defined. This is similar to finding 1 from the 2016/17 review performed.

As a housekeeping point, management should refresh the existing risk register to eliminate template fields that are not deemed mandatory, or add a comment to justify why actions are not defined for that risk. This is also best practice for having complete audit trail and to confirm the status of actions.

Implications

- Incomplete risk registers could indicate that risks are not being proactively managed and reviewed.

Organisational Risk Registers

Operating effectiveness

(2 of 2)

2

Action plan

We will work with the software vendor to address the issue around empty field titles appearing in the report, and consider how the platform could record & report where risks are being 'tolerated', indicating that the review at the Organisational Effectiveness Meetings judges the current controls to be providing acceptable mitigation of the identified risks.

Responsible person/title:

John Baker, Corporate & Business Planning Manager

Target date:

30 November 2018

Reference number:

2

Finding rating

Rating	Advisory

Appendix A: Basis of our classifications

Appendix B: Terms of reference

Appendix C: Limitations and responsibilities

Appendix D: Managing risk in higher education

Appendices

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Appendix A: Basis of our classifications

Page 110

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance resulting in inability to continue core activities for more than two days; or
- **Critical** monetary or financial statement impact £5m; or
- **Critical** breach in laws and regulations that could result in material fines or consequences over £500k; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.

High

A finding that could have a:

- **Significant** impact on operational performance resulting in significant disruption to core activities; or
- **Significant** monetary or financial statement impact of £2m; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences over £250k; or
- **Significant** impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.

Medium

A finding that could have a:

- **Moderate** impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or
- **Moderate** monetary or financial statement impact of £1m; or
- **Moderate** breach in laws and regulations resulting in fines and consequences over £100k; or
- **Moderate** impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:

- **Minor** impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or
- **Minor** monetary or financial statement impact of £500k; or
- **Minor** breach in laws and regulations with limited consequences over £50k; or
- **Minor** impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		Points
🟢	Low risk	6 points or less
🟡	Medium risk	7 – 15 points
🟠	High risk	16 – 39 points
🔴	Critical risk	40 points and over

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Appendix B: Terms of reference – Risk Management

To: **Richard Flatman - Chief Financial Officer**

From: **Justin Martin – Head of Internal Audit**

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Background and audit objectives

This review is being undertaken as part of the 2017/18 internal audit plan approved by the Audit Committee.

Background and audit objectives

Effective risk management is essential in helping any organisation to improve governance, focus decision making and achieve objectives. Risk management is ensured through maintenance of risk registers and an awareness of risk throughout within an organisation. HEFCE direction states that institutions are required to have effective risk management policies and processes that cover all significant risks, assess exposure and regularly monitor risk to ensure effective governance.

Effective risk management has numerous benefits. These include:

- Reduced time spent 'fire-fighting';

- Increased confidence moving into new areas, or undertaking new projects;

- Getting things right first time;

- Improved management information; and

- Protection of the organisation's reputation.

The ability of an organisation to successfully implement effective risk management arrangements in order to take advantage of these benefits is heavily dependent on staff and officers having an understanding of their responsibilities together with the principles and processes that underpin effective risk management. Only with this understanding will individuals buy-in to and engage with risk management, and help embed the arrangements into the culture of the organisation.

We believe our work will touch upon the following areas of our annual report to Audit Committee:

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
5	x			x	*x*

x = area of primary focus

x = possible area of secondary focus

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| Background and audit objectives | **Audit scope and approach** | Internal audit team and key contacts | Timetable | Information request |

Audit scope and approach (1 of 2)

Scope

We will test the following sub-processes:

Sub-process	Key control objectives
Risk Strategy	• Vision, commitment and ownership of risk management are defined within London South Bank University (LSBU). • Roles and responsibilities are clearly defined. • Risks – at a corporate and operational level - are aligned to the LSBU's Strategic Plan.
Statement of Risk Appetite	• The Risk Appetite is defined and is considered in the management of risk and resource allocation. • Sufficient data is captured to allow the organisation to assess performance against Risk Appetite.
Risk identification	• The risk identification process encourages the identification of risk, an assessment of magnitude, likelihood and impact at all levels of LSBU, with key partners and is a continuous process. • There is clear ownership and responsibility for managing key risks at an operational level.
Monitoring and reporting	• Risks are regularly monitored and mitigation measures updated. This is reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level.

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Background and audit objectives

Audit scope and approach

Internal audit team and key contacts

Timetable

Information request

Audit scope and approach (2 of 2)

Limitations of scope

Our work will be limited to the procedures outlined in the table on page 3.

Our testing on Risk Strategy and Risk Appetite will be limited to checking that these documents have been reviewed by the Executive and Board on an annual basis.

The majority of our testing shall be focussed on testing the Corporate Risk Register and a sample of Professional Service Group (PSG) and School risk registers. We will not be interviewing PSGs or School's as part of this review; our work is limited to a desktop review of operational plans only. We will select a sample of these to test in advance.

Our work will not include any testing of contract or project risk registers.

Audit approach

Our audit approach is as follows:

• Obtain an understanding of the process through discussions with key personnel, review of methodology and procedure notes and walkthrough tests;

• Identify the key risks relating to the process;

• Evaluate the design of the controls in place to address the key risks;

• Test the operating effectiveness of the key controls.

Back

Background and audit objectives | Audit scope and approach | **Internal audit team and key contacts** | Timetable | Information request

Internal audit team and key contacts

Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@pwc.com
Amy Chiu	Engagement Manager	07843 330 912 amy.chiu@pwc.com
Janak Savjani	Internal Auditor	07802 660 974 janak.j.savjani@pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Chief Financial Officer (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference Review draft report Review and approve final report Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan
John Baker	Corporate and Business Planning Manager (Audit Contact)	0207 815 6003 j.baker@lsbu.ac.uk	Receive draft and final terms of reference Receive draft report Receive final report

Back

Background and audit objectives Audit scope and approach Internal audit team and key contacts **Timetable** Information request

Timetable

Timetable	
Fieldwork start	**06 August 2018**
Fieldwork completed	**17 August 2018**
Draft report to client	**31 August 2018**
Response from client	**14 September 2018**
Final report to client	**21 September 2018**

Agreed timescales are subject to the following assumptions:

• All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.

• Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

Please note that if the University requests the audit timing to be changed at short notice (2 weeks before fieldwork start) and the audit staff cannot be deployed to other client work, the University may still be charged for all/some of this time. PwC will make every effort to redeploy audit staff in such circumstances.

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Background and audit objectives	Audit scope and approach	Internal audit team and key contacts	Timetable	**Information request**

Information request

Please find attached a deliverables listing outlining items we expect to have available in advance of the audit:

- A copy of the Corporate Risk Register;

- A listing of all PSGs and Schools. From this listing we will pick a sample to test the PSG/ School's risk register and local roadmap;

- A copy of the Risk Management Strategy, Risk Appetite and Risk Management Policy;

- Access to any minutes for relevant oversight Boards, including the Strategic Risk Review Group, Audit and Risk Committee and the Board of Governors;

- Any other document that details how risks are currently managed e.g. the process for identifying and reviewing risks.

This listing is not exhaustive, additional items may be asked for on request.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or

- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Appendix D: PwC publications: Managing risk in higher education

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HE Matters: Managing Risk

As we work with over 70 institutions across the UK, we have a window of insight into the risks facing the higher education sector. Our annual sector risk profile highlighted strategic risks including uncertainties and direct impacts of Brexit, competition impacting medium-term financial sustainability, an increase in the scale of investment and transformation and data security.

In the 'Managing Risk' edition of our regular HE Matters publications, we explore the new risks emerging across the sector that should be on the agenda for all universities. The issues we explore include:

- The new risk agenda, gives an overview of the key trends in risk we've identified in our latest review of university risk registers;
- Managing risk in major projects, sets out the building blocks for successfully managing risk in any major project or programme;
- Cyber risks in higher education, explores how universities can get to grip with the growing threats that cyber presents;
- Data, analytics and business intelligence, asks how universities can turn data risks into opportunities;
- Managing culture in changing times, makes the case for putting culture and behaviour change at the heart of transformation programmes.

Our full report can be seen here:

http://www.pwc.co.uk/industries/government-public-sector/education/he-matters.html

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151118-224115-GC-OS

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Paper title:	Internal Audit – HR Review – August 2018
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	PriceWaterhouse Coopers
Sponsor(s):	Pat Bailey, Deputy Vice Chancellor
Purpose:	For Information.
Recommendation:	The Committee is requested to note the attached report

Executive Summary

This Report into HR administration processes & performance management was completed as part of the 17/18 Internal Audit plan, and builds on the post implementation review of the new i-trent HR system that was completed as part of the 16/17 Internal Audit plan.

The report is rated as Low risk overall, with 2 low findings, which are detailed on pages 5 – 7, and which relate to the processes for interim role responsibilities, and clarity around policy ownership.

The report is accompanied by a flowchart providing an overview of current HR processes with detail on the control elements that relate to the KFS continuous audit testing.

- The Audit Committee is requested to note the report and its findings

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Internal Audit Report 2017/18

HR Review

London South Bank University

Final

September 2018

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Contents

Distribution list

For action:
Ed Spacey - Acting Deputy Director of HR Services
Dave Lee - Head of HR Operations

For information:
Pat Bailey - Deputy Vice-Chancellor
Markos Koumaditis - Acting Director of People and Organisation
Richard Flatman – Chief Financial Officer
John Baker - Corporate and Business Planning Manager

Executive summary

Report classification
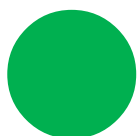
Low risk

Trend

N/A – we have not performed a review in this area before.

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	-	2	-
Operating effectiveness	-	-	-	-	-
Total	-	-	-	**2**	-

Headlines/summary of findings

This review focused on the control design for controls in place following the implementation of the new HR system in 2016 and the associated new performance improvement policy. In addition to our fieldwork, we have created a process flow visual of the controls within the three key HR processes and included it in the appendix D on page 19. A separate PDF of the process maps has also been provided.

The University has appropriate controls designed and in place for the three key HR processes; starters, leavers and changes to staff details, with minor improvements required. The operating effectiveness of these processes will be tested in the bi-annual Key Financial Systems review. In our 2016/17 annual audit opinion, we identified a deterioration in performance, in particular, regarding the performance of Payroll. A key theme underlying this decline in performance was missing evidence and lack of timely input and communication between the HR and payroll teams. Management have since, made changes to their staff and, both HR and Payroll teams are now co-located in the same office for improved communication flows. We will revisit the operating performance of these systems and previous issues in combination for the 2018/19 internal audit programme.

For Performance Management, the policy reflects best practice and contains the key areas for managing staff performance including a Performance Improvement Template requiring SMART objectives and a Manager Performance Report template.

We identified two low risk findings, where the category options in the staff amendments process should be complete and match the options available to be selected by HR and the HR Manager on iTrent (this is highlighted in the process map for Amendments to Staff Details on page 21), and where there needs to be policy owner for the Performance Management policy and training for key staff such as line managers, on their awareness and understanding of handling such cases.

Background and audit objectives

This review was being undertaken as part of the 2017/18 internal audit plan approved by the Audit Committee.

Background and audit objective

London South Bank University (LSBU) implemented the new HR module of Midlands iTrent in 2016 which integrated with the existing payroll system. A new performance improvement policy was implemented in August 2017.

This internal audit will review the controls in place following the implementation of the new HR system and review the suitability and transparency of the new performance improvement policy.

We believe our work will touch upon the following areas of our annual report to Audit Committee:

Our work touched upon the following areas of our annual report to Audit Committee:

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
10	x	x	x	*X*	x

X = area of primary focus   x = possible area of secondary focus

End to End Amendments process – approval option for additional responsibility

Control Design

(1 of 2)

1

Finding rating

Rating	Low

Findings

We performed a walkthrough of the three key HR processes; starters, leavers and changes to staff details to understand and assess the controls that are in place. We have created a process flow visual of the key controls in place and these are in appendix D page 19. A separate PDF of the process maps has also been provided.

For the amendments process, the approval is by the HR Manager having dropdown access to select the 'approved' version of the option category. For example, HR may select 'change in Pay' in which the HR Manager would have access to select 'change in Pay approved'.
Our walkthrough evidenced two options that were similar and did not have an 'approved' option for the HR Manager to select:
• Acting up
• Additional Responsibilities

Acting Up is where the individual would be the interim replacement for that role until recruitment is complete and therefore categorised as 'change in pay'. Additional Responsibilities is where the individual is taking on additional responsibility and would receive 2 spinal column points for the duration of this increase in responsibility. As mentioned earlier, there is no clear approval option for this.

Management confirm that both 'Acting Up' and 'Additional Responsibilities' would be approved through 'change in pay approval'.

As both these options are similar and both terms are used interchangeably (as evidenced in the process flowchart provided by Management); we advise Management to reiterate the differences between these options, to ensure the correct options are selected, are clear and understood by key staff.

Implications

There may be inconsistent audit trail of the approval workflow when processing amendments to staff details.

Errors in processing additional responsibilities and acting up categories may occur.

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End to End Amendments process – approval options

Control Design

(2 of 2)

1

Finding rating

Rating	Low

Action plan

a) Review and update any current guidance relating to the options, as required and recommunicate any changes via email to Recruitment and HR teams.

Responsible person/title:

Dave Lee, Head of HR Operations

Target date:

3 December 2018

Reference number:

HR-1

Performance Management Policy – Review and awareness

Control Design

2

Page 131

Finding rating

Rating	Low

Findings

The Performance Management Policy ('the policy') was finalised in August 2017 but there was no named policy owner and due review date, as expected from best practice and in formalising accountability.

Implications

There may be unknown updates to the performance management procedures leading to inconsistency and ineffectiveness in their approach that impacts the staff member's performance improvements.

Action plan

a) Confirm the policy owner and review date due for the policy, ensuring there is version control to evidence the review.

Responsible person/title:

Helen Langford, Senior HR Business Partner

Target date:

30 November 2018

Reference number:

HR-2

Appendix A: Basis of our classifications

Appendix B: Terms of reference

Appendix C: Limitations and responsibilities

Appendix D: Process maps

Appendices

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Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance resulting in inability to continue core activities for more than two days; or
- **Critical** monetary or financial statement impact £5m; or
- **Critical** breach in laws and regulations that could result in material fines or consequences over £500k; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.

High

A finding that could have a:

- **Significant** impact on operational performance resulting in significant disruption to core activities; or
- **Significant** monetary or financial statement impact of £2m; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences over £250k; or
- **Significant** impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.

Medium

A finding that could have a:

- **Moderate** impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or
- **Moderate** monetary or financial statement impact of £1m; or
- **Moderate** breach in laws and regulations resulting in fines and consequences over £100k; or
- **Moderate** impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.

Appendix A: Basis of our classifications

Individual finding ratings

| Low | A finding that could have a: |

- **Minor** impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or
- **Minor** monetary or financial statement impact of £500k; or
- **Minor** breach in laws and regulations with limited consequences over £50k; or
- **Minor** impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.

| Advisory | A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice. |

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Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		Points
🟢	Low risk	6 points or less
🟡	Medium risk	7 – 15 points
🟠	High risk	16 – 39 points
🔴	Critical risk	40 points and over

Appendix B: Terms of reference

To: Pat Bailey – Deputy Vice-Chancellor

From: Justin Martin – Head of Internal Audit

Page 135

Background and audit objectives

This review is being undertaken as part of the 2017/18 internal audit plan approved by the Audit Committee.

Background and audit objectives

London South Bank University (LSBU) implemented the new HR module of Midlands iTrent in 2016 which integrated with the existing payroll system. A new performance improvement policy was implemented in August 2017.

This internal audit will review the controls in place following the implementation of the new HR system and review the suitability and transparency of the new performance improvement policy.

We believe our work will touch upon the following areas of our annual report to Audit Committee:

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
10	x	x	x	X	x

X = area of primary focus

x = possible area of secondary focus

Audit scope and approach (1 of 2)

Scope

The sub-processes and related control objectives included in this review are:

Sub-process	Objectives

End-to-end resource management	• Review the controls in place for the end-to-end resourcing for LSBU. Including:
	
	    • processing starters;
	
	    • processing amendments to staff details, including pay;
	
	    • processing leavers.

Performance Improvement policy	• Review as to whether performance improvement policy covers key elements, and whether these are in line with good practice; and • Validate with key stakeholders, including HR business partners, how the policy is implemented in practice.

Audit scope and approach (2 of 2)
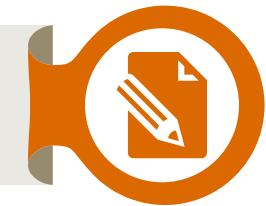
Limitations of scope

The scope of our work will be limited to those areas outlined on page 3.

Our review will be performed in the context of the information provided to us. Where circumstances change the review outputs may no longer be applicable. In these situations, we accept no responsibility

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the process through discussions with key personnel, review of methodology and procedure notes and walkthrough tests;

- Identify the key risks relating to the process;

- Evaluate the design of the controls in place to address the key risks;

- Test the operating effectiveness of the key controls.

Internal audit team and key contacts

Internal audit team

Name	Role	Contact details	
Justin Martin	Head of Internal Audit	Telephone: 0207 212 4269	Email: justin.f.martin@pwc.com
Lucy Gresswell	Engagement Manager	Telephone: 07718 098 321	Email: lucy.j.gresswell@pwc.com
Amy Chiu	Internal Audit Supervisor	Telephone: 07843 330 912	Email: amy.chiu@pwc.com
Janak Savjani	Internal Auditor	Telephone: 07802 660 974	Email: janak.j.savjani@pwc.com

Key contacts – London South Bank University

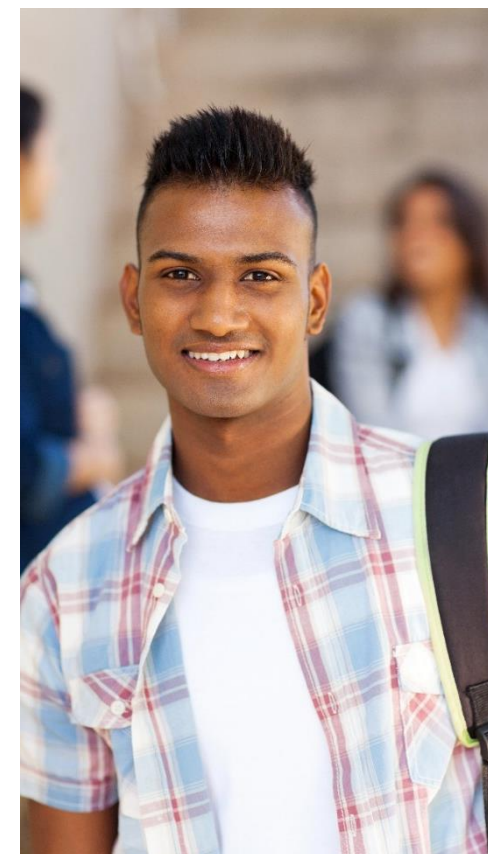| Name	Title	Contact details	Responsibilities
Pat Bailey	Deputy Vice-Chancellor (Audit Sponsor)	020 7815 6005 pat.bailey@lsbu.ac.uk	Review and approve terms of reference
Markos Koumaditis	Acting Director of People and Organisation (Audit Contact)	0207 815 6067 markos.koumaditis@lsbu.ac.uk	Review draft report Review and approve final report Hold initial scoping meeting
Ed Spacey	Acting Deputy Director of HR Services (Audit Contact)	0207 815 6831 spaceye@lsbu.ac.uk	Review and meet to discuss issues arising and develop management responses and action plan
Dave Lee	Head of HR Operations (Audit Contact)	leed10@lsbu.ac.uk	
Richard Flatman	Chief Financial Officer	0207 815 6301 richard.flatman@lsbu.ac.uk	Receive draft and final terms of reference Receive draft report
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Receive final report

Timetable

Timetable

Fieldwork start	**23 July 2018**
Fieldwork completed	**3 August 2018**
Draft report to client	**17 August 2018**
Response from client	**31 August 2018**
Final report to client	**7 September 2018**

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.

- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

Please note that if the University requests the audit timing to be changed at short notice (2 weeks before fieldwork start) and the audit staff cannot be deployed to other client work, the University may still be charged for all/some of this time. PwC will make every effort to redeploy audit staff in such circumstances.

Information Request

Ahead of the audit fieldwork date, please provide:

- Any policies or process notes covering the areas set out on page 3.
- The following listings from iTrent for the period 01/08/2017 – 30/06/2018:
  - A listing of all employees who commenced employment with LSBU;
  - A listing of all amendments made to staff details;
  - A listing of all employees who ceased employment with the LSBU.
- The latest version of the Performance Improvement Policy (if amended since August 2017).
- Listing of all staff for whom the performance improvement procedure was commenced

This listing is not exhaustive, additional items may be asked for on request.

We understand that the above contains sensitive information, please speak to PwC to determine the best method of sharing the requested items.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or

- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.
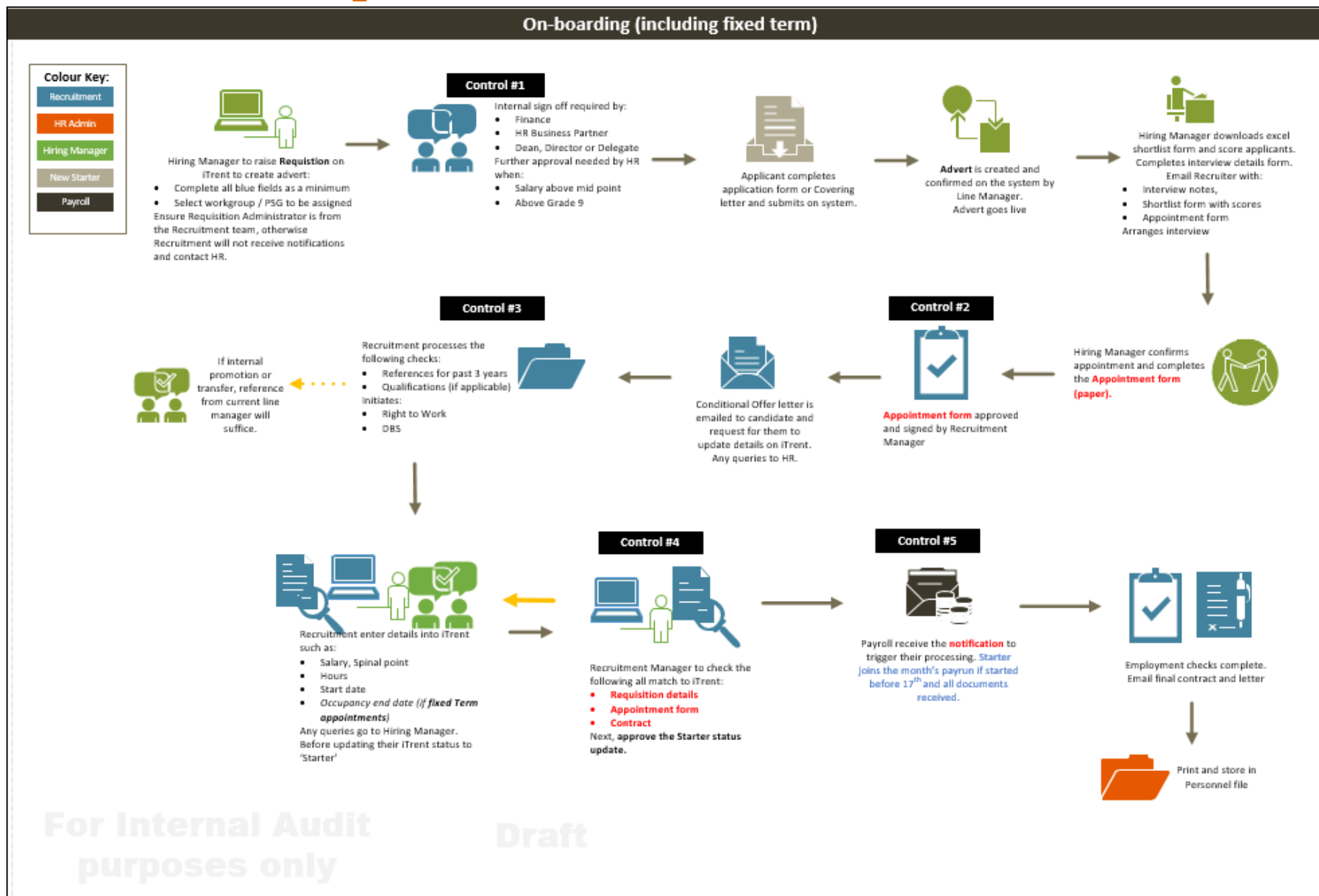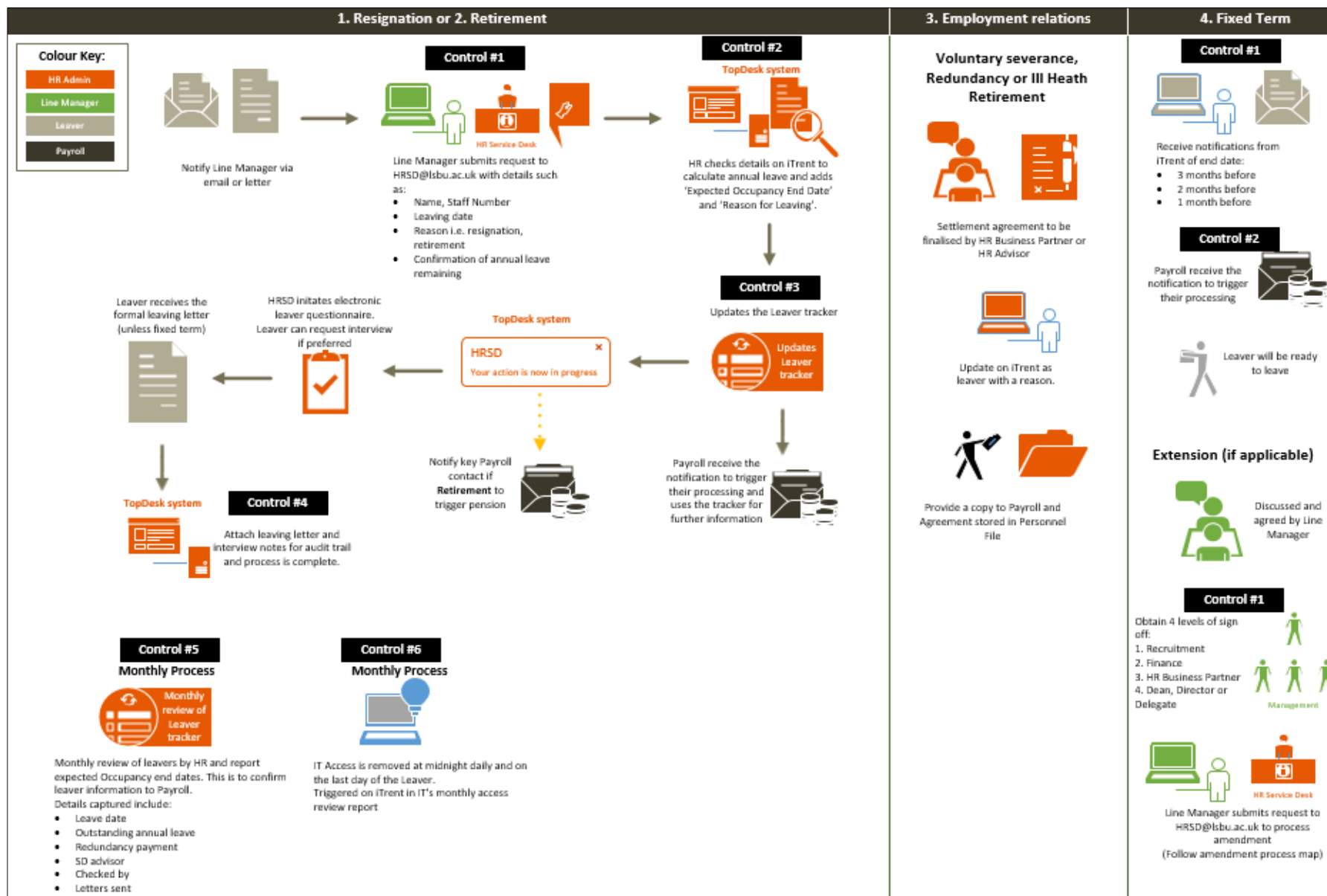
Appendix D: Process maps

i.   **End to End Starters - On boarding**

ii.   **Leavers**

iii.   **Amendments to Staff details**

A separate PDF attachment of the process maps have been provided.

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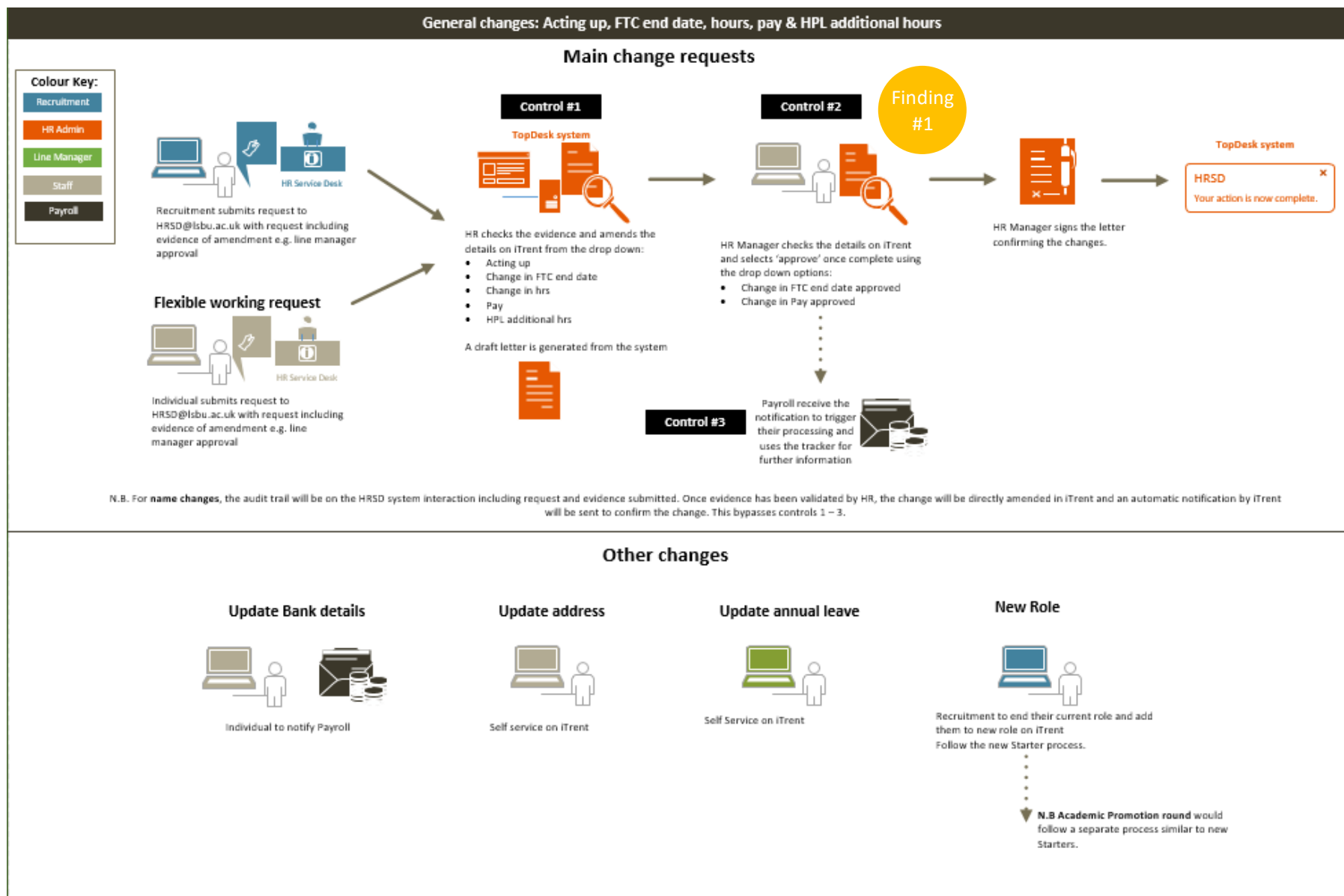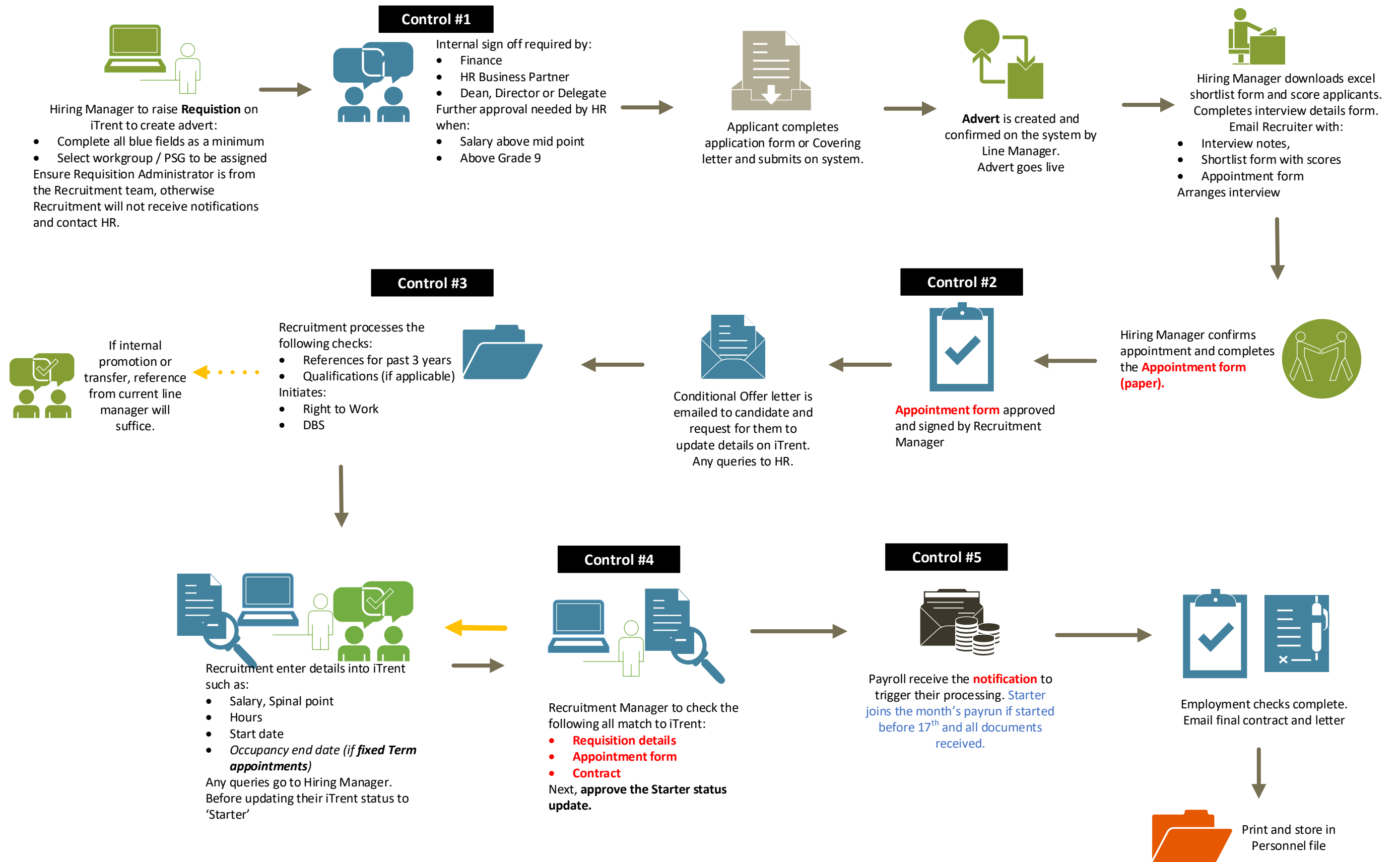# *Appendix D: Process maps – i) End to End Starters*

On-boarding (including fixed term)

Colour Key:
- Recruitment
- HR Admin
- Hiring Manager
- New Starter
- Payroll

Hiring Manager to raise **Requistion** on iTrent to create advert:
- Complete all blue fields as a minimum
- Select workgroup / PSG to be assigned
Ensure Requisition Administrator is from the Recruitment team, otherwise Recruitment will not receive notifications and contact HR.

Control #1
Internal sign off required by:
- Finance
- HR Business Partner
- Dean, Director or Delegate
Further approval needed by HR when:
- Salary above mid point
- Above Grade 9

Applicant completes application form or Covering letter and submits on system.

Advert is created and confirmed on the system by Line Manager. Advert goes live

Hiring Manager downloads excel shortlist form and score applicants. Completes interview details form.
Email Recruiter with:
- Interview notes,
- Shortlist form with scores
- Appointment form
Arranges interview

Control #3
Recruitment processes the following checks:
- References for past 3 years
- Qualifications (if applicable)
Initiates:
- Right to Work
- DBS

If internal promotion or transfer, reference from current line manager will suffice.

Control #2
Conditional Offer letter is emailed to candidate and request for them to update details on iTrent. Any queries to HR.

Appointment form approved and signed by Recruitment Manager

Hiring Manager confirms appointment and completes the **Appointment form (paper)**.

Recruitment enter details into iTrent such as:
- Salary, Spinal point
- Hours
- Start date
- *Occupancy end date (if fixed Term appointments)*
Any queries go to Hiring Manager. Before updating their iTrent status to 'Starter'

Control #4
Recruitment Manager to check the following all match to iTrent:
- **Requisition details**
- **Appointment form**
- **Contract**
Next, approve the Starter status update.

Control #5
Payroll receive the **notification** to trigger their processing. Starter joins the month's payrun if started before 17th and all documents received.

Employment checks complete. Email final contract and letter

Print and store in Personnel file

HR review 17/18
PwC

20

Appendix D: Process maps – ii) End to End Leavers

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Appendix D: Process maps – iii) Amendment to Staff details

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On-boarding (including fixed term)

Colour Key:
- Recruitment
- HR Admin
- Hiring Manager
- New Starter
- Payroll

Hiring Manager to raise **Requistion** on iTrent to create advert:
- Complete all blue fields as a minimum
- Select workgroup / PSG to be assigned

Ensure Requisition Administrator is from the Recruitment team, otherwise Recruitment will not receive notifications and contact HR.

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- Finance
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Further approval needed by HR when:
- Salary above mid point
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Applicant completes application form or Covering letter and submits on system.

Advert is created and confirmed on the system by Line Manager.
Advert goes live

Hiring Manager downloads excel shortlist form and score applicants. Completes interview details form. Email Recruiter with:
- Interview notes,
- Shortlist form with scores
- Appointment form

Arranges interview

Control #3

If internal promotion or transfer, reference from current line manager will suffice.

Recruitment processes the following checks:
- References for past 3 years
- Qualifications (if applicable)

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Conditional Offer letter is emailed to candidate and request for them to update details on iTrent. Any queries to HR.

Control #2

Appointment form approved and signed by Recruitment Manager

Hiring Manager confirms appointment and completes the **Appointment form (paper).**

Recruitment enter details into iTrent such as:
- Salary, Spinal point
- Hours
- Start date
- *Occupancy end date (if **fixed Term appointments**)*

Any queries go to Hiring Manager. Before updating their iTrent status to 'Starter'

Control #4

Recruitment Manager to check the following all match to iTrent:
- **Requisition details**
- **Appointment form**
- **Contract**

Next, **approve the Starter status update.**

Control #5

Payroll receive the **notification** to trigger their processing. Starter joins the month's payrun if started before 17th and all documents received.

Employment checks complete. Email final contract and letter

Print and store in Personnel file

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End to End Leaver process – Four main pathways

1. Resignation or 2. Retirement

Colour Key:
- HR Admin
- Line Manager
- Leaver
- Payroll

Notify Line Manager via email or letter

Control #1

Line Manager submits request to HRSD@lsbu.ac.uk with details such as:
- Name, Staff Number
- Leaving date
- Reason i.e. resignation, retirement
- Confirmation of annual leave remaining

HR Service Desk

Control #2

TopDesk system

HR checks details on iTrent to calculate annual leave and adds 'Expected Occupancy End Date' and 'Reason for Leaving'.

Control #3

Updates the Leaver tracker

Updates Leaver tracker

Payroll receive the notification to trigger their processing and uses the tracker for further information

TopDesk system

HRSD
Your action is now in progress

Notify key Payroll contact if **Retirement** to trigger pension

HRSD initates electronic leaver questionnaire. Leaver can request interview if preferred

Leaver receives the formal leaving letter (unless fixed term)

TopDesk system

Control #4

Attach leaving letter and interview notes for audit trail and process is complete.

Control #5

Monthly Process

Monthly review of Leaver tracker

Monthly review of leavers by HR and report expected Occupancy end dates. This is to confirm leaver information to Payroll.
Details captured include:
- Leave date
- Outstanding annual leave
- Redundancy payment
- SD advisor
- Checked by
- Letters sent

Control #6

Monthly Process

IT Access is removed at midnight daily and on the last day of the Leaver.
Triggered on iTrent in IT's monthly access review report

3. Employment relations

Voluntary severance, Redundancy or Ill Heath Retirement

Settlement agreement to be finalised by HR Business Partner or HR Advisor

Update on iTrent as leaver with a reason.

Provide a copy to Payroll and Agreement stored in Personnel File

4. Fixed Term

Control #1
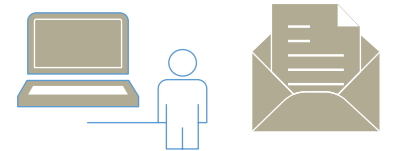
Receive notifications from iTrent of end date:
- 3 months before
- 2 months before
- 1 month before

Control #2

Payroll receive the notification to trigger their processing
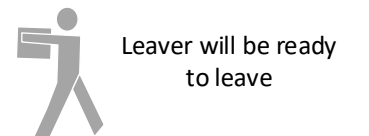
Leaver will be ready to leave

Extension (if applicable)

Discussed and agreed by Line Manager

Control #1

Obtain 4 levels of sign off:
1. Recruitment
2. Finance
3. HR Business Partner
4. Dean, Director or Delegate

Management

HR Service Desk
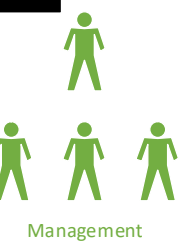
Line Manager submits request to HRSD@lsbu.ac.uk to process amendment
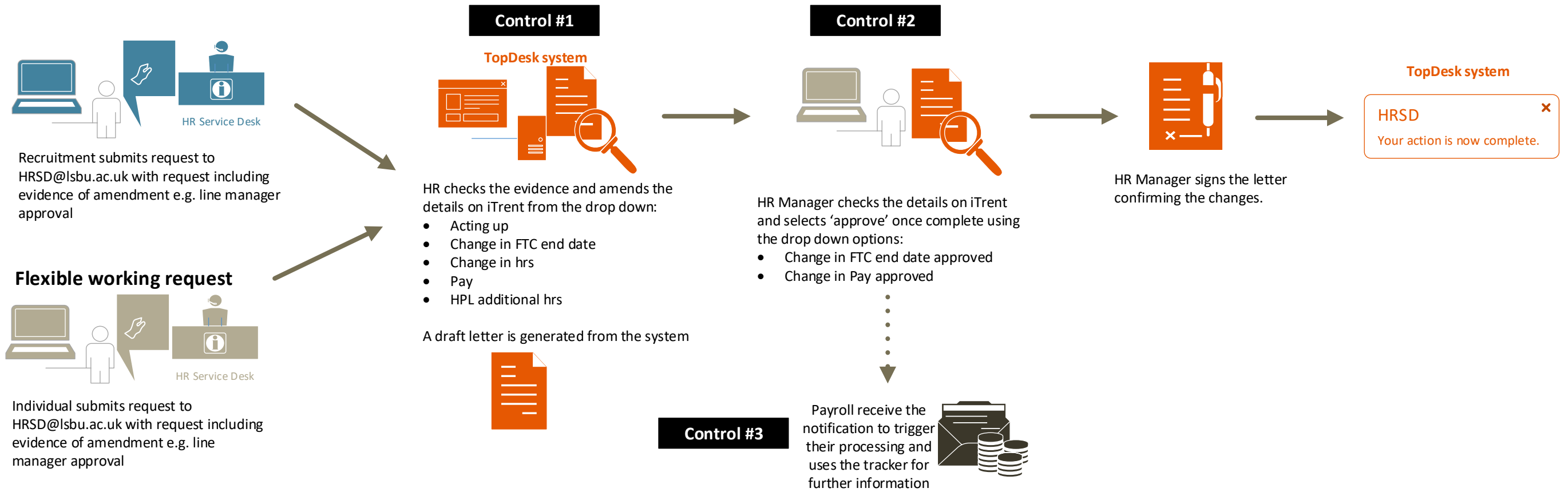(Follow amendment process map)

End to End – Changes to Staff details process

General changes: Acting up, FTC end date, hours, pay & HPL additional hours
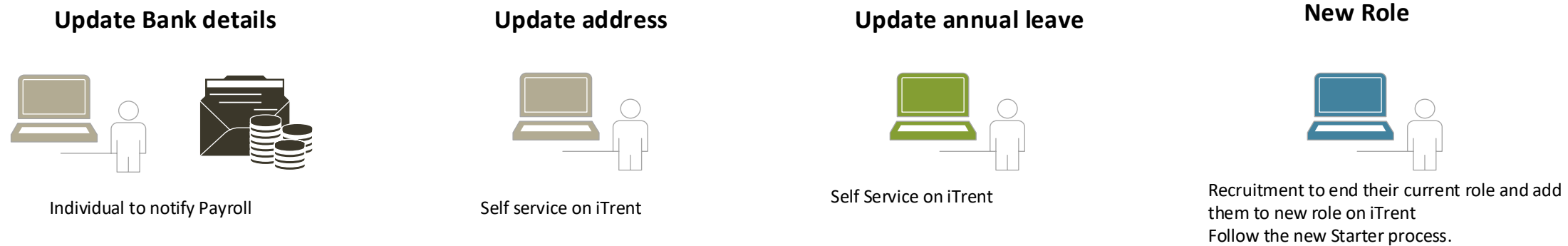
Main change requests

Colour Key:
- Recruitment
- HR Admin
- Line Manager
- Staff
- Payroll

Recruitment submits request to HRSD@lsbu.ac.uk with request including evidence of amendment e.g. line manager approval

HR Service Desk

Flexible working request

Individual submits request to HRSD@lsbu.ac.uk with request including evidence of amendment e.g. line manager approval

HR Service Desk

Control #1

TopDesk system

HR checks the evidence and amends the details on iTrent from the drop down:
- Acting up
- Change in FTC end date
- Change in hrs
- Pay
- HPL additional hrs

A draft letter is generated from the system

Control #3

Control #2

HR Manager checks the details on iTrent and selects 'approve' once complete using the drop down options:
- Change in FTC end date approved
- Change in Pay approved

Payroll receive the notification to trigger their processing and uses the tracker for further information

HR Manager signs the letter confirming the changes.

TopDesk system

HRSD ✕
Your action is now complete.

N.B. For **name changes**, the audit trail will be on the HRSD system interaction including request and evidence submitted. Once evidence has been validated by HR, the change will be directly amended in iTrent and an automatic notification by iTrent will be sent to confirm the change. This bypasses controls 1 – 3.

Other changes

Update Bank details

Individual to notify Payroll

Update address

Self service on iTrent

Update annual leave

Self Service on iTrent

New Role

Recruitment to end their current role and add them to new role on iTrent
Follow the new Starter process.

N.B Academic Promotion round would follow a separate process similar to new Starters.

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Paper title:	Internal Audit – Review of IT Technology Roadmap – August 2018
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	PriceWaterhouse Coopers
Sponsor(s):	Shân Wareing, Pro Vice Chancellor – Education & Student Experience
Purpose:	For Information
Recommendation:	The Committee is requested to note the attached report

Executive Summary

This Report into project and portfolio governance for IT technology delivery within Academic Related Resources was completed as part of the 17/18 Internal Audit plan, and builds on the outputs of the IT risk diagnostic work completed as part of the 16/17 Internal Audit plan.

The report is rated as Medium risk overall, with 4 medium, 1 low, and 1 advisory findings (these are detailed on pages 5 – 10). These relate to the documentation of enterprise architecture, linking projects to Strategy, adherence to and clarity regarding internal process, and financial forecasting.

- The Audit Committee is requested to note the report and its findings

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Internal Audit Report 2017/18

IT Technology Roadmap Review

London South Bank University

Final

August 2018

Click to launch

pwc

Contents

Distribution list

For action:
Shan Wareing – Pro Vice Chancellor, Education and Student Experience
David Mead – Director, Academic Related Resources
Alex Denley – Deputy Director, Innovation and Transformation

For information:
Richard Flatman – Chief Financial Officer
Jon Baker - Corporate and Business Planning Manager

Executive summary

Report classification	Trend
Medium risk	N/A – we have not performed a review in this area before.
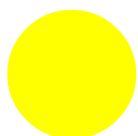
Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	2	1	-
Operating effectiveness	-	-	2	-	1
Total	-	-	4	1	1

Headlines/summary of findings

London South Bank University (LSBU) has started to establish more formalised project and portfolio governance in the last year. Projects are prioritised, reviewed inflight and budgets are monitored; however, controls in place can be matured further.

We identified four medium risk findings, summarised as follows:

- A baseline enterprise architecture map has not yet been created to assess proposed changes against current technology;

- Benefits realisation and management of projects needs to be defined and implemented for monitoring against;

- The project prioritisation process and the assessment of their alignment to strategic objectives; requires defining and formalising;

- The scope and operating principles of the Technical Design Authority (TDA) requires defining and formalising;

We also identified one low risk finding, where the budgeting process for projects should include consideration of a wider range of costs (direct/indirect) for improved accuracy.

Good practice noted

There is a newly established project management process that formalises the gateways for each project to progress towards implementation. Although there is some further development needed it is encouraging to see a process defining what steps need to be taken at each project stage gate, and the governance procedures to follow.

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Background and audit objectives

This review was being undertaken as part of the 2017/18 internal audit plan approved by the Audit Committee.

Background

Following the 2017 IT risk diagnostic exercise performed by Internal Audit over the IT function at London South Bank University (LSBU) a number of initiatives have been launched by IT management to address weakness in process identified by the diagnostic. One of these is to build a technology roadmap process to align and control IT changes within the university estate and partner organisations (including schools using the IT network) so that they architecturally aligned, are consistent with LSBU's strategic objectives, and can be monitored for costs.

Objective

To validate:

- There is a single view of IT architecture across application, data and technology that all project based changes adhere to or variances from are understood and agreed.

- IT projects are costed up front to give a view of costs to complete and allow for accurate financial planning and monitoring.

- IT projects are monitored inflight between planned and accrued/actual costs to identify overruns or underspends on a timely basis

- IT projects align to IT strategic objectives to ensure they are consistent with the goals of the organisation.

Our work touched upon the following areas of our annual report to Audit Committee:

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
15		*X*	*X*		

X = area of primary focus   *x* = possible area of secondary focus
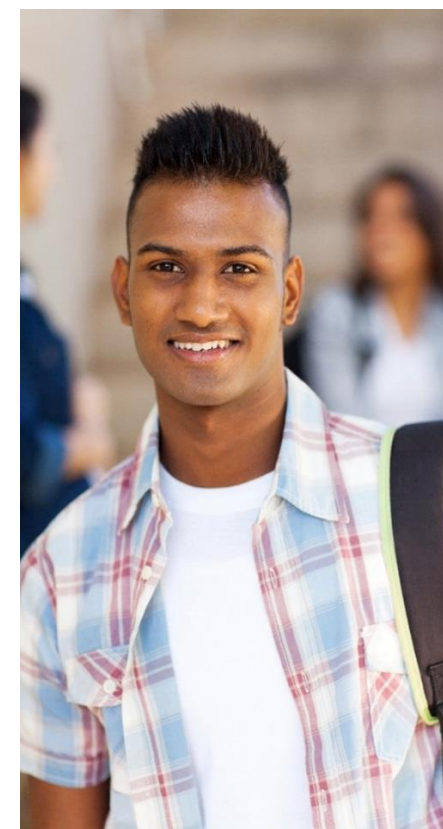
Understanding of Enterprise Architecture

Operating effectiveness

1

Finding rating

Rating	Medium

Findings

The documentation of LSBU's enterprise architecture (the underlying technology that enables and supports business processes across the University) is work in progress and incomplete.
As a result, there is no reference point of the architecture in place and to be able assess proposed technology changes against this when making decisions on investment.

There is a recent example of an unanticipated data migration being identified mid-project, which may have been captured earlier with reference to an existing enterprise architecture, if this had this been available.

A clear architectural plan should incorporate system changes as they are made.

Implications

If there is no documented view of existing enterprise architecture there is a risk that IT investment does not achieve optimal return on investment or reflects the University's strategic objectives, as there is no reference point and awareness of the current architecture.

Action plan

- Begin developing a high level view of the IT infrastructure that supports the university. As minimum this should make reference to networking devices, databases, servers, applications, operating system and end user devices.

Responsible person/title:

TBC

Target date:

14 December 2018

Reference number:

ITTR-1

Benefits Management

Control Design

2

Page 160

Finding rating

Rating	Medium

Findings

There is limited articulation in Project Initiation Documentation (PID) and relating documentation of how the projects are aligned to the IT strategy. As per good practice, this would be expected to be defined through the identification of project benefits and to be tracked through benefits realisation.

Our fieldwork evidenced no benefits management process in place and benefit identification to be limited.

Implications

Benefits to be realised from projects are unclear and may lead to limited project success and awareness of the project's purpose, and its relevance in meeting the University's strategic goals. As a result, resources (time, people and budgets) may be allocated to projects that do not help the organisation achieve its intended strategic objectives.

Action plan

- Revise the Project Initiation Document template to ensure that there is a place for benefits to be defined and appropriate metrics to measure their success.
- Select a sample of new projects and define benefits in conjunction with the Project Sponsor, who will be responsible for agreeing the metrics to measure realisation.
- Define a role and owner that is accountable for benefits realisation in Innovation and Transformation.

Responsible person/title:

TBC

Target date:

31 October 2018

Reference number:

ITTR-2

Demonstrating Project Alignment to Strategy

Control Design

3

Finding rating

Rating	Medium

Findings

Prior to the first 'Planning and Design' stage gate of the project delivery process, proposed projects are assessed by the IT Leadership team and confirmed with the strategic board as suitable for go-ahead and subsequent investment (after which they progress to PID and lower level design).

The "Technical Roadmap," document that lists all proposed projects has an impact assessment matrix for strategic alignment with values classified as Low, Medium and High. The rating given drives the decision on whether to progress the project or not.

There are no metrics/criteria established to demonstrate transparency on how these values are decided and as a result judgements and decisions made that lead to funding are not transparent.

Implications

The absence of a consistent and transparent assessment process that is aligned to specific metrics or criteria, may lead to investment in projects that does not enable the organisation to achieve its' strategic aims. Decisions on strategic investments may not be justified and lack defined benefits to be realised for the project, which provides a basis for a sense check of the projects' relevance.

Action plan

- Create an additional two columns in the Technical Roadmap spreadsheet where the project can show alignment to IT Strategy, and how that IT Strategy aligns to the Corporate Strategy.
- Establish metrics for assessing how projects are aligned to corporate objectives.

Responsible person/title:

TBC

Target date:

31 October 2018

Reference number:

ITTR-3

Technical Design Authority

Control Design
Operating Effectiveness

4

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Finding rating

Rating	Medium

Findings

Management have implemented a Technical Design Authority (TDA) as a go/no-go governance function to validate that projects deliver against their PID throughout the project lifecycle and review and authorise any changes. This TDA does not have an enterprise architecture to reference its decisions against (see finding 1).

In reviewing the Terms of Reference for the TDA we identified the following weaknesses:
-     The scope of the TDA is not clearly documented.
-     There is no quorum specified to support decision making.
-     There is no criteria to state what constitutes a change needing to go via TDA.
-     There is no explanation of how to manage exceptions.

2 of 3 projects sampled (67%) had not gone through the TDA at an appropriate time. The rationale for this was that they were Commercial Off The Shelf (COTS) solutions and Software as a Service (SaaS) respectively and not subject to TDA governance. There is no defined and documented criteria of the classes of project that has dispensation to not attend TDA at the appropriate time.

Implications

Where project changes are not subject to effective TDA review there is a risk they may deviate from the ICT strategy, policy or procedures, creating technology risks to the organisation and achieve sub-optimum return on investment of resources.

Action plan

-     Review the terms of reference to define the missing criteria in conjunction with the wider ICT team.
-     Define exceptions criteria that details the nature of projects that should bypass TDA,.
-     Define in the terms of reference, the timeline and point in time at which projects are required to report to the TDA.

Responsible person/title:

TBC

Target date:

31 October 2018

Reference number:

ITTR-4

Budgeting

Control Design

5

Finding rating

Rating	Low

Findings

Financial forecasts for IT projects are prepared at the outset of the project's inception by engagement analysts. These forecasted budgets are used in tandem with other elements in order to develop the prioritised IT roadmap for the upcoming year to deliver the IT Strategy.

Currently these forecast figures do not include all costs required to deliver a project such as internal employee time and materials costs, any associated indirect costs and contingency costs.

Implications

Forecasts may provide inaccurate costs of undertaking projects. This may result in insufficient internal resourcing and unforeseen expenditure on external consultants in order to deliver on critical projects; causing overspends.

Action plan

- Create a formal process that assesses project costs at the start, using defined cost metrics and measures.

Responsible person/title:

TBC

Target date:

31 October 2018

Reference number:

ITTR-5

Technical Roadmap Strategic Board

Operating Effectiveness

6

Page 164

Finding rating

Rating	Advisory

Findings

The University has a Technical Roadmap Strategic Board that decides the prioritisation of projects for the next financial year and meets quarterly, or as necessary. The Board's terms of reference states that the meeting should be attended by 8 members, which is general good practice for no more than 8 attendees.

We evidenced meeting minutes where,
- In April 2018 the meeting had 13 attendees with 25 staff members were invited;
- In July 2018 the meeting had 18 attendees with 23 staff members were invited.

We advise Management to review the membership and terms of reference of the Technical Roadmap Strategic Board and ensure that appropriate members are being invited. This will ensure focus of discussions and decision making.

Producing a RACI (Risk, Accountable, Informed and Consulted) for strategic decision making board is also advised, including an explanation of the voting system, to be included in the terms of reference.

Implications

N/A – Advisory only

Action plan

N/A – Advisory only

Responsible person/title:

N/A

Target date:

N/A

Reference number:

N/A

Appendix A: Basis of our classifications

Appendix B: Terms of reference

Appendix C: Limitations and responsibilities

Appendices

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Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance resulting in inability to continue core activities for more than two days; or
- **Critical** monetary or financial statement impact £5m; or
- **Critical** breach in laws and regulations that could result in material fines or consequences over £500k; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.

High

A finding that could have a:

- **Significant** impact on operational performance resulting in significant disruption to core activities; or
- **Significant** monetary or financial statement impact of £2m; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences over £250k; or
- **Significant** impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.

Medium

A finding that could have a:

- **Moderate** impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or
- **Moderate** monetary or financial statement impact of £1m; or
- **Moderate** breach in laws and regulations resulting in fines and consequences over £100k; or
- **Moderate** impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:

- **Minor** impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or
- **Minor** monetary or financial statement impact of £500k; or
- **Minor** breach in laws and regulations with limited consequences over £50k; or
- **Minor** impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		Points
🟢	Low risk	6 points or less
🟡	Medium risk	7 – 15 points
🟠	High risk	16 – 39 points
🔴	Critical risk	40 points and over

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Appendix B: Terms of reference

To: **Shan Wareing – Pro Vice Chancellor, Education and Student Experience**
From: **Justin Martin – Head of Internal Audit**

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Background and audit objectives

This review is being undertaken as part of the 2017/18 internal audit plan approved by the Audit Committee.

Background and audit objectives

Following the 2017 IT risk diagnostic exercise performed by Internal audit over the IT function at London South Bank University (LSBU) a number of initiatives have been launched by IT management to address weakness in process identified within the diagnostic. One of these is to build a technology roadmap process to align and control IT changes within the university estate and partner organisations (including schools using the IT network) so that they architecturally align, are consistent with LSBU's strategic objectives and can be monitored for costs.

We believe our work will touch upon the following areas of our annual report to Audit Committee:

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
15		x		X	

X = area of primary focus

x = possible area of secondary focus

Audit scope and approach (1 of 2)

Scope

We will review the design and operating effectiveness of key monitoring controls in place to cover the IT architecture road map during the period 1st Jan – 30th June 2018.

The sub-processes, and related control objectives included in this review are:

Sub-process	Objectives
IT architecture alignment	• There is a single view of IT architecture across application, data and technology that all project based changes adhere to or variances from are understood and agreed.
IT project cost monitoring	• IT projects are costed up front to give a view of costs to complete and allow for accurate financial planning and monitoring. • IT projects are monitored inflight between planned and accrued/actual costs to identify overruns or underspends on a timely basis
IT strategic delivery	• IT projects align to IT strategic objectives to ensure they are consistent with the goals of the organisation.

Limitations of scope

- We will not review the process for setting the IT strategy or the content of the strategy itself.
- We will not review the scope or mandate of the enterprise architecture function, rather looking at how it is included within IT project governance.
- We are not looking at the monitoring of business as usual IT costs

Audit approach

Adapt this section if undertaking an approach other than a full scope internal audit

Our audit approach is as follows:

- Obtain an understanding of the Technical Roadmap governance process through discussions with key personnel, review of systems documentation and walkthroughs
- Identify the key risks of the Technical Roadmap process
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls.

Internal audit team and key contacts

Internal audit team

Name	Role	Contact details	
Justin Martin	Head of Internal Audit	Telephone: 0207 212 4269	Email: justin.f.martin@pwc.com
Lucy Gresswell	Engagement Manager	Telephone: 07718 098 321	Email: lucy.j.gresswell@pwc.com
Robert Grey	IT Senior Manager	Telephone 07715211466	Email: Robert.j.grey@pwc.com
Robert Patterson	IT Auditor	Telephone 07841 641546	Email : rob.patterson@pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
David Mead	Director – Academic Related Resources	+44 (0)7810 637499 meadd2@lsbu.ac.uk	Review and approve terms of reference Review draft report
Alex Denley	Deputy Director Innovation	07976644475 Alex.denley@lsbu.ac.uk	Review and approve final report Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan
Richard Flatman	Chief Financial Officer (Audit Contact)	0207 815 6301 richard.flatman@lsbu.ac.uk	Receive draft and final terms of reference Receive draft report
John Baker	Corporate and Business Planning Manager (Audit Contact)	0207 815 6003 j.baker@lsbu.ac.uk	Receive final report

Timetable and information request

Timetable

Fieldwork start	**16th July 2018**
Fieldwork completed	**2nd August 2018**
Draft report to client	**31st August 2018**
Response from client	**7th September 2018**
Final report to client	**14th September 2018**

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.

- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

Please note that if the University requests the audit timing to be changed at short notice (2 weeks before fieldwork start) and the audit staff cannot be deployed to other client work, the University may still be charged for all/some of this time. PwC will make every effort to redeploy audit staff in such circumstances.

Information request

Use this section to request any information we expect to have available on the first day of the audit. For example:

- List of projects from PMO (IT lead/Business led with IT element)

- Technology Road map governance documentation

- IT Strategy

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or

- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University in our agreement dated 16 October 2017. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Memorandum of Assurance and Accountability between Higher Education Funding Council for England (HEFCE) and institutions. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

In the event that, pursuant to a request which London South Bank University has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), London South Bank University is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. London South Bank University agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, London South Bank University discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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	CONFIDENTIAL
Paper title:	Internal Audit Annual Report –2017/2018
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	PriceWaterhouseCoopers
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note the attached annual report by the internal auditors

Executive Summary

The Internal Auditors' annual report for the Audit Committee provides their opinion on the adequacy and effectiveness of governance, risk management and control for the financial year of operation, and details summary progress against the internal audit plan. This opinion features in the annual statement on control which supports the statement made by the Board in the Published Accounts, and the report is provided to the Office for Students as a component of the annual accountability return.

The opinion within this report for 2017/18 is "generally satisfactory with some improvements required". This is consistent with the previous year, and the second highest of four potential categories (p 19).

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Internal audit annual report 2017/2018

September 2018

Draft

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Contents

Distribution list

For action:	Richard Flatman, Chief Financial Officer
	Audit Committee
For information:	James Stevenson, University Secretary

Executive summary

Introduction

This report outlines the internal audit work we have carried out for the year ended **31 July 2018**.

The Office for Students' (OfS and formerly HEFCE) Memorandum of Assurance and Accountability (MAA) requires that the Head of Internal Audit provides a written report and annual internal audit opinion to the Audit Committee. As such, the purpose of this report is to present our view on the adequacy and effectiveness of:

• Governance, risk management and control; and

• Economy, efficiency and effectiveness (value for money) arrangements.

This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Audit Committee agreed to a level of internal audit input of **125** days, of which **125** days were delivered. Whilst this report is a key element of the framework designed to inform the Audit Committee's Annual Report to OfS, there are also a number of other important sources to which the Audit Committee should look to gain assurance. This report does not override the Audit Committee's responsibility for forming their own view on governance, risk management, control and value for money arrangements.

Head of internal audit opinion

We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control, and economy, efficiency and effectiveness arrangements (value for money). To assist the Audit Committee in understanding how our work corresponds to their reporting responsibilities, we have mapped our work against these areas in Appendix 4.

In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

Executive summary

Opinion

Our opinion is as follows:

> **Generally satisfactory with some improvements required**
>
> Governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control and value for money arrangements which potentially put the achievement of objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control and value for money arrangements. Please see our Summary of Findings in Section 2.

An explanation of the types of opinion that may be given can be found in Appendix 2.

Basis of opinion

Our opinion is based on:

- All audits undertaken during the year.

- Any follow up action taken in respect of audits from previous periods.

- The effects of any significant changes in the organisation's objectives or systems.

- Any limitations which may have been placed on the scope or resources of internal audit.

- What proportion of the organisation's audit needs have been covered to date.

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Executive summary

Commentary

The key factors that contributed to our opinion are summarised as follows:

- Our view on London South Bank University's (LSBU's) operational control environment and governance arrangements is underpinned by the audit reviews that we have performed during the year. There has been one high risk rated report, two medium risk rated reports and two low risk rated reports prepared during the financial year. These ratings are the same with 2016/17's audit reports, although different scope areas were reviewed. The findings from these reports are not considered significant in aggregate to the system of internal control. None of the individual assignments completed in 2017/18 have an overall classification of critical risk.

- We identified one high risk report this year, the International Partnerships Arrangements review. This area was selected for review due to the University's having nearly 200 arrangements with international partners and having been engaged in the process of terminating loss-making contracts, revising the process for entering new contracts and reviewing the financial performance of existing partnership arrangements. We identified two high risk findings where for 3 out of 4 partnerships sampled (75%), there was no evidence of a risk assessment or due diligence performed on the partnerships before signing the agreement. The second finding is related to the monitoring of partnerships, where LSBU does not keep a log of the checks completed to validate academic quality of international partners and additionally, LSBU only monitoring income generated from Partnerships rather than overall financial performance. Our high risk finding relates to specific issues and is not deemed to represent systemic threats to the entire control and governance environment.

- Our Continuous Auditing work shows that on the whole the core financial control environment has improved during the year since Phase 1, with no significant exceptions or control recommendations raised. Fewer exceptions were identified across the systems compared with 2016/17, and in particular, we are pleased to report that the performance of Payroll has improved to a green risk rating due to fewer exceptions identified. There have been some exceptions identified through our substantive controls testing of Accounts Receivable and Accounts Payable processes. For Accounts Payable, the risk rating remains green due to fewer exceptions identified, and for those identified they were low risk. The findings identified are not considered to be a threat to the operation of the system as a whole, although, when taken in aggregate, these findings do undermine the efficient performance of the financial control environment. *Please see details in section 3.*

- The timely implementation of internal audit recommendations by management is a key indicator of good governance and a target rate of 75%+ should be aspired to by management. LSBU's implementation rate has deteriorated in 2017/18; 64% of agreed actions have been implemented compared to 97% in the 2016/17. *Please see details in sections 3 and 4.*

- LSBU's risk management arrangements remain robust. We were pleased to see that despite a low risk rated report in 2016/17, management have continued to implement improvements to further strengthen the University's approach to risk management. We identified only one finding, which was low risk.

- Our work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: adherence to financial controls and use of purchase consortiums. We performed an IT review focused on LSBU's IT Technology Roadmap and provided assurance on whether IT projects are costed up front to give a view of costs to complete, the monitoring of these costs between planned and accrued/actual costs to identify overruns or underspends, and if IT projects align to IT strategic objectives to ensure they are consistent with the goals of the organisation including delivering VFM.

Acknowledgement

We would like to take this opportunity to thank LSBU staff, for their co-operation and assistance provided during the year.

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Summary of findings

Our annual internal audit report is timed to inform the organisation's Audit Committee's Annual Report to OfS (Office for Students).

A summary of key findings from our programme of internal audit work for the year work is recorded in the table below:

Description	Detail
Overview	
We completed **10** internal audit reviews. This resulted in the identification of 0 critical, 3 high, 13 medium and 14 low risk findings to improve weaknesses in the design of controls and operating effectiveness.	• Our audit plan was scoped to address LSBU's key risks and strategic objectives.
	• We mapped each review to these areas in our Internal Audit Risk Assessment and Internal Audit Plan 2017/18.
Over the past three years, the number of findings has been increasing steadily but this is due to the risk profile having changed over the course of the three year period, and that we conduct different reviews each year which present different risk profiles.	• We have completed our Internal Audit Plan in line with the set timescales.
There has been more high risk but also low risk findings this year, with medium risk findings remaining consistent over the three year period. This demonstrates LSBU's control environment remaining consistent and stable.	
Risk Management, Internal Control and Governance	
Risk Management	N/A
Risk management arrangements remain robust and has improved. We were pleased to see that despite a low risk rated report in 2016/17, management have continued to implement improvements to further strengthen the University's approach to risk management.	
The current year review identified just one low risk finding which related to the Operating Effectiveness Review minutes not being available for risk discussions at the School and Professional Service Group (PSG) level. An advisory finding was also identified for Management's acknowledgement.	

Summary of findings

Description	Detail
Risk Management, Internal Control and Governance (continued)	*International Partnerships Arrangements*

Risk Management, Internal Control and Governance (continued)

Internal Control

Our review of International Partnerships Arrangements identified that this is a high risk area for the University. We identified two high risk findings which is summarised opposite.

The results of our Key Financial Systems Continuous Auditing has improved during the year, with no significant exceptions or control recommendations raised.

Fewer exceptions were identified across the systems compared with 2016/17, and in particular, we are pleased to report that the performance of Payroll has improved to green risk rating due to fewer exceptions identified. The performance of Accounts Payable continues to fluctuate over the two years.

A summary of Continuous Auditing performance and the results of individual reviews is included in Section 3. We do not consider the findings to be significant in aggregate to the control environment.

International Partnerships Arrangements

We identified two high risk findings relating to no evidence of due diligence checks performed before signing the agreement, and LSBU having no log of the checks completed to validate academic quality of international partners and additionally, LSBU only monitoring income generated from Partnerships rather than overall financial performance.

- 3 out of 4 partnerships sampled (75%), there was no evidence of a risk assessment or due diligence performed on the partnerships before signing the agreement. All three pre-date the new process introduced in April 2017.
- In terms of monitoring the partnerships, LSBU does not keep a log of the checks completed to validate academic quality of international partners (i.e. a list of exam papers reviewed). At the time the internal audit was undertaken a new process was being trialled to utilise Moodle to retain a record of the academic quality checks completed over the BUE partnership. If this is successful, the process will be expanded to other international partners. Furthermore LSBU only monitor income generated from Partnerships rather than overall financial performance.

Value for Money

Institutions have a duty of care to ensure the proper use of public funds and the achievement of value for money. Our audit approach considers value for money as an integral objective of LSBU's systems of internal control. Our work indicates that LSBU has processes in place to ensure value for money which are in accordance with good practice, examples are provided opposite.

Value for Money has been demonstrated through the following activities:

- *Use of purchasing consortiums* – LSBU is a member of the London Universities Purchasing Consortia;
- *Adherence to financial controls* - as part of our Continuous Auditing work we test to ensure transactions are approved and reviewed in accordance with LSBU's delegated authority framework. No significant issues have been noted this year; and
- *Value for Money Working Group* – a working group was established in 2013 and is attended by senior officers across the organisation. This also focuses on delivering value for money for students.
- *IT Technology Roadmap review* – our IT review this year focused on the controls and processes of whether IT projects are costed up front to give a view of costs to complete, the monitoring of these costs between planned and accrued/actual costs to identify overruns or underspends, and if IT projects align to IT strategic objectives to ensure they are consistent with the goals of the organisation including delivering VFM.

Summary of findings

Description	Detail
Data Submission The MAA includes a mandatory requirement for quality assurances to be provided by Institutions over the data submitted to the Higher Education Statistics Agency (HESA) and OfS. Whilst there is no requirement for our internal audit programme to provide a conclusion in respect of data quality, our internal audit programme in 2017/18 has been designed to support the Audit Committee in forming its conclusion in respect of such matters.	*Continuous Auditing* The two Student Data Continuous Auditing reports issued in 2017/18 were classified as medium risk for phase 1 and high risk for phase 2. We have not identified any significant exceptions regarding student data controls, but we have seen an increase in exceptions over the course of the year which suggests that there has been a deterioration in performance. This should be monitored by management to ensure that this trend does not continue. *IT Audit – IT Technology Roadmap* A number of initiatives have been launched by IT management to address weaknesses in processes identified by the IT risk diagnostic in 2017. One of these was to build a technology roadmap process to align and control IT changes within the University estate and partner organisations. The review identified 4 medium risk findings: • The documentation of LSBU's enterprise architecture is work in progress and incomplete. As a result, there is no reference point of the architecture in place and to be able assess proposed technology changes against this when making decisions on investment. • There is limited articulation in Project Initiation Documentation (PID) and relating documentation of how the projects are aligned to the IT strategy. As per good practice, this would be expected to be defined through the identification of project benefits and to be tracked through benefits realisation. • The "Technical Roadmap," document that lists all proposed projects has an impact assessment matrix for strategic alignment with values classified as Low, Medium and High. There are no metrics/criteria established to demonstrate transparency on how these values are decided and as a result judgements and decisions made that lead to funding are not transparent. • In reviewing the Terms of Reference for the TDA we identified weaknesses such as the scope of the TDA not being clearly documented, no quorum specified to support decision making, no criteria to state what constitutes a change that needs to go via TDA, and there is no explanation of how to manage exceptions.

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Summary of findings

Description	Detail
Follow up During the year we have undertaken follow up work on previously agreed actions. We have undertaken follow up work on actions with an implementation date by 31 July 2018. We have discussed with management the progress made in implementing actions falling due in this period. Where the finding had a priority of low or advisory, we have accepted management's assurances of their implementation; otherwise, we have sought evidence to support their response.	A total of 11 agreed actions have been followed up. 7 actions have been implemented (64%), 1 action has been partially implemented (9%) and 3 actions have not been implemented (27%). Please see slide 15 and Appendix 4 for details of the follow ups.
Good practice We also identified a number of areas where few weaknesses were identified and areas of good practice.	*IT audit - IT Technology Roadmap* There is a newly established project management process that formalises the gateways for each project to progress towards implementation. Although there is some further development needed it is encouraging to see a process defining what steps need to be taken at each project stage gate, and the governance procedures to follow. *Health and Safety (Fire Safety Management)* Following the Grenfell tower incident, LSBU employed an external company to undertake an independent review of a number of its buildings to evaluate if there was any significant impact following the Grenfell Tower (fatal fire), London, June 2017. The Health Safety and Resilience (HSR) team have a proactive and positive relationship with the emergency services, including sitting on the Southwark emergency planning forum. *Risk Management* Risk Management arrangements remain strong with a number of areas of good practice, for example: documented roles and responsibilities, established management escalation routes and a defined Risk Strategy and Risk Appetite which is regularly reviewed and discussed at Board level. *HR review (Process mapping and Performance Management)* The University has appropriate controls designed and in place for the three key HR processes; starters, leavers and changes to staff details, with minor improvements required. For Performance Management, the policy reflects best practice and contains the key areas for managing staff performance including a Performance Improvement Template requiring SMART objectives and a Manager Performance Report template.

Internal audit work conducted

Introduction

The table below sets out the results of our internal audit work and implications for next year's plan. The following page shows direction of control travel and a comparison of planned and actual internal audit activity.

Results of individual assignments

Review	Report classification	Report status	Number of findings			
			Critical	High	Medium	Low
Continuous Auditing: Key Financial Systems – Phase 1	**No Classification**	Final	-	-	2	4
Continuous Auditing: Key Financial Systems – Phase 2	**No Classification**	Final	-	1	3	3
Continuous Auditing: Student Data – Phase 1	**No Classification**	Final	-	-	1	-
Continuous Auditing: Student Data – Phase 2	**No Classification**	Final	-	-	-	2
Incident Response Support	**No Classification**	Final – Management letter	No Findings – Recommendations only			
International Partnerships Arrangements	**High**	Final	-	2	1	-
Health and Safety	**Medium**	Final	-	-	2	1
IT Technology Roadmap	**Medium**	Final	-	-	4	1
HR: Process Mapping and Performance Management	**Low**	Final	-	-	-	2
Risk Management	**Low**	Final	-	-	-	1
Total			0	3	13	14

Internal audit work conducted

Direction of control travel

Finding rating	Trend between current and prior year	Number of findings		
		2017/18	2016/17	2015/16
Critical	⬄	-	-	-
High	⬆	3	1	2
Medium	⬄	13	13	14
Low	⬆	14	11	4
Total	⬆	**30**	**25**	**20**

Over the past three years, the number of findings has been increasing steadily but this is due to the risk profile having changed over the course of the three year period, and that we conduct different reviews each year which present different risk profiles.

There has been more high risk but also low risk findings this year, with medium risk findings remaining consistent over the three year period. This demonstrates LSBU's control environment remaining consistent and stable.

In 2015/16, both the high risk findings came from the Data Security internal audit which has not been included in either the 2016/17 or 2017/18 internal audit programme. 2 of the 3 high risk findings for 2017/18 are from the International Partnerships Arrangement review. The remaining high risk finding is from the KFS Phase 2 review.

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PwC

Implications for management

- 2 of the 3 high risk findings in the current year relates to the International Partnerships report. This report was classified as high risk due to two high risk findings. These related to partnerships with no evidence of due diligence checks performed before signing the agreement, and LSBU having no log of the checks completed to validate academic quality of international partners and additionally, LSBU only monitoring income generated from Partnerships rather than overall financial performance We will follow up on the findings from this review and provide an update at the next Audit Committee meeting.

- The remaining high risk finding came from the KFS Phase 2 review, where in Accounts Payable, a finding was raised for supplier amendments due to a lack of audit trail to evidence appropriate checks had been made on the authenticity of requests to amend supplier details. This was rated high risk due to the Payroll matter incident, where we performed further investigative work. Overall the area was still rated green due to the low number of exceptions in limited areas and an improvement since Phase 1.

- The majority (23%) of findings were from the KFS Phase 2 report followed by the IT Technology Roadmap report with 17% of findings. The KFS report relates to Continuous Auditing, where the results of each phase will indicate the progress of implementing agreed actions. Agreed actions from the IT Technology Roadmap report will be reported in the November Audit Committee, when they are due.

- In the prior years, Data Security was the primary area of concern, with a high risk rating overall. Following the IT risk diagnostic exercise, anumber of initiatives have been launched by IT management to address weaknesses in processes identified by the IT risk diagnostic. One of these was to build a technology roadmap process to align and control IT changes within the University estate and partner organisations (including schools using the IT network). As part of the 2017/18 internal audit programme, we performed a IT review of the Technology Roadmap in place and identified 4 medium risk findings. We will follow up on the findings from this review and provide an update at the next Audit Committee meeting.

- No classification has been given for four reviews performed, these relate to Continuous Auditing. An analysis of findings in these areas has been provided on the next page. We have provided risk-rated findings where exceptions were noted in our testing. The results of our Continuous Auditing show an improvement in performance for Student Data during the year and a deterioration for KFS in Phase 2. However we have not identified any risks which are pervasive to the entire control environment.

Internal audit work conducted

Comparison of planned and actual activity

Audit unit	Budgeted days	Actual days
Continuous Auditing: Key Financial Systems – Phase 1	13	13
Continuous Auditing: Key Financial Systems – Phase 2	12	12
Continuous Auditing: Student Data – Phase 1	15	15
Continuous Auditing: Student Data – Phase 2	15	15
HR: Process Mapping and Performance Management	10	10
IT Technology Roadmap	15	15
International Partnerships Arrangements	10	10
Health and Safety	12	12
Risk Management	5	5
Value for Money	3	3
Audit management and follow up	15	15
Total	**125**	**125**

Implications for management

- We are pleased to confirm there are no implications for management, as budgets have been met for 2017/18.

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Internal audit work conducted

Analysis of the Continuous Auditing programme

Whilst no overarching classification is assigned for our Continuous Auditing reports, we have summarised below the findings identified in each period under consideration as part of the 2017/18 audit programme. The comparative performance for 2016/17 is also shown.

Key Financial Systems

The table below represents our view of the overall risk for each system within each financial cycle. This includes phase one of the 2018/19 key financial systems as this captures the results of testing during the 2017/18 financial year (January 2018 – June 2018). The numbers in brackets represents the number of operating effectiveness exceptions identified from our work. The control design recommendations identified are included within the table included on page 9.

Overall the performance during this period has remained consistent with the previous period. Fewer exceptions were identified across the systems compared with the previous period, and in particular, we are pleased the report that the performance of Payroll has improved during the year to a green risk rating due to fewer exceptions identified. The performance of Accounts Payable has also improved with the risk rating remaining green due to fewer exceptions identified, and for those identified they were low risk. For Accounts Receivable, this risk remains at amber for 2017/18, compared to green in 2016/17.

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System / Rating	Trend	2018/19 IA Programme	2017/18 IA Programme		2016/17 IA Programme	
		P1 2018/19	P2 2017/18	P1 2017/18	P2 2016/17	P1 2016/17
Payroll	↑	● Green (1)	● Amber (1)	● Red (5)	● Amber (5)	● Amber (4)
Accounts Payable	←→	● Green (1)	● Green (3)	● Amber (1)	● Amber (2)	● Green (1)
Accounts Receivable	←→	● Amber (2)	● Amber (2)	● Green (0)	● Green (2)	● Green (1)
Cash	←→	● Green (1)	● Green (1)	● Green (0)	● Green (1)	● Amber (1)
General Ledger	←→	● Green (0)	● Green (1)	● Green (2)	● Green (0)	● Amber (1)

Internal audit work conducted

Student Data

The table below summarises the overall performance for Student Data Continuous Auditing. This is based on the number and severity of findings identified for each Phase. We classified the overall area as medium risk in Phase 1 and high risk in Phase 2 in 2017/18; this was classified as medium risk for both Phases in 2016/17. The table shows a decline in performance during the year: 41 operating effectiveness exceptions were identified in Phase 1; this increased to 46 exceptions Phase 2. Two control design exception were also identified in Phase 2 (Phase 1: one exception). There has also been far more exceptions identified in S4 (Student Engagement) and in particular, S9 (Changes to module data), where there were 13 exceptions. We note that there has been a significant improvement in S2 (Tier 4 controls). The increase in Phase 2 is also driven by 5 exceptions identified for the new control S3 (Apprenticeships).

Control	P2 17/18 Effectiveness	P2 17/18 Control design	P1 17/18 Effectiveness	P1 17/18 Control design	Trend
S1	8	-	11	-	↓
S2	2	-	16	1	↓
S3	5	1	N/A – this is a new control that has been tested for the first time in P2		N/A
S4	9	-	4	-	↑
S5	-	-	-	-	←→
S6	5	-	2	-	↑
S7	4	-	3	-	↑
S8	-	-	1	-	↓
S9	13	1	4	-	↑
S10	-	-	-	-	←→
S11	-	-	-	-	←→
Total	**46**	**2**	**41**	**1**	↑

Follow up work conducted

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. In accordance with our internal audit plan, we followed up a sample of recommendations made in prior years to ascertain whether action had been taken.

Within the Internal Audit Risk Assessment and Internal Audit Plan 2017/18, five days were assigned for following up agreed actions raised in previous and current periods in order to assess whether agreed actions had been implemented by management. The table below summarises the follow up work performed.

Where findings were classified as critical, high or medium risk, we have validated that management's actions have been implemented. Where findings were classified as low risk or advisory, our follow up is limited to discussing progress with management and accepting their assurances with regards to the implementation status.

If some action has been taken to implement an action then the action has been classified as 'partially implemented'. If no action has been taken, this has been classified as 'outstanding'. We have agreed revised implementation deadlines for all 'partially implemented' actions.

Follow up work was not undertaken on findings from our Continuous Auditing programme. This is because issues noted as part of Continuous Auditing are followed up each testing period. The table below summarises the follow up work performed.

Results of follow up work

11 agreed actions were due for implementation by 31 July 2018. The table below summarises the follow up work performed.

Status	Number of agreed actions due by 31 July 2018
Implemented	7
Partially implemented and deferred to 2018/19	1
Not implemented	3
Total	**11**

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Follow up work conducted

Summary

We recommend that further work is conducted by LSBU to ensure all previously agreed recommendations are implemented at the earliest opportunity. For those recommendations that are ongoing and outstanding, the following explanations have been provided (please see appendix 4 for further details):

• For the Contract Management review: 2 of the 3 actions relate to this review and the action owner has not yet implemented this. An explanation was not provided.

• For the Fire Safety (Health and Safety) review: 1 of the 3 actions relates to this review and the action owner has not yet implemented this. An explanation was not provided.

• For the Data Security review, where there is one action that is partially implemented, we have yet to receive an updated response from the Action Owner.

Additional Work - Accommodation code, UUK Code of Practice Audit 2018

As requested by Management, we have also followed up on the Halls of Residence actions relating to the Accommodation code, UUK Code of Practice Audit 2018.

There were 8 actions, where 7 of 8 (88%) have been implemented and where 1 of 8 (12%) is partially implemented.

Please see the September Progress report for further details.

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Appendices

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Appendix 1: Limitations and responsibilities

Appendix 2: Opinion types

Appendix 3: Basis of our classifications

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Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to LSBU is for the period 1 August 2017 to 31 July 2018. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

• The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or

• The degree of compliance with policies and procedures may deteriorate.

The specific time period for each individual internal audit is recorded within section3 of this report.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Opinion types

The table below sets out the four types of opinion that we use, along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his/her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.

Type of opinion	Indication of when this type of opinion may be given
Satisfactory	• A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	• Medium risk rated weaknesses identified in individual assignments that are **not significant in aggregate** to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are **isolated** to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	• Medium risk rated weaknesses identified in individual assignments that are **significant in aggregate but discrete parts** of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are **significant in aggregate but discrete parts** of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are **not pervasive** to the system of internal control; and • A **minority** of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	• High risk rated weaknesses identified in individual assignments that **in aggregate are pervasive** to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are **pervasive** to the system of internal control; and/or • **More than a minority** of the individual assignment reports have an overall report classification of either high or critical risk.

Disclaimer opinion	• An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either:
	  - Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or
	  - We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

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Appendix 3: Basis of our classifications

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points
● Critical	40 points per finding
● High	10 points per finding
● Medium	3 points per finding
● Low	1 point per finding

Report classification	Points
● Critical risk	40 points and over
● High risk	16–39 points
● Medium risk	7–15 points
● Low risk	6 points or less

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Individual finding ratings

Engagement teams should tailor the 'assessment rationale' section below based previous discussions with management and the relevant committee e.g. Audit Committee.

Finding rating	Assessment rationale
● **Critical**	A finding that could have a: • *Critical* impact on operational performance **[quantify if possible]**; or • *Critical* monetary or financial statement impact **[quantify if possible = materiality]**; or • *Critical* breach in laws and regulations that could result in material fines or consequences **[quantify if possible]**; or • *Critical* impact on the reputation or brand of the organisation which could threaten its future viability **[quantify if possible]**.
● **High**	A finding that could have a: • *Significant* impact on operational performance **[quantify if possible]**; or • *Significant* monetary or financial statement impact **[quantify if possible]**; or • *Significant* breach in laws and regulations resulting in significant fines and consequences **[quantify if possible]**; or • *Significant* impact on the reputation or brand of the organisation **[quantify if possible]**.
● **Medium**	A finding that could have a: • *Moderate* impact on operational performance **[quantify if possible]**; or • *Moderate* monetary or financial statement impact **[quantify if possible]**; or • *Moderate* breach in laws and regulations resulting in fines and consequences **[quantify if possible]**; or • *Moderate* impact on the reputation or brand of the organisation **[quantify if possible]**.
● **Low**	A finding that could have a: • *Minor* impact on the organisation's operational performance**[quantify if possible]**; or • *Minor* monetary or financial statement impact **[quantify if possible]**; or • *Minor* breach in laws and regulations with limited consequences **[quantify if possible]**; or • *Minor* impact on the reputation of the organisation **[quantify if possible]**.
● **Advisory**	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

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Appendix 4: Outstanding recommendations

Breakdown of outstanding recommendations

There were three agreed actions that have not been implemented by 31 July 2018 and one partially implemented action.

We have provided a breakdown of the original finding raised, agreed action, risk rating, status and revised due date below.

Not Implemented (3 actions)

Review	Agreed Action	Risk Rating	Original due date	Status
Contract Management	Procurement are working on a framework for contract management across the University. Contracts will be categorised based on impact and the process for managing supplier performance will be tailored to each category. This process will include guidance on the frequency of meetings with suppliers and specify what records should be maintained from these meetings.	● Medium	31/07/2018	Not implemented, revised due date of 31/07/2019.
Contract Management	Procurement are in the process of developing training for Contract Managers, this will be tailored to individuals based on the impact of the contracts they manage. This will also include introducing touchpoint meetings for high impact contracts. Guidance for contract management will include the process to be followed for terminating contracts.	● Low	31/07/2018	Not implemented, revised due date of 31/07/2019.
Fire Safety Management (Health and Safety)	- The EAE team will provide a Fire Action Plan status update to the EAE Senior Management team periodically (at least every quarter). This should reflect what is entered into the concept system and the progress made against each agreed action. - HSR team will include a KPI for FRA actions completed/outstanding in the annual H&S reports provided to the executive board.	● Medium	30/06/2018	Not implemented, revised due date of 30/11/2018.

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Appendix 4: Outstanding recommendations

Partially implemented (1 action)

Review	Agreed Action	Risk Rating	Original due date	Status
Data Security	**Security** We are not able to technically restrict unencrypted USB devices across the whole organisation as this would have a negative impact on teaching and learning, as well as on our disabled students. Instead we will begin deploying encrypted USBs to all staff that request them, and enforcing by policy; that all members of staff must use LSBU provided encrypted USBs whenever transporting any data away from their machines. We have not been accepting 'opt outs' for encryption policies since July 2015, we will no longer be accepting 'opt outs' for any encryption related policy. This messaging will be reinforced to our helpdesks during September. We have undertaken a cost benefit analysis of known desktop machines across the organisation. We have identified that public machines hold no accessible sensitive information therefore can be viewed as low risk. As a department we have decided that only sensitive devices will be encrypted. We recently (August 2016) implemented a system (System Centre Configuration Manager) capable of cataloguing and tracking machines across our network. This system will help to address historic tracking issues for laptops and other mobile devices. We are expecting this system to reach maturity by the end of 2016. In addition we are exploring options to restrict access to staff areas of the network to only allow registered and tracked devices (Network Access Control system) during the 16/17 academic year. The password parameters applied in AD are a known issue related to a deprecated system that has been decommissioned, a change request has been submitted as of 07/09/2016 to have the technical password policy parameters changed. We will review the listing of incomplete encryptions and remind users to ensure that these are up-to-date so they are actively encrypted. As above, this work will be covered as part of our SCCM database.	● **High**	30/05/2018	As updated to the Audit Committee on 7 June 2018, the majority of this action has been implemented. We are awaiting an update on a minor part of the action relating to the password parameters including the number of attempts a user can try before they are locked out.

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Appendix 5: Mapping of internal audit work

Reporting responsibilities

The table below maps our internal audit work against the Audit Committee's reporting responsibilities.

Audit unit	Governance	Risk management	Control	Value for money	Data submission
Continuous Auditing: Key Financial Systems – Phase 1	📄	📄	📄📄	📄	📄
Continuous Auditing: Key Financial Systems – Phase 2	📄	📄	📄📄	📄	📄
Continuous Auditing: Student Data – Phase 1	📄	📄	📄	📄	📄📄
Continuous Auditing: Student Data – Phase 2	📄	📄	📄	📄	📄📄
International Partnerships Arrangements	📄📄	📄	📄	📄	📄
Health and Safety	📄	📄📄	N/A	N/A	📄
IT Technology Roadmap	📄📄	N/A	N/A	📄📄	N/A
HR: Process Mapping and Performance Management	📄📄	📄	📄	📄	📄
Risk Management	📄	📄📄	📄	N/A	N/A

Key

📄 Testing focused on this area

📄 Testing was peripheral

N/A Not tested

Data submission

It is of particular note that the Audit Committee's Annual Report must include an opinion on the adequacy and effectiveness of arrangements for the management and quality assurance of data submissions to the Office for Students (OfS) and other funding bodies.
To assist the Audit Committee prepare its Annual Report, we have outlined above where our work assessed the arrangements for the management and quality assurance of data submissions (see the table on this page). We provide no conclusions or opinion on data quality.

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This is a draft prepared for discussion purposes only and should not be relied upon; the contents are subject to amendment or withdrawal and our final conclusions and findings will be set out in our final deliverable.

This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University in our agreement dated 16 October 2017. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Memorandum of Assurance and Accountability between the Office for Students and institutions. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

In the event that, pursuant to a request which London South Bank University has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), London South Bank University is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. London South Bank University agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, London South Bank University discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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	CONFIDENTIAL
Paper title:	Internal Audit –2018/2019 Plan & Charter
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	PriceWaterhouse Coopers
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note the attached plan now issued in final version by the internal auditors and the charter that governs their audit activity.

Executive Summary

The Internal Audit programme for the 18/19 Academic Year, which was reviewed in draft at the June meeting, is here attached in final.

The plan overview is featured on pages 12-13, and includes three elements that feature every year; continuous audit of financial systems, and continuous audit of student data, and a report on risk management.

A risk assessment of the audit universe has been undertaken, and the additional reviews proposed include a review of financial controls around the Multi Academy Trust in Q1, a review of Procurement in Q2, of IT Disaster Recovery & GDPR compliance in Q3, and the LSBU Innovation Centre and CMA compliance in Q4.

The charter governs the conduct of the auditors, and is unchanged from the prior year of activity.

- The Audit Committee is requested to note the plan & approve the charter

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Internal Audit Risk Assessment and Plan 2018/19

FINAL

London South Bank
University

September 2018

pwc

Contents

Distribution List	
For action	Audit Committee Members
	Richard Flatman – Executive Director of Finance
For information	James Stevenson – University Secretary to the Clerk of the Board of Governors

This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University.

1. Introduction and approach

Introduction

This document sets out our risk assessment and our 2018/19 Internal Audit Risk Assessment and Plan (the Internal Audit Plan) for London South Bank University.

Approach

A summary of our approach to undertaking the risk assessment and preparing the Internal Audit Plan is set out below. The Internal Audit Plan is driven by London South Bank University's organisational objectives and priorities and the risks that may prevent London South Bank University from meeting those objectives. A more detailed description of our approach can be found in Appendix 1 and 2.

Step 1 *Understand corporate objectives and risks*	• Obtain information and utilise sector knowledge to identify corporate level objectives and risks.
Step 2 *Define the audit universe*	• Identify all of the auditable units within the organisation. Auditable units can be functions, processes or locations.
Step 3 *Assess the inherent risk*	• Assess the inherent risk of each auditable unit based on impact and likelihood criteria.
Step 4 *Assess the strength of the control environment*	• Assess the strength of the control environment within each auditable unit to identify auditable units with a high reliance on controls.
Step 5 *Calculate the audit requirement rating*	• Calculate the audit requirement rating taking into account the inherent risk assessment and the strength of the control environment for each auditable unit.
Step 6 *Determine the audit plan*	• Determine the timing and scope of audit work based on the organisation's risk appetite.
Step 7 *Other considerations*	• Consider additional audit requirements to those identified from the risk assessment process.

Basis of our plan

We have budgeted 140 days for our 2018/19 Internal Audit Plan, this includes an additional 15 days allocated to reviewing the key financial controls in place at The South Bank Academies Trust. In our view, this is the minimum number of days required to support our Annual Audit Opinion.

As the Internal Audit Plan has been limited to 140 days, it does not claim to address all key risks identified across the audit universe as part of the risk assessment process. The level of internal audit activity represents a deployment of limited internal audit resources and in approving the Internal Audit Plan the Audit Committee recognises this limitation.

Basis of our annual internal audit conclusion

Internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to the Office for Students (OfS) Memorandum of Assurance and Accountability (MAA). As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit.

2. *Audit universe, corporate objectives and risks*

Audit universe

The diagram below represents the auditable units within the audit universe of London South Bank University and form the basis of the Internal Audit Plan.
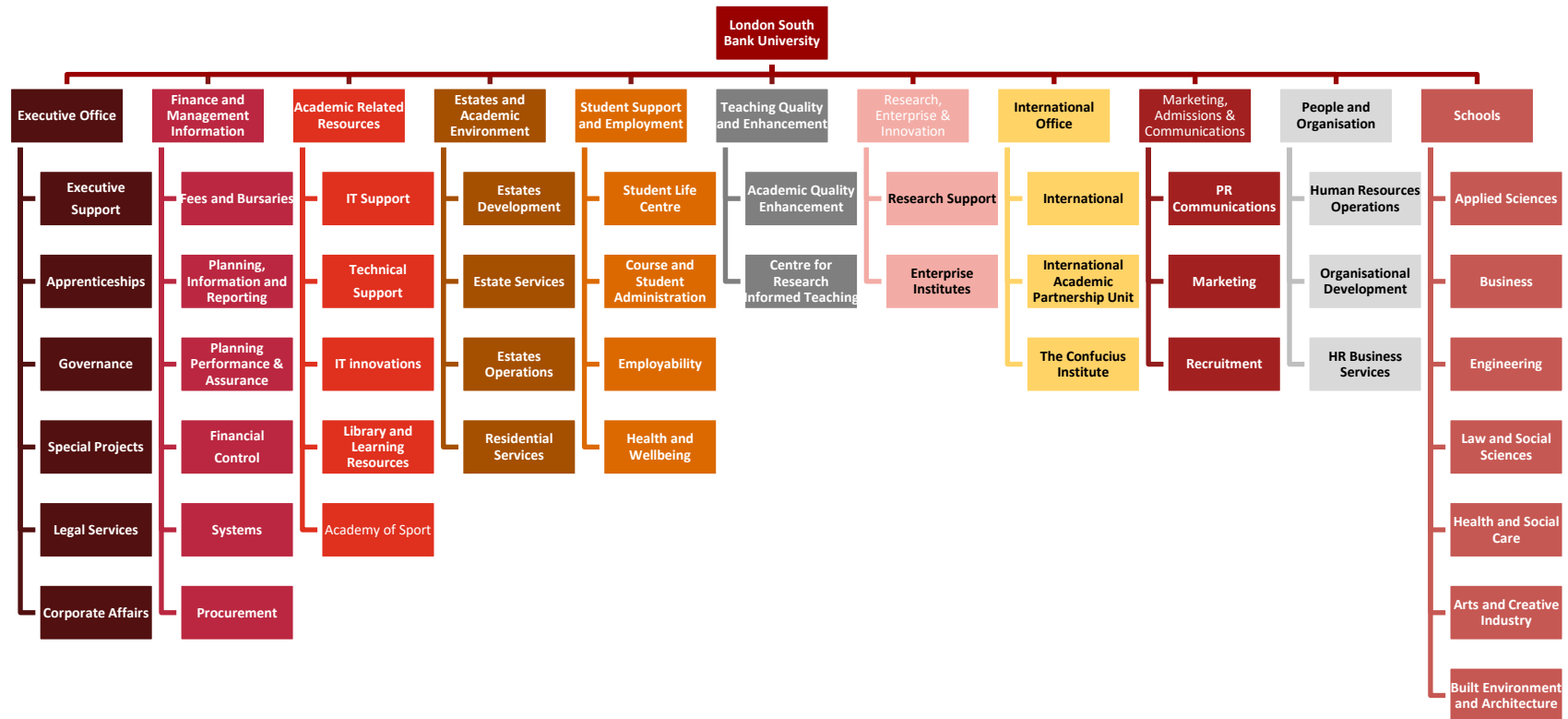
Corporate objectives and risks

Corporate level objectives and risks have been determined by London South Bank University. We have outlined all critical and high risks from the corporate risk register within Appendix 3 and have considered these when preparing the Internal Audit Plan.

3. *Internal Audit Plan and indicative timeline*

OfS Requirements

The OfS Audit Code of Practice within the OfS MAA does not include guidance on the practice of internal audit but does endorse the approach set out in the Code of Ethics and International Standards (January 2009) of the Institute of Internal Auditors (IIA).

The OfS Audit Code of Practice requires Internal Audit to provide the governing body, the designated officer and other managers within the University with assurance on the adequacy and effectiveness of risk management, control and governance arrangements. This supports the requirement for Higher Education Institutions (HEIs) to have effective arrangements in place over these three key areas.

We are also required to include in our annual report an opinion over your arrangements for securing economy, efficiency and effectiveness (value for money).

The Audit Committee is also required to include a conclusion on data quality arrangements as part of its annual report. Whilst this is not mandated for internal audit coverage in the OfS Audit Code of Practice, management of HEIs typically ask us to cover this area to support the assurances underpinning the Audit Committee's annual report.

Based on this we see five minimum requirements for internal audit work in order to meet the minimum OfS compliance requirements within the OfS Audit Code of Practice as shown in this diagram.

Key Priorities

In line with the OfS Audit Code of Practice, internal audit plans should be reviewed on a regular basis to ensure that the internal audit services provided continue to reflect the changing needs and priorities of the HEI. With our knowledge of London South Bank University and the way it operates we have identified the following current priorities and have produced our 2018/19 plan to reflect these priorities.

Data Quality

Robust reporting is essential to the activity of all HEIs, with the need to report externally as well as making appropriate internal management decisions. The OfS Audit Code of Practice includes guidance on assurances sought from designated officers and Audit Committees around the management and quality assurance arrangements for data submitted to the Higher Education Statistics Agency (HESA), OfS and other funding bodies.

The Audit Committee's annual report must include an opinion on the adequacy and effectiveness of arrangements for the management and quality assurance of these data submissions.

Our 2018/19 plan includes continuous auditing of key student data controls and will provide additional oversight of the design and effectiveness of controls over data quality.

Risk Management and Governance

The Audit Committee needs assurance that the risks facing London South Bank University are being managed properly. We will perform a review of risk management in 2018/19 and consider governance arrangements as part of all our internal audits.

Financial Systems Key Controls

We will continue to perform continuous auditing of key financial systems. Continuous auditing is the process of ongoing testing of key controls on a regular basis throughout the year, to assess whether they are operating effectively and to flag areas and report transactions that appear to circumvent control parameters. We will apply this approach to payroll, accounts receivable, accounts payable, cash and general ledger.

Value for Money

The OfS Audit Code of Practice makes reference to the fact that in the Higher Education sector there is an underlying duty of care to ensure that public funds are spent on the purposes for which they are intended, and that good value for money is sought. This duty is included as a condition of grant in the OfS Financial Memorandum between the Department for Education (DfE) and OfS. Value for money may be considered in two ways;

- Considering value for money in each of the systems examined; or
- Conducting specific, more detailed, reviews of key areas where there is seen to be an opportunity for significant improvement.

We are required to include an opinion on the adequacy and effectiveness of London South Bank University's value for money arrangements (not results, outputs or achievement) in our annual internal audit report to the Audit Committee, governing body and designated officer. A review of value for money arrangements will be performed in 2018/19.

Follow Up Reviews

The purpose of follow up of internal audit recommendations is to reinforce the importance of controls within the Institution, and provides updated information about whether important risks have been properly dealt with through remedial control actions. We will continue to perform follow up work in 2018/19 and report progress through to the Audit Committee.

Risk assessment results

Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 1 and 2. The results are summarised in the table below.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
A	**Executive Office**						
A.1	Governance	5	3	4	●	Annual	We will test that there are appropriate governance arrangements in place in all of our reviews.
A.2	Executive Support	2	3	N/a	N/a	N/a	No particular risks identified as part of planning.
A.3	Legal Services	4	4	2	●	Every three years	We will perform an internal audit reviewing the controls in place for complying with the Competition and Markets Authority (CMA) guidelines.
A.4	Corporate Affairs	4	4	2	●	Every three years	We performed a review of London South Bank University's readiness for the introduction of the EU General Data Protection Regulation (GDPR) in 2016/17. No internal audit due until 2019/20.
A.5	Special Projects	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2017/18.
A.6	Apprenticeships	4	2	3	●	Every two years	Controls over apprenticeships are included in our continuous auditing programme over student data.
B	**Finance and Management Information**						
B.1	Planning Information and Reporting	6	4	4	●	Annual	Risk management and value for money arrangements will be covered every year.
B.2	Planning Performance and Assurance	6	4	4	●	Annual	
B.3	Financial Control	5	3	4	●	Annual	We perform continuous auditing on key financial systems twice per year. This audit captures controls in place for payroll, accounts payable, account receivable, general ledger and cash.
B.4	Fees and Bursaries	5	3	4	●	Annual	We perform continuous auditing on key student data controls twice per year.
B.5	Procurement	4	3	3	●	Every two years	We have included a procurement review in the 2018/19 plan.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
B.6	Systems	5	4	3	🟠	Every two years	Systems are tested through our annual IT audit and continuous auditing programme. A specific internal audit on systems is not planned for 2018/19.
C	**People and Organisation**						
C.1	Human Resources Operations (HR)	5	3	4	🔴	Annual	We reviewed the implementation of the new HR System in 2016/17. We also completed a review of the HR controls following the implementation of the new system in 2017/18.
C.2	HR Business Services	5	3	4	🔴	Annual	
C.3	Organisational Development	5	3	4	🔴	Annual	Elements of the HR sytem controls are tested as part of our continuous auditing programme. A specific internal audit on People and Organisation is not planned for 2018/19.
D	**International Office**						
D.1	International	4	3	3	🟠	Every two years	We performed a review on International Partnership Arrangements in the 2017/18 internal audit plan. No internal audit planned on this area for 2018/19.
D.2	International Academic Partnership Unit	4	3	3	🟠	Every two years	
D.3	The Confucius Institute	2	2	1	🟢	N/a	Assessed as lower risk. No internal audit planned for 2018/19.
E	**Marketing, Admissions & Communications**						
E.1	PR Communications	3	3	2	🟡	Every three years	A review covering PR Communications and Marketing is due in 2019/20.
E.2	Marketing	3	3	2	🟡	Every three years	
E.3	Recruitment	5	3	3	🟠	Every two years	We completed a HR audit in the 2017/18 audit plan. A specific internal audit on Recruitment is not planned for 2018/19. Elements of recruitment are also captured in our continous auditing programme of key financial systems.
F	**Research, Enterprise & Innovation**						
F.1	Research Support	5	4	3	🟠	Every two years	We will perform an internal audit reviewing the The London South Bank Innovation Centre (LSBIC), specifically focused on the funding agreement from

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
							European Commission's Horizon 2020 programme.
F.2	Enterprise Institutes	2	2	1	🟢	N/a	Assessed as lower risk. No internal audit planned for 2018/19.
G	**Teaching Quality and Enhancement**						
G.1	Academic Quality Enhancement	2	2	1	🟢	N/a	Assessed as lower risk. No internal audit planned for 2018/19.
G.2	Centre for Research Informed Training	2	2	1	🟢	N/a	Assessed as lower risk. No internal audit planned for 2018/19.
H	**Academic Related Resources**						
H.1	IT Support	5	2	4	🔴	Annual	Given HE-wide risks concerning IT and its impact on the student experience, as well as consistent high risk reports in this area, we have included an IT audit in the 2018/19 plan.
H.2	Technical Support	4	2	3	🟡	Every two years	
H.3	IT Innovations	4	2	3	🟡	Every two years	
H.4	Library and Learning Resources	2	2	1	🟢	N/a	Assessed as lower risk. No internal audit planned for 2018/19.
I	**Estates and Academic Environment**						
I.1	Estates Development	3	3	2	🟡	Every three years	We included a review of Fire Safety Management in our 2017/18 internal audit plan. No internal audit planned for 2018/19.
I.2	Estates Services	3	3	2	🟡	Every three years	
I.3	Technical Services	3	3	N/a	N/a	N/a	No particular risks identified as part of planning.
I.4	Residential Services	3	4	N/a	N/a	N/a	No particular risks identified as part of planning.
J	**Student Support and Employment**						
J.1	Student Life Centre	2	2	1	🟢	N/a	Assessed as lower risk. No internal audit planned for 2018/19.
J.2	Course and Student Administration	5	3	4	🔴	Annual	Student attendance and engagement is covered by student data continuous auditing every year.
J.3	Employability	2	2	1	🟢	N/a	Assessed as lower risk. No internal audit planned for 2018/19.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
J.4	Health and Wellbeing	2	2	1	🟢	N/a	Assessed as lower risk. No internal audit planned for 2018/19.
J.5	Academy of Sport	2	2	1	🟢	N/a	Assessed as lower risk. No internal audit planned for 2018/19.
K	**Schools**						
J.1	Applied Sciences	5	3	4	🟠	Annual	Elements of controls operated by Schools are picked up through our continuous auditing programme of key financial systems and student data.
J.2	Business	5	3	4	🟠	Annual	
J.3	Built Environemnt and Architecture	5	3	4	🟠	Annual	
J.4	Engineering	5	3	4	🟠	Annual	
J.5	Law and Social Sciences	5	3	4	🟠	Annual	
J.6	Health and Social Care	5	3	4	🟠	Annual	
J.7	Arts and Creative Industry	5	3	4	🟠	Annual	

Key to frequency of audit work

Audit Requirement Rating	Frequency – PwC standard approach	Colour Code
6	Annual	🔴
5	Annual	🟠
4	Annual	🟠
3	Every two years	🟡
2	Every three years	🟡
1	No further work	🟢

4. Annual plan and internal audit performance

Annual plan and indicative timeline

The following table sets out the internal audit work planned for 2018/19 with indicative start dates for each audit.

Ref	Auditable Unit	Indicative number of audit days	2018/19				Comments
			Q1	Q2	Q3	Q4	
A	**Executive Office**						
A.3	CMA Compliance	10				✓	We will perform an internal audit reviewing the controls in place for complying with the Competion and Markets Authority (CMA) guidelines.
B	**Finance and Management Information**						
B.1	Risk Management	5				✓	• Policies and Procedures • Reporting and Monitoring of risk • Risk Identification • Embedding Risk Management
B.1	Value for Money	3				✓	OfS requirement. We will also consider value for money arrangements on other reviews performed.
B.3	Continuous Auditing – Key Financial Controls	30	✓		✓		We will review controls in the following areas: • General Ledger • Cash • Accounts Payable • Accounts Receivable • Payroll
B.3	The South Bank Academies Trust – Key Financial Controls	15	✓				We will perform a review of the key financial controls in place at The South Bank Academies Trust. The review will be a "deep dive" walkthrough of controls, focused on identifying control gaps and weaknesses in the design of controls.
B.4	Continuous Auditing – Student Data	25		✓	✓		Rolling cycle of reviews of key controls over student data. To also include compliance checks with UKVI.
B.5	Procurement	10		✓			We will review controls in place for procurement, including due

							diligence, risk management and value for money.
F	**Research, Enterprise & Innovation**						
F.1	The London South Bank Innovation Centre (LSBIC)	10				✓	We will perform an internal audit on The LSBIC, specifically focused on the funding agreement for research from the European Commission's Horizon 2020 programme.
H	**Academic Related Resources**						
H.1	IT Disaster Recovery & GDPR compliance	17			✓		IT Disaster Recovery was identified as a high risk area from the 2016/17 IT Risk Diagnostic. We will review the controls in place for IT Disaster Recovery. We will also review the IT controls in respect of GDPR.
Z	**Audit Project Management**						
Z.1	Planning and Management	10	✓	✓	✓	✓	
Z.2	Follow Up	5	✓	✓	✓	✓	
	Total Days	**140**					

Suggested areas where further assurance from Internal Audit may be required:

From our work undertaken during 2017/18 and discussions with management, there are additional reviews that we believe management and the Audit Committee should consider for inclusion in the 2018/19 plan in addition to the core days on the previous page. These include:

- You are investing in your information systems but opportunities could be missed if the IT platform doesn't enable you to meet your outcomes or comply with your financial control requirements. The impact of a failure related to data loss, system failure, lack of business continuity, system and information breach for example is huge, not only operationally, but reputationally and financially. We performed an IT Risk Diagnostic in 2016/17 which has informed the scope of our days allocated to an IT audit in 2017/18 and 2018/19. However further areas that could require further assurance could include: **IT general controls**, **cyber security**, **penetration testing, IT infrastructure, Emergency Planning** and/or **IT migration**.

- London South Bank University is operating in a 'crowded market'. Your competition is global and your strategy needs to reflect this. Your strategy is critical to ensuring you must have unique 'USP's that make you stand out as a place to study so that London South Bank is differentiated as a provider. We can help provide critical friend support of **business plans** and **financial analysis**. We can also challenge robustness of business plans, appropriateness of underlying assumptions, as well as broader commercial considerations.

- Institutions are continuing to invest in overseas activities, either through recruiting international students, investing in overseas campuses or branches or alternative forms of transnational education. We reviewed the controls in place for international partnership arrangements in the 2017/18 plan which identified the need to perform greater due diligence and monitoring over academic partners. We could also review and provide feedback on your **internationalisation strategy** or **marketing strategy**, including key

assumptions and overall oversight. We could also look at the University's approach to the potential decline in EU students following the **Brexit** decision.

- We could perform a review of **Teaching Quality**, including how you record and measure this metric internally. This would be particularly helpful for understanding and improving the results of the annual National Students Survey (NSS) and LSBU's TEF rating.

- The Home Office continues to enforce its compliance regime for Tier 4 students and Tier 2 staff. Our student data continuous audit provides ongoing assurance over attendance monitoring, reporting processes and compliance with acceptance criteria for Tier 4 students. However, due to the number of changes to processes we would recommend our Legal team perform a review of overall **Tier 4 and Tier 2 procedures** to assess that these are designed appropriately and comply with Home Office guidance. We would also suggest some testing of **Tier 2 controls** to confirm these are operating effectively.

- The Data Futures programme is going to significantly change the way University's report their student data. Coming into place from 2019/20, it's important that institutions are preparing for this soon. We could conduct a Data Furtures Readiness review to provide assurance over preparations for the programme and advising on key changes to the data requirements.

- **Computer assisted audit techniques (CAATS)** –We can use CAATS to query and analyse data from business systems. This provides a strong mechanism for improving business insight and developing recommendations for ways to improve governance, risk management, compliance and cost management. Automated audit tests can be designed to address most transactional risks, including those associated with regulatory and financial risk. Some examples which may be beneficial include:

  - Accounts payable, purchase cards and staff expenses audits looking for: duplicate payments; multiple suppliers providing the same product or service; and abuse of expense policy;

  - Payroll; and

  - Revenue mapping.

- We would also recommend a review of your **anti-fraud arrangements** given the nature of the risks associated with this area. We have a diagnostic tool that we can use to identify the areas of higher fraud risk and an assessment of the controls in place to mitigate these threats.

- Student expectations are much greater in response to rises in fees, and students expect to be able to interact with London South Bank University in a modern and efficient way. We would suggest a review of **Reputation Management** which could include Social Media Governance**.**

The South Bank Academies Trust

Within our allocated audit days for the 2018/19 internal audit plan, we have included a review of the key financial controls in place at The South Bank Academies Trust, a multi-academy trust (MAT) and partner of LSBU. From discussions with management, we would also suggest a review of the governance arrangements at the MAT, as well as a review of the safeguarding arrangements in place.

Appendix 1: Detailed methodology

Step 1 -Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- Reviewed your strategy, organisational structure and corporate risk register;
- Drawn on our knowledge of the Higher Education Sector; and
- Met with a number of members of senior management.

Step 2 -Define the Audit Universe

In order that the internal audit plan reflects your management and operating structure we have identified the audit universe for London South Bank University made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple locations are separated into their own distinct cross cutting auditable unit.

Step 3 -Assess the inherent risk

The internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Our knowledge of your business and its Higher Education Sector; and
- Discussions with management.

Impact Rating	Likelihood Rating					
	6	**5**	**4**	**3**	**2**	**1**
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

Step 4 -Assess the strength of the control environment

In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit. This is assessed based on:

- Our knowledge of your internal control environment;
- Information obtained from other assurance providers; and
- The outcomes of previous internal audits.

Step 5 -Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control design indicator					
	1	2	3	4	5	6
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

Step 6 -Determine the audit plan

Your risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

In some cases it may be possible to isolate the sub-process (es) within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating be subject to reduced frequency of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

Step 7 - Other considerations

In addition to the audit work defined through the risk assessment process described above, we may be requested to undertake a number of other internal audit reviews such as regulatory driven audits, value enhancement or consulting reviews. These have been identified separately in the annual plan.

Appendix 2: Risk assessment criteria

Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

Impact rating	Assessment rationale
6	Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability.
5	Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in large fines and consequences; or Significant impact on the reputation or brand of the organisation.
4	Major impact on operational performance; or Major monetary or financial statement impact ; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the organisation.
2	Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation.
1	Insignificant impact on the organisation's operational performance ; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the organisation.

Likelihood rating	Assessment rationale
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

Appendix 3: Mapping the risk register to the Internal Audit Plan in 2018/19

Risk	Mapping to the Internal Audit Plan
Revenue reduction if course portfolio, and related maketing activity, does not achieve Home UG recruitment targets	We have not included any specific reviews of this in our Internal Audit Plan. In our list of other potential audits, we have suggested that a review over Reputation Management, focused on social media governance, would be beneficial.
Anticipated international & EU student revenue unrealised	We have not included any specific reviews of this in our Internal Audit Plan.
Increasing pension deficit reduces flexibility	We have not included a specific review of the pension deficit in the plan but we have pension expertise within PwC that would enable us to assist management in this area if required.
Progression rates don't rise	We have not included a specific review of this but we could include controls around data accuracy of progression rates within our Student Data continuous audit.
Loss of NHS contract income.	We have not included any specific reviews of this in our Internal Audit Plan.
Academic programmes not engaged with technological and pedagogic developments	We have not included a specific review on this risk in our Internal Audit Plan. In our list of other potential audits, we have suggested that a review focused on Teaching Quality which could address this risk.
Unrealised research & enterprise £ growth	We have included a review of the The London South Bank Innovation Centre in the 2018/19 plan.
External incident compromises campus operations or access	We have included a review of IT Disaster Recovery arrangements in our 2018/19 internal audit plan.
Core student system inflexibility / failure	Our student data continuous auditing programme provides assurance over the student data system. We have also included a review of IT Disaster Recovery arrangements which will review the controls in place to mitigate the risk of key systems failing.
Management Information perceived as unreliable, doesn't triangulate, or is not presented.	We perormed a review of Management Information: Data Quality in the 2015/16 Internal Audit plan. We have not included a specific review on management information in our Internal Audit Plan, however our continuous auditing programmes will also provide comfort over the

robustness and data quality underpinning key financial systems and student data.

Affordability of Capital Expenditure investment plans	We have not included a specific review of this in our 2018/19 Internal Audit Plan. In our list of potential other audits we have mentioned that we can provide a review to challenge robustness of business plans, appropriateness of underlying assumptions, as well as broader commercial considerations around how to structure the transaction.
Data is not used/maintained securely.	Our 2018/19 IT audit will focus on Disaster Recovery arrangements, including a review of the controls in place to comply with GDPR.
Low staff engagement	We have not included any specific reviews of this in our Internal Audit Plan.
Higher Apprenticeship degrees	We included a review of Apprenticeships in the 2016/17 Internal Audit Plan. We have also included apprenticeships controls in our student data continuous auditing programme.
Negative Curriculum Assessment	We have not included any specific reviews of this in our Internal Audit Plan. We have suggested completing a review over Teaching Quality in our list of other potential audits.
Capability to respond to policy changes & shifts in competitive landscape	We have included a review of controls in place for complying with CMA requirements. Within our IT audit, we will look at IT controls in place for complying with GDPR.
	In our list of other potential we have suggested performing a review of London South Bank University's internationalisation strategy or marketing strategy, as well as the University's response following the Brexit decision.
Impact of EU Referendum result on operating conditions & market trends	We have not included any specific reviews of this in our Internal Audit Plan. However, we have suggested a review looking at London South Bank University's preparedness for Brexit in our list of other potential audits.
Inconsistent delivery of Placement activity across the institution	We completed a review of placements in our 2016/17 internal audit plan and followed up on findings raised in the report during 2017/18. Our risk assessment suggests that a further review in 2018/19 is not required.

Appendix 4: Summary of audit programme 2010/11 – 2018/19

The table below summarises the coverage of our internal audit work programme between 2010/11 – 2018/19:

System	2010/11 Days	2011/12 Days	2012/13 Days	2013/14 Days	2014/15 Days	2015/16 Days	2016/17 Days	2017/18 Days	2018/19 Days
Financial Systems									
Financial Forecasting	0	0	5	0	0	0	0	0	0
Financial Systems Key Control Reviews including continuous auditing	45	43	43	50	40	31	25	30	30
Funding arrangements for Confucius Institute	10	0	0	0	0	0	0	0	0
Payments to Hourly Paid Lecturers	10	0	0	0	0	0	0	0	0
Payroll Implementation	0	0	7	12	0	0	0	0	0
Payroll Follow Up	0	0	4	0	0	0	0	0	0
The South Bank Academies Trust – Key Financial Controls	0	0	0	0	0	0	0	0	10
Sub Total	*65*	*43*	*59*	*62*	*40*	*31*	*25*	*30*	*40*
Operational Systems									
Apprenticeships	0	0	0	0	0	0	7	0	0
Bribery Act 2010	0	5	0	0	0	0	0	0	0
Business Continuity	0	0	0	10	0	0	0	0	0
Change Programme	0	0	0	0	15	0	0	0	0
Contract Management	10	0	0	0	0	0	10	0	0
CMA compliance	0	0	0	0	0	0	0	0	10
Data Quality – rolling programme of reviews: 2011/12 – HESA Staff Return 2012/13 – Key Information Set 2013/14 – HESA Finance Return	0 0 0	5 0 0	0 10 0	0 0 10	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
Delegated Authority arrangements	0	10	0	0	0	0	0	0	0
Enterprise	0	0	10	0	0	0	0	0	0
Extenuating Circumstances, Academic Appeals & other processes that could result in a studentcomplaint to the OIA	0	0	0	16	0	0	0	0	0
Health and Safety	10	0	0	0	0	0	0	12	0
HEFCE 5 Year Review	0	0	0	0	0	0	5	0	0

HR System Implementation	0	0	0	0	0	2	9	0	0
HR audit	0	0	0	0	0	0	0	10	0
Information Security	0	0	0	0	0	10	0	0	0
International Partnership Arrangements	0	0	0	0	0	0	0	10	0
IT audit	0	0	0	0	0	0	10	15	0
IT Disaster Recovery & GDPR compliance	0	0	0	0	0	0	0	0	17
IT Security Arrangements	0	0	15	0	10	0	0	0	0
Management information: Data quality	0	0	0	0	0	10	0	0	0
Management of Fraud Risk	0	0	5	0	0	0	0	0	0
Management of Representative Partners for International Students	0	5	0	0	0	0	0	0	0
Placements	0	0	0	0	0	0	8	0	0
Prevent Duty	0	0	0	0	0	10	0	0	0
Procurement	0	0	0	0	0	0	0	0	10
Research	0	10	0	0	0	0	0	0	0
Research and Enterprise Contracts	0	0	0	0	0	10	0	0	0
Review of Capital Programme	0	0	8	0	0	0	0	0	0
Student Data Continuous Auditing	0	0	0	0	30	25	30	25	25
Student Module Data	0	0	0	5	0	0	0	0	0
Student Residences	0	7	0	0	0	0	0	0	0
The London South Bank Innovation Centre (LSBIC)	0	0	0	0	0	0	0	0	10
TRAC Review	0	0	3	0	0	0	0	0	0
Sub Total	*20*	*42*	*51*	*31*	*55*	*67*	*79*	*72*	*72*
Risk and Governance-Based Reviews									
Risk Management	2	13	2	5	10	5	5	5	5
Value for Money									
Value for Money Arrangements	10	2	2	5	5	5	3	3	3
Other									
Follow Up	5	5	5	5	5	5	5	5	5
Planning, Management and Reporting	9	9	9	10	10	10	10	10	10
Review of Financial Regulations	1	0	0	0	0	0	0	0	0
Total	**112**	**114**	**128**	**128**	**125**	**123**	**127**	**125**	**140**

Internal Audit Charter

London South Bank University

Draft

September 2018

Distribution List: **Audit Committee Members**

Richard Flatman – Chief Financial Officer

James Stevenson – University Secretary to the Clerk of the Board of Governors

pwc

Purpose and scope

This Internal Audit Charter provides the framework for the conduct of the Internal Audit function in London South Bank University (LSBU) and has been approved by the Audit Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of the Internal Audit function.

Purpose

Internal Auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Scope

All of LSBU's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit program includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls. Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit Committee, senior management and regulators.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

Authority, responsibility and independence

Authority

The Internal Audit function of LSBU derives its authority from the Board through the Audit Committee. The Head of Internal Audit is authorised by the Audit Committee to have full and complete access to any of the organisation's records, properties and personnel. The Head of Internal Audit is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities, and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities.

Responsibility

The Head of Internal Audit is responsible for preparing the annual audit plan in consultation with the Audit Committee and senior management, submitting the audit plan, internal audit budget, and resource plan for review and approval by the Audit Committee, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Audit Committee and senior management.

The Head of Internal Audit is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Audit Committee should make appropriate inquiries of management and the Head of Internal Audit to determine whether there are any inappropriate scope or resource limitations.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility. Management is responsible for fraud prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

Independence

Internal Audit staff will remain independent of the business and they shall report to the Head of Internal Audit who, in turn, shall report functionally to the Audit Committee and administratively to the Chief Financial Officer.

Internal Audit staff shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Head of Internal Audit, then the Audit Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place.

Professional competence, reporting and monitoring

Professional competence and due care

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal Auditors.

Reporting and monitoring

At the end of each audit, the Head of Internal Audit or designee will prepare a written report and distribute it as appropriate. Internal Audit will be responsible for appropriate follow-up of audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the Head of Internal Audit or the Audit Committee.

The Audit Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Head of Internal Audit shall prepare reports of audit activities with significant findings along with any relevant recommendations and provide periodic information on the status of the annual audit plan.

Periodically, the Head of Internal Audit will meet with the Chair of the Audit Committee in private to discuss internal audit matters. The performance of Internal Audit will be reported periodically to Senior Management and the Audit Committee.

Definitions

Board of Governors

The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.

Throughout this document, the term 'Board' refers to the Board of Governors.

University Executive

The University Executive is responsible for the executive management of LSBU and its day-to-day direction in accordance with the priorities set by the Board.

Throughout this document, the term 'Executive' refers to the University Executive.

Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Senior Management

The individuals at the highest level of organisational management who have day-to-day responsibility for managing the organisation.

Head of Internal Audit

Head of Internal Audit describes a person in a senior position responsible for effectively managing the internal audit activity.

This role is fulfilled by Justin Martin, PwC Partner.

PwC Internal Audit Team

Justin Martin, Head of Internal Audit

Key contact for the Chief Financial officer and the Chair of the Audit Committee.

Co-ordinate and oversee delivery of all services and activities under the contract for LSBU – proactively build relationship with management and stakeholders.

Setting our annual programme of work, for approval by the Chief Financial Officer and Audit Committee. Attend Audit Committee, including delivery of the annual Internal Audit opinion.

Strategic deployment of PwC resources to meet LSBU's needs. Performance of senior team members and quality review all final draft/final reports. Drive innovation and consistency.

Amy Chiu, Engagement Manager

Key contact for the Chief Financial Officer and the Chair of Audit Committee.

Project manage delivery of agreed audit assignments including team members' performance, scoping terms of reference for audits and review/quality assurance of project fieldwork performed by team.

Engage with key stakeholders and the audit team to bring insight on technical issues, sector development and share benchmarked information.

Brief team members about LSBU and issues relevant to specific projects

Co-ordinate activities and delivery of the team to ensure value for money is achieved.

Quality assurance of fieldwork and deliverables.

This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University in our agreement dated 16 October 2017. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Memorandum of Assurance and Accountability between the Office for Students and institutions. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

In the event that, pursuant to a request which London South Bank University has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), London South Bank University is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. London South Bank University agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, London South Bank University discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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	INTERNAL
Paper title:	Internal Audit - re-tender specification
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	Richard Flatman, Chief Financial Officer
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Approval
Recommendation:	The Committee is requested to review and approve the specification for the internal audit re-tender.

Executive Summary

The Audit Committee is requested to review and approve the specification for the internal audit re-tender.

The detailed timings are indicative at this stage and will be confirmed on final approval.

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INVITATION TO TENDER (ITT) REQUIREMENT SPECIFICATION

Tender Reference: 18/001

INTERNAL AUDIT

Prepared by	Rob Ager
On behalf of	
Contact	London South Bank University
	103 Borough Road,
	London, SE1 0AA
	procurement@lsbu.ac.uk
Date Issued	[insert date]

CONTENTS

Dear Applicant,

<u>LSBU Ref: 18/001 – Invitation to Tender - London South Bank University</u>

<u>Internal Audit</u>

London South Bank University would like to invite your organisation to competitively tender for the provision of the above service.

By following the information and guidance available on the e-tendering portal you will be able to:

- **Download the tender documents.**
- **Complete them in electronic format**
- **Upload your electronic documents by "submitting" them back to the website by the stated deadline**

There is no need to submit a hard copy version of your tender. Unless otherwise specified all information to be provided should be submitted in electronic format.

The deadline for electronic return of tender is 23rd November 2018 at 1200hours.

All written correspondence and enquiries must be transmitted using the "Messages" function within the Jaggaer web portal and will be dealt with by [Procurement contact] in the LSBU Procurement team.

You may receive email correspondence regarding this invitation to tender which will have been issued by LSBU through the Jaggaer web portal.

Do not use your email "reply" function to respond to that email. The 'reply' will be received by the system host, not the LSBU sender.

We look forward to receiving your electronic tender in due course.

Yours faithfully,

Robert Ager
Procurement Services
London South Bank University

1.   LSBU BACKGROUND

London South Bank University is one of London's largest and oldest universities. It has been providing vocationally-relevant, accredited and professionally recognised education since 1892. Established as the Borough Polytechnic Institute in 1892, the original aim of London South Bank University (LSBU) was 'to promote the industrial skill, general knowledge, health and well-being of young men and women', which remains remarkably similar today.

Today it is a cosmopolitan University with over 18,000 students drawn from over 130 countries. The Group received the highest possible rating for the quality of its education from the independent Quality Assurance Agency (QAA).

The main campus is in Southwark, not far from the South Bank arts complex. It includes the Centre for Efficient and Renewable Energy in Buildings, a unique teaching, research and demonstration resource for low-carbon technologies, and the UK's first inner-city green technology research centre. The £10-million Clarence Centre for Enterprise and Innovation opened in 2014 to support students' start-up businesses and provide a gateway for the local community to access the University's expertise. A new student centre opened in 2012, bringing the students' union and many support services together to make them more convenient and accessible.

The success of our students is core to our business. The University's Corporate Plan 2015-2020 outlines our ambitions to support our students to give them the skills and experiences they need to succeed on graduation. We believe our supply base can play an important role in helping achieve these goals. By 2020, we aim to be one of the top 50% of universities for both graduate employment and starting salaries and one of the ten best universities in country for supporting and fostering student start-ups.

2.   BACKGROUND TO THE REQUIREMENT

Internal Audit Services are currently provided by PriceWaterhouseCoopers. PwC have been providing internal audit services to LSBU for the past eight years and the current contract has an option of two further years. In discussion with PwC, the University has extended the contract for 2018/19 only as PwC have just been engaged on another LSBU project and it is more appropriate for us to engage another audit provider from 2019/20 onward.

For 125 years LSBU has provided professional and technical education for the people and businesses of south London. However, education today is more extended and complex than ever before and this mission can no longer be best achieved by one organisation alone.

LSBU is therefore using a group structure to create a family of specialist educational institutions. Our new Family will enable LSBU to continue to fulfil its original mission through a coordinated group of specialist institutions, each sharing a common educational framework but providing high quality education in their distinct fields.

This new approach to educational provision will enhance collaborative working between specialists with the aim of offering learners access to high quality education across a range of ages and through multiple qualification frameworks from short courses to doctoral programmes.

The Family already includes the University, a Multi Academy Trust (comprising a University Technical College and an Academy School) and South Bank University Enterprises Ltd.

LSBU is delighted that Lambeth College, subject to transaction completion, will join the Family on 31 January 2019.

3.   PROJECT SCOPE

Increasing corporate governance requirements are placing greater responsibility and accountability with LSBU's Executive team and Board of Governors. To assist them in effectively discharging these responsibilities, the LSBU Group is looking to appoint an internal audit provider to provide them with independent assurance on a range of different issues in a timely, objective and reliable manner. This will include all aspects of governance, risk management, value for money, data quality and security, procedural propriety, reporting and control.

Tenderers are asked to prepare a comprehensive tender response to all of our requirements but your response to each Criteria listed must be no more than 750 words. (Where copies of reports are requested these do not need to be included in your word count.) Your response must clearly outline how the various service requirements will be delivered to meet the required outcomes. Your responses must be uploaded into the LSBU Esourcing Portal and attached to the relevant question contained in the technical envelope.

The contract shall run for an initial period of 36 months with the option to extend by a further two 12 month periods.

4.   CORE DOCUMENTS

1.1.   This document is the primary document in the core document set, which consists of all documents outlined in the table below. The table describes the purpose of each document within the core document set. All of the documents listed below can be found in the "Attachments" section of the ITT envelope.

Document	Purpose/description	Version	Date
Price Schedule	To enable Tenderers to submit prices in a consistent manner		
Family of Educational Institutions	Description of various educational entities included in the LSBU Group		
Qualification of the Tender (delete if not required)	To be used by the Tenderer to identify any areas of the Terms and conditions that you will be unable to comply with.		

4.2   The documents in this document set must be treated as private and confidential. Tenderers must not disclose that they have been invited to tender or release details of the tender documents, other than on an "in confidence" basis to those who have a legitimate need to know, or to those professional advisers whom the Tenderer needs to consult for the purposes of preparing the tender.

4.3   Any information given to Tenderers by way of guide quantities and any plan, drawing or report is only given as a guide. The Tenderer warrants that it has ascertained for itself the accuracy of the information. No claim against the Group shall be allowed whether in contract or in tort or under the Misrepresentations Act 1967 or otherwise on the grounds of inaccuracy.

4.4   The copyright in this Invitation to Tender is vested in London South Bank Group. No document in the published document set me be reproduced, copied or stored in any medium without the prior written consent of the Group other than for the use of preparing a response to tender.

5.   REQUIREMENT SPECIFICATION

Criteria 1: Price – Weighting 35 %

Desired Outcome: Value for money provision pricing schedule

Prices lower than the Framework Agreement Rates may be submitted at the mini competition stage.
Alternative pricing structures in addition to the hourly/retainer rates may be requested (e.g. fixed/capped prices, blended rates, contingency fees)
Prices submitted at Framework stage are the highest that may be charged for the duration of the Agreement.
The priced proposal should meet the requirements of the OFS audit code of practice

Discounting Structures
Alternative discount structures may be requested
Greater discounts may be submitted.

Please complete Price Schedule

Criteria 2: Continuous Improvement – Weighting 15 %

Desired Outcome: Independent assurance on compliance matters and continuous improvement in systems, processes and controls leading to enhanced business performance.

Reporting will need to coincide with delivery dates indicated in the service provider's operational protocol, and Audit Committee dates, and contract management meetings. There are 4 Audit Committee meetings a year and papers must be submitted a minimum of two weeks in advance.

We are looking to engage with a proactive and innovative service provider who will use its expertise to propose ways in which the Group can improve its working practices to achieve higher levels of performance. The service provider will be required to provide more than a basic assurance role, leveraging its skills and knowledge for the overall benefit of the Group and demonstrating across the entire programme of audit reviews that it adds value and continuously contributes to higher levels of performance. As part of the Group's programme to develop the way in which it works, it wishes to make informed decisions, which, where appropriate, take into consideration the Group's performance and processes in the context of higher education and other sectors. The Group is looking to engage with a service provider who is able to provide this comparison data as part of its service, to provide meaningful reports that will assist the decision making process.

Please describe / provide:

• Example report format

• How you would provide a proactive rather than reactive approach

• Approach to provision of comparator data

• Innovative aspects that differentiate your service provision in terms of assurance / continuous improvement

Criteria 3: Environment Culture & External Risk – Weighting 10 %

Desired Outcome: A service model that relates to the HE/FE/Academy environment

The Education sectors that the Group operates in are changing rapidly as a result of changes in funding, student choice and apprenticeship provision and organisations have to develop quickly to keep pace with the changing expectations of students and funders, as well as other stakeholders. Effective Internal Audit can provide a lever to focus development, as well as providing assurance regarding existing process.

Please describe:
• Why the contract is of interest to you as a provider
• Your experience and knowledge of the issues and challenges facing the Higher and Further Education and Academy sector at this time
• The priorities you would seek to see covered in a plan for the 2018/19 and 2019/20 academic years
• How you would seek to ascertain the needs, culture and risks of the Organisation
• Assurance that your work is compliant with the OFS Audit code of practice

Criteria 4: Service Delivery Management – Weighting 10 %

Desired Outcome: Effective service delivery & quality management

In addition to delivering the required outputs, with high quality reports and stringent quality control processes, the successful provider should operate in accordance with a robust operational protocol to ensure smooth running of its service.

Service delivery is overseen within the Group Executive by the Group Chief Financial Officer, who will need to be regularly updated on the service provided (for all outcomes), including progress updates and notification of any risks and issues arising, so communication needs to be managed by the service provider to ensure that a professional, coordinated service is provided at all times, with minimum coordination from the Group. Reporting format should be in a consistent manner that makes urgent issues immediately apparent. It is envisaged that quarterly face to face meetings will be held as a minimum with the Group's Chief Financial Officer, and for the Service Provider's Lead partner to take a proactive role in Audit Committee meetings.

The Group requires the service provider to be fully committed to the contract and achieving all outcomes with a high quality service throughout the contract period. Service levels and appropriate Key Performance Indicators (KPIs) should be set at the beginning of the contract, to monitor performance throughout the contract. There will be performance reviews annually as a minimum, and the contact may be terminated, at any stage, as a result of unacceptable performance. Tenderers should develop the range of proposed updates and reports to include SLA and KPI report updates, evidencing the extent to which the service provided matches the service proposed. Contract management meetings should be at least quarterly.

All elements of the service provision must be outcome related, and where internal audit is introduced to new areas, or to those not familiar with internal audit requirements, the service provider should take a proactive role to ensure that the staff member, or team, is aware of why the work is required and what will be needed from them.

Please describe:

• Proposed KPI measurements

• Proposed approach to planning, delivery and reporting arrangements

• Methodology for audit topic selection

• Proposed format for service management

• Proactive approach to service communications

• Proposed operational protocol, including timings, milestones and staff resources

Criteria 5: Staff – Weighting 5 %

Desired Outcome: An efficient, effective and competent service

The Group's resources are limited and we want to ensure that time spent by all parties on audit related activities is necessary and worthwhile. The Group is looking to engage with a service provider who will manage and coordinate the service so that knowledge is shared across provider staff; who will deliver a quality, seamless and consistent service, irrespective of the team member providing the service or the school or professional service function being reviewed. The service provider should take a proactive approach to ensuring that the service provision is undertaken by staff with an appropriate level of knowledge in the most efficient way, with the aim of always providing an effective and relevant service. Team members should have an appropriate level of knowledge for the work assigned to them including those working on specialised reviews and in FE or school audits.

All service provider personnel involved in contract delivery must have the personal attributes to facilitate proactive relationships, in which both organisations are able to share information, problems, plans, and concerns relating to all aspects of the contract.

Please describe:

• Process for ensuring staff continuity of service

• Provide details of staff competency for service provision

• The range of specialist expertise that could be utilised for audit activity

Criteria 6: Assurance over Value for money & Risk Management practices – Weighting 10 %

Desired Outcome: Assurance that adequate & effective Value for Money and Risk Management arrangements are in place.

The Memorandum of Assurance & Accountability under which Universities must operate in order to continue to access public funding requires institutions to have an Internal Audit Function which provides an annual opinion on the adequacy & effectiveness of the Institution's approaches to ensuring that it delivers value for money (economy, efficiency and effectiveness), and its arrangements for risk management, control & governance.

With resources becoming scarcer, Value for Money is very important. We require assurance from the internal audit service provider that adequate arrangements are in place within the Group to deliver value for money in all areas of activity. This advice will be used to inform various reports, including the Group's Value for Money report and annual efficiency returns.

As the sector becomes more turbulent, the scale and frequency of uncertainly increases, and effective Risk Management practices are ever more important in ensuring the achievement of strategic objectives.

Please describe / provide:

- Example Vfm report

- Examples of value added in previous audit activity

- Expectations regarding effective risk management practice

- Suggested possible review areas/topics for consideration

Criteria 7: Agreement Management – Weighting 5 %

Desired Outcome: Effective contract management and communication

Effective contract management is important in ensuring the success of internal audit. This includes the business relationship between the Group and the Internal Audit Service Provider, and the administrative processes and management tasks carried out in support of the contract. The Group is looking for tenderers to propose forms of contract management that are most appropriate to the service delivery proposed, with involvement of appropriate levels of seniority and demonstration of in-depth knowledge of the services provided, and of LSBU's objectives.

Please describe:

- Proposed contract management processes and structures

Criteria 8: Complaints & Dispute resolution – Weighting 5 %

Desired Outcome: A coordinated service working with others

Working effectively with others is integral to the Internal Audit team's role. The Group is looking to engage with a service provider who tailors their work style according to their audience, and their varying capabilities and knowledge. This includes developing effective, appropriate relationships with Executive members, Board of Governors, senior management and all levels of staff within the Group.

We require the service provider to engage effectively with all parties, using appropriate tailored communication methods, and to ensure that work undertaken minimizes duplication of audit effort and that all parties fully understand any recommendations and potential implications. The service provider must also have a clear process for dealing with disputes to the findings of their work so that report presentation is agreed prior to presentation. In particular, the service provider is required to work proactively with the Group's external auditors to provide a joined up audit service to the Group, sharing audit outcomes where appropriate and delivering maximum value from total audit effort.

Please describe:

- How do you propose to develop effective working relationships with key stakeholders

- Complaint and dispute resolution process

- Liaison with External Auditors

Criteria 9: Corporate Social Responsibility – Weighting 5 %

Desired Outcome: A partner committed to LSBU values

All service providers are expected to meet the Group's expectations of suppliers regarding their approach to sustainability, and diversity, and to embody the Group's professional standards http://www.lsbu.ac.uk/about-us/policies-and-initiatives. Procurement Services also aim to join up the Group's supply base with wider initiatives to increase the employability of students, so any innovations around service delivery, or value add contract opportunities within the supplier more generally which could provide benefits for LSBU students, (through providing lectures, placement opportunities, CV tips etc) would be of interest to the institution.

Please describe:

- Your approach to CSR, and how it relates to the priorities of LSBU

- Employability benefits that could be delivered through this contract partnership

6.   TIMINGS

This programme is indicative only and LSBU reserves the right in its discretion to amend any dates set out below, or elsewhere in this Invitation to Tender.

Issue Expression of Interest	2nd October 2018
Supplier Information Session	16th October 2018 (PM)
Issue Invitation to Tender	29TH October 2018
Deadline for return of Tenders	23rd November 2018 at 12:00 hours
Clarification Interviews (if required)	18th December 2018
Audit Committee approval	February 2019
Contract to be awarded	February 2019
Contract mobilisation	TBC

7. SUPPLIER'S PROPOSAL

7.1 Tenderers are asked to complete these specific response requirements as part of their tender response. Where instructed, please use the template provided to enable the evaluation panel to compare submissions on a like for like basis. Applicants should feel free to add additional space or pages if required in order to provide as comprehensive a reply as possible.

7.2 The tender response shall be submitted on the basis that the offer in it shall remain in force for a minimum of six months from the date fixed for the submission of tenders.

7.3 Tender responses shall only be submitted on the basis that they are bona fide competitive tenders. The Tenderers must disclose to the Group any connection with any member of Group staff which could affect the outcome of the bidding process.

8. EVALUATION/AWARD CRITERIA

Following the opening of Tender Offers, the contract shall be awarded, if at all, to the Applicant who in the judgment of LSBU is able to offer **the most economically advantageous offer in terms of the Award Criteria as detailed below** (which derive from the headline evaluation criteria used for the framework)**:**

Award Criteria	Weighting	Minimum Score required
Price	35%	
Continuous Improvement	15%	
Environment Culture & External Risk	10%	
Service Delivery Management	10%	
Staff	5%	
Assurance over Value for money & Risk Management practices	10%	
Agreement Management	5%	
Complaints & Dispute Resolution	5%	
Corporate Social Responsibility	5%	

The evaluation of the non-pricing aspects of this tender will be scored on the following 0 to 4 sliding scale:

0 *Unacceptable* *(Response is missing /Response is very weak and does not address the specification/Major reservations)*

1 *Poor* *(Does not meet expectations/ Response is weak and does not adequately address the specification/Significant reservations)*

2 *Marginal* *(Meets most expectations/Response is standardised with apparent understanding of the requirements of this particular specification/Minor reservations)*

3 *Good* *(Meets all expectations/Demonstrates good understanding of the requirements of this particular specification/No reservations)*

4 *Excellent* *(Exceeds expectations/Demonstrates extensive understanding of all the requirements of this particular specification/No reservations)*

The evaluation panel anticipates the following activity:

1. Initially a paper-based evaluation of the tender submissions with the evaluation panel scoring each quality criterion out of 4. The average quality scores will be multiplied by the weighting to provide the weighted score of 360.

2. Where the panel scores a Tenderer less than the minimum score on any individual criteria, the Tenderer will be disqualified and full evaluation will not be completed.

3. The tender costs for each Applicant shall be compared against the lowest tender price submitted. A maximum score of 140 will be given to the lowest tendered price with any percentage difference equating to point deductions for the other Applicants. Total cost will be considered including any additional costing implication for LSBU internal costs, if applicable, and additional supplies or services that may be required as a result of each tender proposal.

4. Tenderers may be required to demonstrate their ability to carry out LSBU's requirements and it may be necessary for LSBU staff to visit the Tenderer's offices, reference sites or interview the Tenderer during the evaluation process.

5. If required, the final evaluation stage will be clarification of tender details for a number of shortlisted providers. Clarifications may be sought in writing or through face to face meetings and interviews, which may include demonstrations of any proposed systems. Initial tender scores may be reviewed and adjusted by consensus of the panel as a result of information provided at the clarification stage.

9. ACCEPTANCE OF TENDER

9.1 The Group shall not be under any obligation to accept any tender.

9.2 The Group shall not be under any obligation to accept the lowest price.

9.3 The Group reserves the right to cancel the entire or parts of the tender, without such an action conferring any right to compensation on the Tenderers.

9.4 At no time should the Tenderer, prior to submitting or following the Bid submission, communicate with any person within the Group other than the named Procurement contact. Failure to abide by this could lead to the Tenderers response being disqualified.

9.5 The Group has no liability to settle any cost incurred by the Tenderer as a result of the tendering or re-tendering procedure.

9.6 The tender must be based upon the terms, conditions and specification(s) set out in this document, otherwise it may be rejected on the basis of being unsuitable and non-compliant.

9.7 Tenderers will be notified of the outcome of their response submission at the earliest possible time.

9.8 In case a tender response appears to be abnormally low in relation to the Goods or Services provided, the Group will request a clarification in writing and/or explanation concerning its elements. The Group reserves the right to exclude a tender, if after a

verification process based on the explanations and evidence received it comes to the conclusion that the tender response is abnormally low.

9.9   No unauthorised alteration or addition shall be made to this document or any referenced attachments.

10.   CONTRACT LENGTH

10.1   The contract will be awarded for an initial term of 36 months with the option to extend by a further two 12 month periods.

11.   ADDED VALUE

11.1   Due to the nature of the supplies/services required under this tender and the continually changing and competitive market place we operate within, we seek suppliers that plan to offer added value and innovative solutions to our requirements.

11.2   We are looking to engage with suppliers who will take a proactive approach to continuous improvement and who will use their expertise to propose ways in which LSBU can improve its working practices in order to achieve efficiencies and cost reductions on a year by year basis.

12.   SUPPORTING OUR STUDENTS

12.1   As part our 2020 vision, we are committed to giving our students opportunities to meet and learn from the experiences of professionals in their sector and entrepreneurs running their own businesses.

The Group works closely with its students to equip them with the skills and experiences they need to help with their future careers. We work with a range of businesses to develop routeways for students to access placements, internships, industry insight, professional work experience and graduate opportunities.

We work with a range of businesses to develop routeways for students to:
* access employability opportunities (such as placements, internships, professional work experience, or graduate opportunities);
* learn from the experiences of professionals in their sector; and to
* gain real world experience in their curriculum.

We see the Group's supply base as playing an important role in how we help support and develop our students. LSBU has identified priority areas for suppliers to get involved in:

12.2   Providing employability opportunities

LSBU is committed to providing students with an opportunity to undertake a placement, internship or professional work experience whilst at Group. These can

vary in length from a day through to a full year and can be paid or unpaid. We also support graduates for up to 5 years' post-graduation by promoting and managing vacancies and providing business support to them. We are interested in employability opportunities with organisations of all sizes and from all sectors – whether you are an SME or a larger organisation, you have an experience that could be useful to our students.

12.3   Sharing your professional experience

We are committed to giving our students opportunities to meet and learn from the experiences of professionals in their sector and entrepreneurs running their own businesses. Suppliers could contribute to this by:

- Leading practical skills workshops e.g. networking, leadership, teamwork
- Delivering a lecture specific to your industry

- Being part of a panel of speakers giving insights into your career
- Mentoring student and graduate entrepreneurs
- Being part of Advisory Boards to support curriculum development
- Supporting student start up and accelerator programmes by delivering workshops on topics including innovation, finance and marketing
- Attending careers fairs

12.4   Accessing our student expertise

Our students have skills and experiences that could give you a new perspective on a business problem. Suppliers can support us to give our students real-world experiences within the curriculum by:
- Providing live projects or business problems for students to work on in the curriculum
- Sharing material to support a case study for a dissertation or bigger project

12.5   Access to your business environment
The Group's Enterprise and Employability teams run a number of events where we take students on visits into workplaces to understand their business culture and

practices. We also welcome opportunities to host events for students at your premises.

13.   SUB-CONTRACTING

13.1   The Group does not anticipate any aspects of the contract being sub-contracted. Any potential use of sub-contractors must be with the express permission of LSBU.

13.2   The supplier retains overall responsibility for delivery or any aspect or requirement of the contract should a sub-contractor be used.

14.   NEXT STEPS

14.1   Should you wish to participate in this tender application, please 'express an interest' in the ITT and it will move to your "My ITTs" page, where you can download any documentation and submit your response.
If you have any questions, please contact the Procurement Team by using the "Messages" function within the Jaggaer web portal.

14.2   Your completed proposal should be uploaded to the Jaggaer portal by no later than 1200 hours on 23rd November 2018. Any proposals received after the deadline may be rejected without further evaluation.

14.3   Please keep all matters relating to this tender confidential.

	CONFIDENTIAL
Paper title:	Pension assumptions
Board/Committee	Audit Committee
Date of meeting:	4 October 2018
Author:	Natalie Ferer, Financial Controller
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	The Executive recommend that the committee approves the assumptions made by the LPFA scheme actuaries, Barnet Waddingham, and the assumptions used for the USS scheme for accounting disclosures.
Recommendation:	The committee is asked to approve the pension assumptions.

Executive summary

This paper is being presented to Committee because the assumptions used by the actuaries in respect of the LGPS have a significant impact on our reported financial result including the reported scheme deficit. It is important therefore that the assumptions are reviewed and approved.

We have taken advice from KPMG, the University's auditors, and the recommended action is that we use Barnet Waddingham's standard assumptions.

Assumptions

The report for London South Bank University has been prepared using standard scheme assumptions which are summarised below:

	31/7/18	31/7/17	31/7/16	31/7/15
RPI increases	3.35%	3.6%	3.0%	3.5%
CPI increases	2.35%	2.7%	2.1%	2.6%
Salary increases	3.85%	4.2%	3.9%	4.4%
Pension increases	2.35%	2.7%	2.1%	2.6%
Discount rate	2.65%	2.7%	2.5%	3.8%

The assumptions are set with reference to market conditions at 31/7/18 with an estimate of the duration of employer liabilities of 20 years.

Results for LSBU

We have received the FRS102 valuation report from Barnet Waddingham and the table below shows the overall deficit in the scheme and movement compared to the position at 31/7/17:

	31/7/18 £'000	31/7/17 £'000
Overall deficit in the scheme	(99,765)	(112,749)
Service cost	(8,616)	(6,985)
Interest cost	3,143	3,099
Amounts recognised in Other Comprehensive Income	19,083	11,715

The most significant change is the movement in Other Comprehensive income which is broken down in more detailed below with most of the movement resulting from changes in financial assumptions since the last accounting date.

Analysis of the amount recognised in Other Comprehensive Income	31/7/18 £'000	31/7/17 £'000
Return on fund assets in excess of interest	4,424	14,351
Other actuarial gains on assets	-	2,164
Change in financial assumptions	14,453	(14,972)
Change in demographic assumptions	-	3,550
Experience gains and losses on defined benefit obligation	16	6,622
Total Amounts recognised in Other Comprehensive Income	**19,083**	**11,715**

The service cost has increased by £1.6m compared to the previous year. Although this change is not nearly as significant as the movements in Other Comprehensive Income, it is of real importance because it appears in the I&E account before striking the level of reported surplus for the year. The increase of £1.6m is significantly higher than expected (or forecast by the LPFA) and is the principal reason why we have been unable to cover the in-year restructure cost of £2.6m and deliver to budgeted surplus of £1.5m.

There are two key elements to the increase in the current service cost for the year to 31 July 2018. The first is that the payroll of the active membership over the year has increased from £21,344k to £23,070k at 31 July 2018. All else being equal, the current service cost would have increased correspondingly to reflect that there is more service being accrued by active members. In addition, the financial assumptions used to calculate the cost of these new benefits have changed; in particular, the assumed rate of inflation (on which benefit increases are based) is higher at 31 July 2017 than at 31 July 2016. Since the current service cost is based on financial assumptions at the start of the accounting year then this increase in the net rate of inflation also leads to an increase in the current service cost for the year to 31 July 2018.

USS scheme

In line with FRS102, the University is required to recognise a liability for the contributions payable in order to fund the deficit in the USS scheme. A deficit modeller has been produced by BUFDG (British Universities' Finance Directors Group) to assist employers with meeting this requirement.

The University must choose the assumptions it uses when making this calculation. BUFDG have commissioned Mercer to give guidance to Universities on which discount rate to use.

The rates advised by Mercer are shown in the table below together with a comparison to the assumed rates for the LPFA scheme, showing the financial impact of the alternative rates on the USS scheme:

	USS 31/7/18 at LPFA rates	USS 31/7/18 at advised Mercer rates
Discount rate	2.65	2.19
Salary increases	2.4% - 5.4%	5%
USS deficit provision (£'000)	977,941	1,041,517
Charge to I&E account (£'000)	531,002	594,578

The discount rate of 2.19% and assumed salary increases of 5% per annum result in a slightly higher charge to expenditure and a larger overall deficit. Although lower discount rates lead to higher provisions, the University's auditors have previously indicated that it is reasonable for us to use the same discount rate as we do for the LPFA scheme so this approach has been adopted and is consistent with previous years. The financial difference is immaterial.

Recommendation

The Committee is asked to note and approve the assumptions.

	CONFIDENTIAL
Paper title:	Corporate Risk Report & Register – October 2018
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	John Baker, Corporate & Business Planning Manager
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to review the attached risk report

Executive Summary

The Risk Register was reviewed by the September meeting of the Strategic Risk Review group, and an updated version is presented here for review.

The initial section of the risk register is the Board summary report, which will be presented to the October Board meeting following Audit Committee review.

The next Update Summary section details the changes to the full register made since the previous presentation to Audit Committee, and details completed actions as well as progress notes on overdue actions, and new actions and risk amends.

The final section is the full risk register, and both group the risks by the goals of the Corporate Strategy.

Two issues were flagged by the Executive in its most recent review and these will be considered in more detail for the next update. The two issues are:

- Potential reduction of the likelihood rating the recruitment risk 2, given the positive progress made this year, and
- The precise focus of the risk around capital expenditure which is less about affordability and more about delivering our longer term estate ambitions, which is probably trending more toward high than medium risk

The Audit Committee is requested to review the register.

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LSBU Corporate Risk Matrix – Severity by risk type (*from Risk Appetite*) – October 2018

Cover Page: Board high level overview of risk exposure

Severity Rating	Critical	High	Medium	Low
Risk Types:				
Financial *(Open)*	**2:** Revenue reduction if marketing & PR does not achieve H/EU UG recruitment targets (NL)	**457:** Anticipated international & EU student revenue unrealised (PI) **3:** Increasing pensions deficit reduces flexibility (RF)	**14:** Loss of NHS contract income (WT) **37:** Affordability of Capital Expenditure investment plans (RF) **402:** Income growth from Research & Enterprise unrealised (PI) **624**: LSBU Family integrated service benefits (IM)	**517:** EU Referendum Impact on regulation & market (DP)
Legal / Compliance *(Cautious)*			**305:** Data not used / maintained securely (SW) **519:** Negative Curriculum Assessment (SW) **584:** External incident compromises campus operations or access (PB)	
Academic Activity *(Seek)*		**467:** Progression rates don't increase (SW)	**398:** Academic programmes not engaged with technological and pedagogic developments (SW) **495:** Higher Apprenticeship degrees (PB) **518**: Core student system inflexibility / failure (SW)	**494**: Inconsistent delivery of Placement activity (SW)
Reputation *(Open)*			**6:** Management Information perceived as unreliable, doesn't triangulate or is not presented (RF) **362:** Low staff engagement or staff cost containment programme impacts performance negatively (PB)	**1:** Lack of capability to respond to policy changes & shifts in competitive landscape (DP)

Risk Type: **Financial**		
Summary of current risks & drivers	*Notes on controls & mitigation strategies*	*Notes on progress made and actions completed*
2: Home UG Recruitment: (NL) Increased competition and narrowing candidate pool put pressure on applicant numbers. Brand positioning doesn't articulate LSBU potential effectively and impacts on conversion rate, leading to shortfall in anticipated income, or changes entrant tariff score	• Weekly review of numbers in DARR report by MAC leadership team & Leadership group • LEAP programme workstreams • Annual MAT & Lambeth liaison plan • Course development lifecycle project will ensure organisation insight informs validation cycle	• Response protocols completed for full 19/20 application cycle • Phase 1 School website content updated • Research project underway to assess impact of current 'value add' applicant offer.
457: International Income: (PI) Government policy & UKVI process creates additional burdens to recruitment, and TNE partner models still in development	• International Office runs annual cycle of training events with staff on UKVI processes. • Recruitment reports to Executive by exception • Overseas offices support in-country recruitment • Partnership model established for new activity	• School Roadshows on developing & managing partnerships attended by Deans, DESEs & International leads • UKVI Consultant report received & actioned • Egyptian Joint Venture in development
9: Pensions: (RF) Increasing life expectancy & poor performance of funds post 2008 leads to greater deficit	• Annual FRS 102 valuation • Strict control on early access to scheme	• Mercers costed scenarios being considered in autumn, with HR representation.
14: NHS Contract Income: (WT) Changes to NHS management structures, and move from bursaries to loans for pre-Reg courses impacts on levels of income	• QCPM & NMC course review processes demonstrate quality of provision to funders • Literacy & Numeracy no longer tested	• New programmes in development • Havering lease now extended • Applicant process re-engineered
37: Capex affordability: (RF) Project ambitions and scales not in alignment with current cash generation capacity or asset valuations, or project cost escalation	• Capex reporting embedded into management accounts provided to FP&R Committee • Estates project methodology controls & governance • Financial Regs require Board approval >£2m	• Sino-campus Steering Panel ongoing • Perry disposal options being considered • St Georges options being tested with Clive Crawford Associates
402: Research & Enterprise contracting: (PI) Forward financial plans anticipate increases in income which will need to be supported through reaching into new markets and areas of activity	• Bid writing workshops for academic staff delivered • Sharepoint & FEC Research & Enterprise Approval Process for authorisation of new opportunities • R&E activity Pipeline Reports (Financial & Narrative) provided to Business Planning Group	• Health Innovation Lab director appointed, and premises options under review • ACEEU accreditation application underway • Heads of Terms agreed for Cambridge research partnership
624: **LSBU Family integrated service**: (IM) Obstacles may hinder planned synchronisation	• Interim appointments at Lambeth College	• Plans underway for transfer at year end

Risk Type: **Legal / Compliance**		
Summary of current risks & drivers	*Notes on controls & mitigation strategies*	*Notes on progress made and actions completed*
305: Data use and access: (SW) The rise of cyber-attacks, and malicious attempts to circumvent existing controls pose a threat to data security. Evolving standards of good practice take time to become articulated within an institutional context and fully adopted as salient culture. European GDPR legislation came into force on 25th May 2018.	• GDPR Project programme approved by Executive • Data Protection now included within suite of Mandatory Training modules for staff • ICT project process requires Privacy Impact Statements and changes to digital infrastructure reviewed quarterly by ICT Technical Roadmap Board • IT access now linked directly to live info from i-Trent staff record system, and logical security protocols require 6 monthly change • Vulnerability tests scheduled weekly	• GDPR project programme reviewed by project board • Graeme Wolfe appointed to Head of Information Security role and joins LSBU in August.
519: Curriculum Compliance: (SW) The transition from sector funder (Hefce) to Regulator (OfS) sees a move away from the Annual Provider Review approach to quality assurance of provision, to achievement of Registration conditions, which now connect explicitly to the stipulations of the CMA (Competitions & Markets Authority) around consumer protection. The links between Course Approval documents and Marketing content is not currently assured, and tolerance thresholds for changes to course content may vary in practice.	• Academic Audit process is monitored by Academic Board, through reports from QSC (Quality & Standards Committee) • Curriculum creation process being transferred to the Registry function • All Course Specs being translated into new Educational Framework format • LEAP workstreams including CRM elements will help mitigate this risk, along with outputs of OEG project 3	• Full audit of Course specifications now completed • OfS Registration process being overseen by project board & Company Secretary • Educational Framework specification documents now mandatory for all new programmes • LSBU Subject TEF pilot participation has informed review of core review cycles
584: External Incident impact on campus: (PB) UK government's current terror threat level of 'severe' and incidents during 2017 mean that a central London location places LSBU at greater risk of being impacted by a future event.	• Building Lockdown plans in place • Business continuity plans for critical activity reviewed annually by resilience team • Emergency Information sets at receptions • Halls Accommodation aid agreement in place with London School of Economics • Annual scenario testing with Executive	• Review actions now being implemented • Gold Command transferred to VC & COO.

Risk Type: **Academic Delivery**		
Summary of current risks & drivers	*Notes on controls & mitigation strategies*	*Notes on progress made and actions completed*
467: Progression: (SW) Despite a revised focus on the re-enrolment process, the progression rate fell by 2% to 75% for full time students, and is featured as a negative flag on some of the metrics supplied through the Subject TEF pilot process.	• Range of data in the Corporate Warehouse being expanded to utilise the MIKE platform to provide greater insight and analysis to academic staff • Study support provided by Library & LRC • CRIT embeds support in high impact modules	• Personal tutoring minimum specification circulated and published on website • Course Director Role Description completed & provided to the School DESEs • New Progression dataset tested and added to Data Warehouse for ongoing reporting • 1 LEAP workstream will impact on this
398: Technology & Pedagogy: (SW) Although the results are open to some interpretation, some competitors have made greater investment in using learning analytics to support the learning experience, and embedding technology within Classrooms. There are concerns in the sector with regard to the priority attached to teaching support within the new regulatory regime, and Advance HE. Delays with fully populating the CRIT team have impacted on delivery of plans.	• CRIT (Centre for Research Informed Teaching) reports to the Student Experience Committee & to the Quality & Standards Committee on the Achievements of work undertaken. • Delivery of the Technologically Enhanced Learning Strategy (TEL) through the Educational Framework and Quality Processes, is monitored by Academic Board. • Digital baseline project underway to ensure parity of experience across all Moodle sites	• CPD sessions for Course Directors delivered utilising TESTA framework • Lecture capture facilities being provided to pilot group using Panopta on laptops, with associated training sessions • Moodle baseline available to all staff & contained within new site template
495: Apprenticeships: (PB) Some issues with system adaptations in order to accommodate all requirements of running Apprenticeship programmes, and some sector reports have introduced some uncertainty over future enrolment patterns.	• The Apprenticeships team is now fully established within LSBU • 6 monthly progress report from Apprenticeships Steering Group scrutinised by Academic Board covers IPTE and the Passmore Centre.	• Passmore Centre refurbishment project now underway • Launch events in preparation stages • Ofsted preparation task group in place
518: Core Student Systems: (SW) Although the LEAP project is underway to create a paradigm shift in administration of the student journey, existing platforms will be required in the interim, and are patched and burdensome.	• LEAP Programme project Updates scrutinised by Academic Board, & Exec & FP&R. • Operational Issues reported & tracked through ICT TopDesk system, with internal escalation protocols.	• Timetabling review completed, and some recommendations implemented • LEAP Programme Change Partner appointed

Risk Type: **Reputation**		
Summary of current risks & drivers	*Notes on controls & mitigation strategies*	*Notes on progress made and actions completed*
6: Management Information: (RF) Past concerns expressed regarding triangulation of data from separate returns made to the designated data body, and controlled internal access to this business intelligence. Lack of detailed articulation of interdependencies between data systems and use of multiple system fields	• Data Assurance Group mechanism • MIKE platform for sharing data & visualisations using corporate warehouse • Continuous Audit programme reviews student and financial data for accuracy • Systemised data checks and reviews completed by PPA team prior to external submission.	• Performance scorecard project underway to develop measures for professional services • LEAP programme includes an information & reporting work stream • MIKE phase 2 datasets in testing phase prior to formal release • Subject TEF pilot submission outcome being analysed and metrics integrated into MIKE
362: Low staff engagement or staff cost containment impacts performance: (PB) Systems and structures don't achieve intended facilitation of collaborative working across the institution. Reward and recognition packages perceived to be out of line with other sectors or institutions, or not applied equally across full range of protected characteristics. Frozen fee levels and continued challenges in recruitment market have contributed to flat income predictions and planned staff cost reduction programme, which could lead to lower engagement, disruption in service provision or skills / knowledge gaps that impact on delivery.	• Town Halls cascade corporate messages • Regular engagement with Unions on staff matters • Shape & Skills approach to review • Comms strategy approved by Exec for MAC team • HR Business Partners manage all change activity • Direct staff feedback is encouraged through VC 'Continuing the Conversation' events & Yammer • Employee engagement champions network • Planning process promotes golden thread connection from Corporate Strategy, through Local Roadmaps to Staff Appraisals. • OEG project 5 will develop an approach to service levels and business partnering	• All Staff email introduced programme remit • Leadership forum group established • Procurement completed on Sodexo platform to deliver benefits to all staff & contractors • Engagement survey results provided to management teams in Schools & PSGs

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Appendix: LSBU Corporate Risk Register - Cover page, Risk overview matrix; by impact & residual likelihood

Date: 21st Sep 2018   **Author:** John Baker – Corporate & Business Planning Manager   **Executive Lead:** Richard Flatman – Chief Financial Officer

Impact	1 - Low	2 - Medium	3 - High
4 Critical *Corporate plan failure / removal of funding, degree award status, penalty / closure*			2: Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL)
3 High *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*	6: Management Information (RF) 37: Affordability of Capital Expenditure investment plans (RF) 305: Data not used / maintained / processed securely (SW) 362: Low staff engagement (PB) 495: Higher Apprenticeships (PB) 519: Negative Curriculum Assessment (SW) 624: LSBU Family integrated service benefits (IM)	3: Increasing pensions deficit reduces flexibility (RF) 467: Progression rates don't rise (SW)	457: Anticipated international & EU student revenue unrealised (PI)
2 Medium *failure to meet operational objectives of the University*	1: Capability to respond to change in policy or competitive landscape (DP) 517: Impact of EU Referendum result on regulation & market trends (DP) 494: Inconsistent delivery of Placement activity across the institution (SW)	14: Loss of NHS contract income (WT) 398: Academic programmes not engaged with technological and pedagogic developments (SW) 402: Unrealised research & enterprise £ growth (PI) 584: External incident compromises campus operations or access (PB) 518: Core student system inflexibility / failure (SW)	
1 Low *little effect on operational objectives*			
	1 - Low *This risk is only likely in the long term*	2 - Medium *This risk may occur in the medium term.*	3 - High *The risk is likely to occur short term*
		Residual Likelihood	

Executive Risk Spread: VC – 2, DVC – 3, CFO – 3, PVC-S&E – 5, PVC-R&EE – 2, COO – 1, CMO -1, Dean Health – 1, US - 0

Update Summary: Overview of changes since presentation at previous Operations Board, and overdue action progress updates:

Reference	Risk title	Completed Actions & Risk Changes	Overdue Action Progress Notes
Goal 1: **Teaching & Learning**: Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise			
398 (SW)	Low engagement with tech or pedagogic developments	Course Director CPD delivered: A range of Professional Development events was scheduled, with topics set by the DESEs. Lecture Capture capability completed: 70 Dell laptops have been purchased for installation of Panopto lecture capture software, which is fully integrated with the Moodle environment, & academics are encouraged to share the equipment. Moodle baseline published: This was approved by DEL governance board & is available to all staff on Moodle.	
467 (SW)	UG Progression rate doesn't rise	New action added around LEAP workstream. Personal Tutoring specifications published: The specifications were approved by the DESEs, and have been published for students on the relevant website. Embedded Learning Development: Few modules now have pass rates below 40%, so the threshold for intervention was increased to 50%. Modules were identified through data from registry and in consultation with DESEs.	Re-enrolment Action re-allocated to CMO. Dashboards progress note: Dashboards have been created, but there is still progress to make in terms of integration into review processes and reports for the Academic Quality & Standards Committee. This work is envisaged to be developed in 2018/19.
Goal 2: **Student Experience**: Seeing students as learning participants & encouraging and listening to the student voice.			
518 (SW)	Core Student System inflexibility / failure	New actions added around LEAP workstreams, and OEG project 6: Timetabling.	Student enquiry management progress note: The necessary funding wasn't allocated during 17/18, and this requirement will now be incorporated into the LEAP programme.
519 (SW)	Negative assessment of curriculum compliance	New actions added around LEAP workstreams.	Curriculum set up transfer progress note: The capacity within TQE is not currently available for transfer, due to complexity of current JDs & structures.
Goal 3: **Employability**: Ensuring students develop skills, aspiration and confidence.			
494 (SW)	Inconsistent delivery of Placement activity across institution		Schools On-boarding progress note: A dedicated Placement Officer joined the team in January and whose role is to focus on this activity, and to create and run the first user group this semester, as well as linking with the software User group for best practice.
Goal 4: **Research & Enterprise**: Delivering outstanding economic, social and cultural benefits from our intellectual capital.			
402 (PI)	2020 £ growth through Research & Enterprise	ACEEU.Org Accreditation: Action re-assigned, and timescale amended following departure of Gups Jagpal.	Health CPD action progress note: Business case completed, and is due for review by the SBUEL board, and confirmation awaited regarding premises for operation.

		Controls updated. New action around Cambridge Partnership.	LSBUEL revised operating structure: Clearance received from Governing body to expand remit. Paper going to Executive for approval.
Goal 5: Access: Work with local partners to recruit, engage and retain students with the potential to succeed.			
495 (PB)	Impact of Higher Apprenticeship degrees	New actions around Ofsted inspection preparations.	Passmore Centre progress note: Progress on the refurbishment project is progressing well. IPTE structure progress note: Pat Bailey appointed to national UCAS Advisory Group re apprenticeship application processes, to inform marketing/recruitment strategies, and link to LSBU family approach.
Goal 6: Internationalisation: Developing a multicultural community of students & staff through alliances & partnerships.			
457 (PI)	International & EU student £income unrealised	Financial model action completed: The financial model for partnerships has now been implemented with BUE, and is now being reviewed with ASU. The model will vary by partner & country, but will follow a formal approval process, and we have facilitated direct engagement between Professional Service Group staff between partners. Overseas Offices action completed: Partnership agreements are now in place, and offices are now operational in Beijing, Shanghai, India, Jakarta & Lagos, with locals targets set and annual contractual performance review processes. Internationalisation Campaign completed: School Roadshows were run in conjunction with Legal and Finance on developing & managing partnerships attended by Deans, DESEs & International leads, and produced SWOT reviews of current activity & potential growth opportunities, including student mobility in both directions. New action regarding Egyptian joint venture:	EU Partners progress note: Potential partnerships with Latvia & Portugal are in development, along with a new partnership with ISM from Vilnius in Lithuania, who visit LSBU in Sep.
517 (DP)	Impact of EU Referendum		
Goal 7: People & Organisation: Attracting proud, responsible staff, & valuing & rewarding their achievements.			
1 (DP)	Response to environmental change & reputation	New actions added around LEAP programme, and OEG project 2: Strategy & Planning.	
362 (PB)	Poor Staff Engagement	Engagement Survey results circulated. New action around OEG project 5: Service Charters & Business Partners.	

Goal 8: **Resources & Infrastructure**: Investing in first class facilities and outcome focused services, responsive to academic needs.			
2 (NL)	Home UG Recruitment income targets	**Response protocols action completed:** The timings & contents of full application cycle elements agreed with Schools for 19/20 entry - with full details of interviews, testing, open days, & all aspects involving academic staff. **New actions added around LEAP workstream, course development lifecycle & Welcome week OEG projects, and research activity around campaign spend and value add incentives.**	**School & College Outreach progress note:** MAT & Lambeth liaison plans already in place. Further action on hold pending recruitment to a new Grade 8 position to develop a more tactical approach to outreach, involving greater linkage with academic staff. **Corporate Comms plan progress note:** PR agency appointment on hold pending restructure of the team. Revised plan to be developed by Dec, to shift focus towards strategic approach to conveying brand strengths to audiences. **Brand Architecture & Narrative progress note:** Proposal to be shared with Exec in Autumn when agendas permit. **School Web pages progress note:** Stage 1 updates were completed ahead of Clearing. Stage 2 updates; a further re-design to incorporate LSBU group aspects, is being actioned for Feb 2019. **Institutional Brand Campaign:** Marketing & Recruitment plan for 19/20 entry is being reviewed in early September, with School level marketing plans (digital) being approved & finalised by the end of September.
9 (RF)	Pensions deficit	**Actions combined to develop way forward utilising Mercer's costed scenarios.**	
7 (RF)	Quality and availability of Management Information	**Controls updated**	**Phase 2 of MIKE Data Warehouse contents progress note:** The PPA team has been restructured & includes the BI & Reporting team, & this action is included within the agreed 18/19 objectives of the team. **Performance Scorecards progress note:** These metric sets are being taken forward as part of the development process for the next Corporate Strategy, and will be operationalised during 18/19.
14 (WT)	Loss of NHS income	**Pre Reg applicant process streamlined:** The process was redesigned to remove unnecessary forms, and to integrate testing and interview appointments within the recruitment cycle. For the 19/20 applicant cohort, we will no longer be conducting literacy & numeracy testing, which will further streamline the applicant journey.	**Health CPD action progress note:** Re risk 402 - business case for a training company has been drafted, approved by Executive, & is due for review by SBUEL board meeting.
37 (RF)	Affordability of Capital Investment plans	**Finalysis Loan proposal on hold:** Revolving credit facility is on hold for the time being, due to timing lag inv current estates activity	
305 (SW)	Corporate & personal data security & use	**Controls updated.** **Head of Digital Security Inducted:** Graeme Wolf joined LSBU in August.	**Windows 2003 action progress note:** We have circa 300 servers at LSBU, and those running Windows2003 have reduced from about 30 to 5 in the past 9 months, and these 5 are scheduled for upgrade or shutdown in the next couple of months.

584 (PB)	External incident impacts operations or access		
624 (IM)	Benefits of LSBU Family integrated service project unrealised	New risk entry	

Standard Risk Register

Report Date	21 Sep 2018
Risk Status	Open
Risk Area	Corporate
Control Status	Existing
Action Status	Outstanding

Standard Risk Register

London South Bank University

A 15-20 #1 Teaching & Learning: Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
398	Academic programmes do not employ suitable technological and pedagogic developments to support students and promote achievement	Shan Wareing	**Cause:** Sustained underinvestment in expertise and dedicated human resource to support utilisation of learning technologies, comparative to new and existing competitors. **Effect:** LSBU does not effectively exploit the learning potential of new technologies, impacting negatively on student retention, achievement, or cost base (eg in terms of physical estate, inability to use virtual facilities) and our ability to deliver new provision or reach new markets. Curriculum delivery models do not adapt sufficiently to remain relevant, jeopardising the employability of LSBU graduates. More flexible and efficient educational models which enable us to remain adaptable and competitive are out of institutional reach Support mechanisms do not provide some students with the learning support they need to navigate and succeed in the learning environment so retention does not meet the targets within the 5 year forecast. Market appeal of courses is impaired, impacting negatively on recruitment.	I = 2 L = 2 Medium (4)	CRIT (Centre for Research Informed Teaching) reports regularly to the Student Experience Committee & to the Quality & Standards Committee on the Achievements of work undertaken. Delivery of the Technologically Enhanced Learning Strategy (TEL) through the Educational Framework and Quality Processes, monitored by Academic Board. Routine analysis of Panopto analytics to review usage across the institution.	I = 2 L = 2 Medium (4)			

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Standard Risk Register

A 15-20 #1 Teaching & Learning: Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
467	Progression rate across undergraduate programmes does not rise in line with targets of Corporate Strategy	Shan Wareing	**Cause:** Students admitted through clearing with lower tariff & course commitment. High-risk students are not identified in a timely way or supported sufficiently. Failures in timetabling, organisation and communication increase during periods of change, & high-risk students are more vulnerable. New initiatives don't engage students. Provision fails to meet immediate needs of students entering through non-traditional access routes. Unable to finance student support adequately to meet level of demand. **Effect:** Progression rate fails to increase sufficiently . HEFCE, or OFS could view LSBU as high risk. Data could have negative impact in TEF metric assessment. Loss of income from UG non-progression to levels 5 and 6.	I = 3 L = 2 High (6)	Dean's School reports for REC and TEF are reviewed at QSC and Academic Board, who report to the board of Governors.	I = 3 L = 2 High (6)	Oversee development of revised MIKE dashboards with new progression dimensions, and embed within core planning cycles and present to Quality & Standards committee.	Richard Duke	31 May 2018
					Learning Development Team identified Modules with low pass rates and use interventions to review pedagogic practice.		Improve the status of re-enrolment as a core university business process, leading a review and improvement of current process, and establishing an identified business owner.	Nicole Louis	31 Jan 2019
					Student Engagement Interns make contact with all students meeting certain criteria for exam or coursework omission.		Oversee action taken against 18/19 Roadmap priority to reduce the quantity of assessment, review the approach to assessment, and to reduce the proportion of assessment by examination.	Janet Bohrer	31 Jul 2019
					Student Welfare advice and support provided by Student Life Centre		Oversee LEAP 'Educational Provision' workstream, which is planned to increase our ability to provide course leaders with student data and the ability to track student engagement.	Shan Wareing	30 Jul 2020
					Study Support & Skills Sessions provided by the Library & LRC				
					The implementation of the Educational Framework supports a more inclusive curriculum in terms of curriculum content and pedagogy				

Standard Risk Register

A 15-20 #2 Student Experience: Seeing students as learning participants & encouraging and listening to the student voice.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
518	Core student systems have limited flexibility for market adaptation or rely on manual work arounds	Shan Wareing	**Cause:** Core course administration processes & systems (QL, timetabling, Moodle, MyLSBU) require manual and emergency interventions to function. Non standard delivery challenges existing protocols and procedure. System infrastructure limitations, or slow change mechanisms may not meet all the needs of emerging delivery models, from student or management perspective **Effect:** Lack of clear information provision to students and staff, with negative impact on student experience & reputational damage. Students fail to attend teaching sessions, submit work on time or receive marks, so progression suffers. Staff compensating for systems failures, or inventing work arounds are distracted from other activity leading to failures elsewhere. Staff morale suffers and sickness rate and turnover rate increase.	I = 2 L = 3 Medium (6)	LEAP Programme Board meets monthly to review progress against work packages across all workstreams. LEAP Programme Progress Updates scrutinised at Academic Board, to oversee progress and assess fit with strategy and existing practice. LEAP Programme provides regular progress updates to MPIC Committee for Board scrutiny of progress against LEAP work packages. Operational Issues reported and tracked through ICT TopDesk system, with internal escalation protocols.	I = 2 L = 2 Medium (4)	Implement a modern student enquiry management approach, to deliver a holistic approach to information provision and query management	Kirsteen Coupar	31 Jul 2018
							Complete discovery phase (with Carol Rose) of OEG project 6: Timetabling.	Patrick Callaghan	31 Oct 2018
							Complete Market Sounding for technology solutions in relation to LEAP project.	Penny Green	31 Oct 2018
							Issue tender for Student Information System (LEAP)	Penny Green	29 Mar 2019

A 15-20 #2 Student Experience: Seeing students as learning participants & encouraging and listening to the student voice.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
519	Negative Assessment of Curriculum Compliance	Shan Wareing	**Cause:** Transition to OfS regime could result in new approach to monitoring or review, or to standards. Increase in activity could lead to overstretched teams and a failure to complete adequate quality processes in the Schools or PSGs. Academic staff insufficiently prepared for quality processes, (new to HE or lack of appropriate professional development). Significant changes to curriculum not processed through formal mechanisms. High risk activity with partners (placement, international partners, UK partners (particularly FE or schools education) does not have adequate resource or expertise allocated to it to identify and manage risks. **Effect:** Quality code processes not followed, leading to failures in quality, and negative external assessment. Negative impact on Board of Governors ability to sign off OfS assurances or returns. Potential for unwelcome result from Annual Provider Review, TEF process submissions, or indeed achievement of OfS registration conditions, impacting on University status. Leading to negative impact on income & reputation, through recruitment levels, and differing fees. Negative judgement by Competition and Markets Authority and cost of legal challenge. Could act as barrier to recruitment of international students, further affecting income and reputation.	I = 3 L = 3 High (9)	Academic Audit process monitored by Academic Board via periodic reports from Quality & Standards Committee (QSC). OfS Registration Task Force reporting regular progress to Executive, with work stream on CMA compliance.	I = 3 L = 1 Medium (3)	Oversee transition of Curriculum Set up responsibility into the Registry team.	Ralph Sanders	31 Jul 2018
							Oversee translation of all existing course specifications into new Educational Framework format, incorporating CRIT guidance principles, to ensure parity with newly validated courses.	Janet Bohrer	31 Jul 2019
							Oversee delivery of Educational Provision & Customer Journey workstreams of LEAP programme, to develop an holistic single source for course development and promotion.	Shan Wareing	30 Mar 2020

Standard Risk Register

A 15-20 #3 Employability: Ensuring students develop skills, aspiration and confidence.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
494	Inconsistent delivery of Placement activity across institution	Shan Wareing	**Cause:** Insufficient human resource allocation centrally and in Schools Insufficient expertise within LSBU. Lack of allocation of sufficient central and School human resource. Speed of implementation without underpinning project planning or learning from the sector. Lack of assurance over offsite workplace conditions. **Effect:** Placement practice may not comply with Chapter B10 of the Quality Code, so may be a quality risk. LSBU may not be able to provide a placement, internship or professional opportunity for all UG students entering in 2016 and after, leading to a CMA risk Placements may not deliver a good student experience, creating a risk to achievement of NSS improvement plans. Duty of care to students re workplace safety may not be met, creating a reputational risk. Potential insurance risk.	I = 2 L = 2 Medium (4)	Utilisation of new software platform 'InPLace' enables efficiencies in the Schools & the centre, and supports constancy of process and knowledge sharing.	I = 2 L = 1 Low (2)	Complete onboarding of remaining Schools to InPlace Operational procedures and User Group.	Chloe Gopika Devi De Boer	31 Jul 2018

Standard Risk Register

A 15-20 #4 Research & Enterprise: Delivering outstanding economic, social and cultural benefits from our intellectual capital.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
402	Income growth expected from greater research and enterprise activity does not materialise	Paul Ivey	**Cause:** 1) Challenging market environment with high competition for similar opportunities and funders. 2) Lack of proven forecasting systems & recent static performance 3) Aggressive and complex turnaround required carries intrinsic high risk. 4) Dependence on HSC CPPD income (circa 50% of enterprise£) 5) New structures fail to entice & encourage academic participation in activities. 6) Limitations of academic capacity and capability. 7) Internal competition for staff time over & above teaching. **Effect:** 1) Income growth expectations unrealised. 2) Undiversified enterprise portfolio. 3) Lower financial contribution, as an increased proportion of delivery is sourced outside core academic staff. 4) Increased dependency on generating enterprise opportunities via Knowledge Transfer outreach as opposed to an academic-led stream, results in higher Opex costs. 5) The holistic teaching and student experience benefits are reduced. 6) Proportion of staff resource diverted to winning new funding is significantly increased. 7) Reduced income adversely affects the research environment, publication rates, evidence of impact, student completions, & ultimately LSBU REF 2020 rating. 8) Inability to align academic resource with identified market opportunities.	I = 2 L = 2 Medium (4)	Annual AURA audit assesses levels & quality of staff outputs. Bid writing workshops for academic staff delivered routinely Enterprise Business Plan & Strategy submitted for approval annually to Executive. Operation of Sharepoint Enterprise Approval Process for authorisation of new income opportunities. Progress against approved REF 21 Strategy reviewed quarterly. R&E activity pipeline reports (financial & narrative) reviewed at monthly meetings of Business Planning Group.	I = 2 L = 2 Medium (4)	Establish a CPD offering for Health Professionals in collaboration with School of Health & Social Care.	Paul Ivey	30 Nov 2017
							Establish revised operating structure for new SBUEL+ enterprise subsidiary.	Paul Ivey	31 Jan 2018
							Agree Heads of Terms for Cambridge partnership, and organise a launch event.	Paul Ivey	21 Dec 2018
							Oversee submission for aceeu.org accreditation. (Accreditation Council for Engaged & Entrepreneurial Universities)	Linsey Cole	28 Feb 2019
							Oversee the implementation and roll out of a Central Research & Enterprise Administration platform, to enable seamless management and reporting from point of award onwards. (date tbc)	Yvonne Mavin	31 Jul 2019

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A 15-20 #5 Access: Work with local partners to recruit, engage and retain students with the potential to succeed.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
495	Impact of Higher Apprenticeship delivery on HE business or institutional forecast position	Pat Bailey	**Cause:** Higher Apprenticeship degrees present an opportunity to grow student numbers in a new market. Offering and administrating apprentice schemes requires compliance with ESFA funding regulations, with revised funding models depending on successful EPAs, and open up new areas of the institution to scrutiny from Ofsted. The economic returns of this activity could be impacted if there are any caps imposed on current funding levels, or if the full cost of administration exceeds current estimations. Learners admitted to programmes without accredited achievement of all required competencies may prejudice completion rates, with Ofsted impact. **Effect:** These degrees could cannibalise existing employer-sponsored students. LSBU currently has c.1,400 employer sponsored students on part-time courses, so (£3.3m) could be affected. SFA audit failure, or lower than expected completion rates could lead to funding clawback. Ofsted inspection result of 4 would lead to removal from register, reputational damage and income loss of up to £8m over life of forecast. Result 3 could impact on current contracts with Employers.	I = 3 L = 2 High (6) 🟥	6 monthly progress report from Apprenticeships Steering Group scrutinised by Academic Board covers IPTE and Passmore Centre. Monthly meetings of Apprenticeships Committee review all related operational matters.	I = 3 L = 1 Medium (3) 🟨	Determine structure of IPTE when shape of LSBU family confirmed.	Pat Bailey	30 Sep 2018
							Arrange soft launch of Passmore Centre following refurbishment programme.	Pat Bailey	31 Oct 2018
							Oversee development of Self Assessment Report (SAR) for 16/17 & 17/18 delivery, with integrated Quality Improvement Plan.	Janet Bohrer	31 Oct 2018
							Oversee piloting of new Literacy & Numeracy support schemes to develop apprentices to the required levels in some subject areas.	Pat Bailey	30 Nov 2018
							Test inspection readyness report through mock Ofsted inspection, with outcome report presented to Quality & Standards Committee.	Janet Bohrer	21 Dec 2018
							Arrange formal launch of Passmore Centre following refurbishment & soft launch.	Pat Bailey	29 Mar 2019

A 15-20 #6 Internationalisation: Developing the multicultural community of students and staff through international alliances & partnerships.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
457	Anticipated international & EU student revenue unrealised	Paul Ivey	**Cause:** UK government process / policy changes. Operational issue impacts current highly trusted sponsor (HTS) status. Issues connected with English language test evidence. TNE partnerships are not approved, present quality risks, or break down due to absence of adequate support structures, or when contacts relocate. **Effect:** LSBU unable to organise visas for students who wish to study here. International students diverted to other markets. Anticipated TNE growth does not materialise. Expected income from overseas students unrealised. Conversion impact of LSBU TNE students doesn't materialise. TNE enterprise expectations unrealised.	I = 3 L = 3 High (9)	Engagement between International Office, Registry & School Admin teams to ensure UKVI requirement compliance, specifically regarding: - Visa applications and issue of CAS - English language requirements - Reporting of absence or withdrawal. International & EU recruitment reports presented to Executive on an exception basis above defined thresholds. International Office runs annual cycle of training events with staff to ensure knowledge of & compliance with UKVI processes. Regular reporting of Visa refusal rates to Director of Internationalisation by Immigration Team.	I = 3 L = 3 High (9)	Develop new institutional partnerships with EU partners.	Stuart Bannerman	31 May 2018
							Oversee set up & launch of LSBU international school of hospitality & tourism IBC in Cairo.	Stuart Bannerman	30 Sep 2019

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London South Bank University

A 15-20 #6 Internationalisation: Developing the multicultural community of students and staff through international alliances & partnerships.								
Risk Ref	**Risk Title**	**Risk Owner**	**Cause & Effect**	**Inherent Risk Priority**	**Risk Control**	**Residual Risk Priority**	**Action Required**	**Person Responsible**	**To be implemented by**
517	Impact of EU Referendum result on operating conditions & market trends	David Phoenix	**Cause:** Following the vote to 'Leave', the Government is working towards a plan to extract the UK from the European Union. **Effect:** Staff impact: The outcome could impact on the ability of some existing staff to remain in the UK, and could impair the ability for future recruitment, both from Europe, and from other overseas territories. Recruitment impact: Currently EU students pay home fees & can access the UK student loan system. It is likely that higher fees and removal of this access will have a significant impact on the appeal of the UK to European applicants long term. Additionally the reporting of the Brexit outcome is having a negative impact on the reputation of the UK as a welcoming destination. These impacts on the sector could also cause changes in recruitment patterns at well-ranked institutions, which could have a negative impact on applicant pools elsewhere. Research Funding: Leaving the EU is likely to remove the ability of LSBU to partner in EU research projects, and access Horizon 2020 funding opportunities and limit access to structural funds. Legislative Compliance: There could be additional administration cost in updating many EU compliant processes if regulations are amended. Impact on bond yields could affect year end pension liabilities. Supplier contracts could be affected.	I = 2 L = 3 Medium (6)	Use of London economic models to estimate impact on student recruitment and model reductions in EU student numbers and identify mechanisms to compensate VC membership of HE Ministers Brexit Advisory Forum and monitoring UUK briefings to anticipate changes to legislative and visa requirments	I = 2 L = 1 Low (2)	Consider developing the LSBU campus at Cambridge with TWI to foster greater linkages with industry.	Paul Ivey	21 Dec 2018
							Monitor development of proposals around Shared Prosperity fund.	David Phoenix	31 Jul 2019

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A 15-20 #7 Strategic Enabler - People & Organisation: Attracting proud, responsible staff, & valuing & rewarding their achievements.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
1	Organisational responsiveness to policy changes, external perception & shifts in competitive landscape	David Phoenix	**Cause:** - Changes to fees and loan funding models - Transition to OfS as sector regulator and risk based assessment approach - Increased competition from Private Providers and other HEIs post SNC - The Apprenticeship Levy & programme development - Evolving external assessment through TEF mechanisms - Failure to anticipate change - Failure to position (politically) & (capacity/structure) **Effect:** - Reduced student recruitment - Failure to differentiate provision - Workforce out of alignment with portfolio - Impaired external recognition through subject level tef - Burden of response to regulatory intervention, and potential impact or outcome of decision - Registration failure with OfS leading to loss of University Title and access to current levels of funding.	I = 2 L = 3 Medium (6)	Annual articulation of corporate strategy by Executive through Corporate Roadmaps. Chief Marketing Officer on Executive leads strategic development of brand and portfolio. Corporate Affairs unit maintain relationships with key politicians and influencers, in local boroughs and amongst FE providers. Financial controls, forecasting process & restructure capacity enable tracking of forward operating surplus target. Horizon scanning report produced weekly by the Corporate Affairs Unit Local Roadmap alignment with Corporate Roadmaps ensures linked strategic focus across operational areas, with 6 monthly Organisation Effectiveness reviews by VC. PPA team provide Senior Managers with trend analysis & benchmarking against KPIs, and access to MIKE platform for information analysis.	I = 2 L = 1 Low (2)	Consolidate findings from discovery phase of OEG project 2: Strategy & Planning.	Richard Duke	31 Oct 2018
							Consider future skills requirements of LSBU group as part of wider review of staff costs.	David Phoenix	21 Dec 2018
							Develop LSBU family to align with Government strategy and opportunities around technical education.	David Phoenix	21 Dec 2018
							Oversee full process review by OfS Task Force to ensure ongoing obligations from registration are fully embedded within routine operations.	James Stevenson	31 Dec 2018
							Monitor outcome of HE review, and model impact of range of potential outcome scenarios on the institutional forecast.	Ralph Sanders	28 Feb 2019
							Develop SBE as a commercial entity to exploit opportunities around international and U.K. CPD.	Paul Ivey	30 Sep 2019
							Oversee LEAP programme; to transform student journey experience, administrative efficiency, & management insight through revision of core infrastructure and related processes.	Shan Wareing	31 Jul 2020

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A 15-20 #7 Strategic Enabler - People & Organisation: Attracting proud, responsible staff, & valuing & rewarding their achievements.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
362	Low staff engagement or staff cost containment impacts performance negatively	Pat Bailey	**Cause:** •Systems and structure do not facilitate teamwork between areas of the University •Staff feeling that they do not have easy access to relevant information directly linked to them and their jobs •Poor pay and reward packages •Poor diversity and inclusion practises •Limited visibility of Leadership •Lack of quality physical estate •Frozen fee levels & continued recruitment challenges have contributed to flat income predictions & the planned staff cost reduction programme **Effect:** •Decreased customer (student) satisfaction •Overall University performance decreases •Low staff satisfaction results •Increased staff turnover •Quality of service delivered decreases •Disruption in service provision •Skills / knowledge gaps that impact on delivery	I = 3 L = 3 High (9)	Central Comms messages cascaded to Congress / Town Hall Meetings within each School & PSG. Direct staff feedback is encouraged through the Continuing the Conversation VC events, & via Yammer. HR Business Partners manage all change activity Leadership forum group established to connect management levels New social spaces and forums for staff enable staff to collaborate outside of work structures. Organisational Effectiveness Meetings review progress against Workforce development and engagement plans. Planning framework provides golden thread connecting Corporate Strategy, through Roadmaps to Staff Appraisal. Regular engagement with Unions on staff matters Shape & Skills approach to review of staff base	I = 3 L = 1 Medium (3)	Identify high impact activities through review of 2018 engagement survey results, and develop associated action plan. Complete discovery phase of OEG project 5: Service Charters & Business Partners.	Pat Bailey Markos Koumaditis	31 Oct 2018 30 Nov 2018

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

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A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
2	Course portfolio, or related marketing activity and admissions processes do not achieve Home UG & PG recruitment targets	Nicole Louis	**Cause:** - Increased competition from selective institutions and private providers - Failure to articulate compelling brand to applicants - Long term payback period of re-positioning activity - Declining applicant pool - Excessive churn within MAC workforce - Lack of ability to anticipate demand and re-shape provision. - Negative reputational impact of unmanaged external events - Portfolio or modes of delivery not aligned with market demand - Change to historic conversion levels amongst applicants - Limited internal focus on PG developments & recruitment - Impact of differentiated fees on applicant behaviour - Reduced applicant awareness during clearing period as campaign funds directed into revised brand. - Reduced budget for campaign activities **Effect:** - Campaign impact / reach reduced - Under recruitment against targets - Related loss of income, and impact on corporate ambitions - Undermining of individual course profitability	I = 4 L = 3 Critical (12)	Advance predictions of student recruitment numbers informs the Annual five year forecast submitted to Hefce each July Clearing Opens in July for BTEC students Conversion trend data analysis allows identification of target areas for focus and resource. Cycle of School student number reviews, allow MAC stress testing of TM1 enrolment forecasts, and development of joint targets for next recruitment cycle. Detailed individual School campaigns planned annually by MAC business partners, dovetailing with overall LSBU approach & brand. Digital campaign optimisation - reviewed monthly by campaign manager & ad agency. Main Cycle Applications reports shared weekly with Leadership group & Executive, and reviewed at each FP&R Committee. Marketing Operations Board reviews latest applications cycle data fortnightly.	I = 4 L = 3 Critical (12)	Plan for corporate comms shared with Executive.	Judith Barnard	30 Nov 2017
							Develop revised School & College Outreach Strategy, with broader footprint outside local boroughs, which includes LSBU Family MAT institutions.	Steven Brabenec	30 Nov 2017
							Executive review of proposal for LSBU Brand Architecture and further refinement and test results for Brand Narrative.	Judith Barnard	31 Jan 2018
							Complete research project to further analyse impact of marketing campaign spends to ensure ROI calculations underpin future prioritisation, and success of current 'Value Add' market incentives.	Nicole Louis	28 Feb 2018
							Complete revision of School web page content & imagery.	Steven Brabenec	30 Mar 2018
							Develop creative institutional brand campaign with revised narrative and brand architecture for start of next cycle.	Nicole Louis	31 Jul 2018
							Complete closure report for OEG project 1: Admissions & Enrolment.	Steven Brabenec	17 Oct 2018
							Deliver Customer Journey workstream of LEAP programme, with 'Journeys, Personas & Touchpoints' initial work package.	Nicole Louis	30 Nov 2018
							Develop a revised basket of brand recognition metrics for routine tracking, augmenting the current local catchment brand recognition metric with other stakeholder and actual applicant perspectives.	Nicole Louis	29 Mar 2019

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A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.									
Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
							Lead (With David Mead) the Organisational Effectiveness Group (OEG) project 3 on course lifecycle management, working with MAC to ensure that market insight is properly integrated into the course consideration and validation cycle.	Janet Jones	30 Apr 2019
3	Staff pension scheme deficit increases	Richard Flatman	**Cause:** - Increased life expectancies - Reductions to long term bond yields, which drive the discount rate - Poor stock market performance - Poor performance of the LPFA fund manager relative to the market - Further change to accounting requirements for TPS & USS schemes **Effect:** - Increased I&E pension cost means other resources are restricted further if a surplus is to be maintained - Balance sheet is weakened and may move to a net liabilities position, though pension liability is disregarded by HEFCE - Significant cash injections into schemes may be required in the long term - Inability to plan for longer term changes	I = 3 L = 3 High (9)	Annual FRS 102 valuation of pension scheme DC pension scheme for SBUEL staff. Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars by FMI Management team. Regular participation in sector review activity through attendance at LPFA HE forum, BUFDG events & UCEA pensions group by CFO or deputy. Reporting to every Board of Governors meeting via CFO Report Strict control on early access to pension at redundancy/restructure Tight Executive control of all staff costs through monthly scrutiny of management accounts	I = 3 L = 2 High (6)	Consider way forward following receipt of the Costed Scenarios from Mercers, including HR representation.	Richard Flatman	30 Nov 2018

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A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.									
Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
6	Management Information is not meaningful, reliable, or does not triangulate for internal decision or external reporting	Richard Flatman	**Cause:** - Lack of understanding of system dependencies - Proliferation of technology solutions - Data in systems is inaccurate - Data in systems lacks interoperability - Resource constraints & insufficient staff capability delay system improvement - Lack of data quality control and assurance mechanisms **Effect:** - Insufficient evidence to support effective decision-making at all levels - Inability to track trends or benchmark performance - Internal management information insufficient to verify external reporting - Unclear data during recruitment cycle, esp. in clearing - League table position impaired by unmanipulated data - Failure to satisfy requirements of Professional, Statutory and Regulatory bodies (NHS, course accreditation etc)	I = 3 L = 3 High (9)	Internal Auditors Continuous Audit programme provides regular assurance on student and finance information, including UKVI compliance. Sporadic internal audit reports on key systems through 3 year IA cycle to systematically check data and related processes: - HR systems - Space management systems - TRAC - External returns Systematic data quality checks and review of external data returns prior to submission to HESA by PPA team.	I = 3 L = 1 Medium (3)	Develop and circulate a set of performance scorecards for Professional Service Groups and Schools, for review at Operational Effectiveness Meetings.	Richard Duke	31 May 2018
							Deliver phase 2 of MIKE data programme, to incorporate Financial and HR data in management platform, with related dashboards for management teams.	Richard Duke	29 Jun 2018
							Established revised corporate dataset and related dashboard within MIKE for monitoring applications & associated income flows for 2019/20 entrants.	Richard Duke	21 Dec 2018

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A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
14	Loss of NHS contract income	Warren Turner	**Cause:** NHS financial challenges/ structural changes resulting in a total review of educational comissioning by Health Education England with an expected overall reduction in available funding (affecting CPPD). London Educational Contract bursaries ceasing for new Pre-Registration students from Sept 2017, with students accessing student loans. Loss of placement capacity. **Effect:** Recruitment to contracted programmes could dip following shift away from bursaries to tuition fees, leading to reduction in income. Reduced quality of applicants Reduced staff numbers Reduced student numbers	I = 2 L = 3 Medium (6)	Monitor quality of courses (QCPM and NMC) annually in autumn (QCPM) and winter (NMC) Named Customer (Key Account) Manager roles with NHS Trusts, CCGs and HEE, managing relationships including placement provision. Summary of Key Accounts presented at monthly School Exec Team Meetings for review and action where necessary. Support provided to applicants with numeracy and literacy test preparation.	I = 2 L = 2 Medium (4)	Consult with employer stakeholders and GMC re the development of a Physician Associate training programme at LSBU.	Warren Turner	31 Jul 2018
							Following LSBU lead on the National Trailblazer for Advance Clinical Practitioner (ACP), to ensure that our portfolio includes a Level 7 Apprenticeship for ACP ready for NHS procurement to begin.	Alison Twycross	30 Nov 2018
							Revalidate nursing degree programmes to meet both the new NMC standards and to incorporate apprenticeship mode of delivery ready for NHS procurement of the Nurse Degree Apprentice.	Alison Twycross	31 Jan 2019
							Validation of new FdSc Nursing Associate course to meet the forthcoming standards produced by the NMC for future registration of this role (following our useful pilot of this course with Barts Health and GOSH).	Lesley Marsh	28 Feb 2019

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A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
37	Affordability or impact of Capital Expenditure investment plans	Richard Flatman	**Cause:** - Poor project controls - Lack of capacity to manage/deliver projects - Reduction in agreed/assumed capital funding levels - Reduction in other government funding - Insufficient articulation of benefits & impact of investment - Failure to anticipate future market drivers or learner expectations **Effect:** - Adverse financial impact (Reduced surplus) - Reputational damage - Anticipated improvements to student experience unrealised - Infrastructure falls behind competitor provision - Applicant appeal declines, affecting ability to attract new students	I = 3 L = 3 High (9)	Capex reporting is embedded into management accounts provided to each meeting of the FP&R Committee, & into financial forecasts approved annually by Board. Estates & Academic Environment PSG have local project methodology, with project controls, & governance applied to all Capex projects. Financial regulations require all major (>£2m) capital expenditure to receive Board approval Full Business Cases prepared; using Executive approved process - including clarity on cost and funding, for each element of Estates Strategy. Major Projects & Investments Committee (MPIC) reviews all property related capital decisions, and is empowered to approve all unplanned capital expenditure > £500K but <£1M.	I = 3 L = 1 Medium (3)	Appoint expert to advise on options for St George's Quarter & test value of proposals produced by Clive Crawford Associates.	Paul Ivey	30 Nov 2018
305	Corporate & personal data not accessed or stored securely, or processed appropriately	Shan Wareing	**Cause:**	I = 3 L = 2 High (6)	A privacy impact assessment is a required stage of the ICT project initiation process. All changes to digital infrastructure reviewed quarterly by ICT Technical Roadmap Board.	I = 3 L = 1 Medium (3)	Oversee complete upgrade of all remaining Windows XP and Windows 2003 machines.	Graeme Wolfe	22 Dec 2017

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.								
Risk Ref	**Risk Title**	**Risk Owner**	**Cause & Effect**	**Inherent Risk Priority**	**Risk Control**	**Residual Risk Priority**	**Action Required**	**Person Responsible**	**To be implemented by**
			Unauthorised access to data Inappropriate use of personal data Loss of unencrypted data assets Breach of digital security; either en masse (e.g. cyber attacks) or specific cases (e.g. phishing scams) Regulatory failure Use of unsupported storage locations **Effect:** Financial penalty under General Data Protection Regulations. Cost and impact of staff resource diverted to deal with issues, Staff downtime when systems unavailable Reputational damage, undermining academic credibility. Compromise of competitive advantage.		IT access permissions linked directly with live iTrent HR system records through Active Directory account synchronisation. Logical security protocols relating to passwords require change every 6 months, and multiple character combinations. Quarterly Mandatory Training Compliance reports circulated to Level 2 managers, with info on staff compliance with data protection & data security training. Relevant supplier contracts all contain article 28 statement regarding any data processing that occurs. Robust breach notification process to close down & contain any breach. Weekly Change Control Board & Technical Design Authority chaired by Director of ICT Services reviews all proposed technical changes to infrastructure prior to implementation. Weekly running of infrastructure vulnerability management software test results reviewed by Head of Digital Security				

A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
584	External incident compromises campus operations or access	Pat Bailey	**Cause:** Incident in South London area requires emergency response and restricts freedom of movement **Effect:** Staff & students unable to reach / leave the campus Interruption to key activities or processes Requirements for alternative accommodation / provision for halls residents	I = 2 L = 2 Medium (4)	Building Lockdown plans in place for implementation by the Security Team as required. Business continuity plans for critical activity reviewed annually by resilience team. Emergency Information sets present at every reception building on campus (Floor Plans, Loudhailers & Hi-Vis Jackets) Entire Executive team trained in bespoke incident response approach by Jermyn Consulting. Halls Accommodation aid agreement in place with London School of Economics. Major incident response mechanisms, including Alert Cascade notification system – tested annually.	I = 2 L = 2 Medium (4)	Oversee implementation of recommendations arising from the incident response plan scenario test.	Luke Fletcher	21 Dec 2018

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	A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic needs.							
Risk Ref	**Risk Title**	**Risk Owner**	**Cause & Effect**	**Inherent Risk Priority**	**Risk Control**	**Residual Risk Priority**	**Action Required**	**Person Responsible**	**To be implemented by**
624	Benefits of LSBU Family integrated service project unrealised	Ian Mehrtens	**Cause:** Unforeseen elements or changing market conditions present additional obstacles. Challenge of integrating services proves more complicated than envisaged. Pressure on staff time following cost containment programme. Unforeseen issues hamper implementation of plan. 100 day turnaround plan encounters resistance or complications. HE review has negative impact on available FE funding & business plan. Transaction unit imposes additional conditions. Market share impacted by transition. **Effect:** Efficiency targets unrealised. Staff morale or satisfaction impacted negatively by change processes. Focus on integration causes delay in service improvement. Pressure on ability to satisfy operational expectations. Project requires additional resource. Potential impact on group balance sheet. Benefits unrealised. Potential reputational impact with community.	I = 3 L = 2 High (6)	Delegated LSBU Staff working at Lambeth on a part-time basis during the transition period. Interim appointments used to fill gaps within Lambeth pending structural alignment activity.	I = 3 L = 1 Medium (3)	Oversee delivery of the 100 day turnaround plan.	Ian Mehrtens	21 Dec 2018

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	CONFIDENTIAL
Paper title:	Internal Audit – Risk Strategy & Appetite – September 2018
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	John Baker, Corporate & Business Planning Manager
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Approval
Recommendation:	The Committee is requested to recommend the attached strategy and statement of risk appetite to the Board for approval.

Executive Summary

This Strategy would replace the version approved by the Board in October 2017.

The limited changes from the previous Strategy document are:

- The terminology has been updated to reflect the current structures within the organisation, removing Operations Board.
- Some additions to the management oversight details in the table on page 15

This version was reviewed by the September meeting of the Strategic Risk Review Group, which recommends this strategy for approval.

The group also recommended that the Risk Appetite statement be maintained in its current form for 2018/19, subject to review by Committee.

- The Audit Committee is requested to recommend the strategy & statement of risk appetite to the Board for approval

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Risk Strategy

Strategy Meta Data:

Originating Department:	Finance & Management Information
Enquiries to:	John Baker – Corporate & Business Planning Manager
Approving Committee/Body:	Board of Governors
Current Version No:	This is version 6 (*Presented for review at Audit Committee*)
Last Approved:	Version 5 was approved in October 2017
Next due for review:	October 2019
Document Type:	Strategy
Mandatory Target Audience:	Risk Champions (University Executive), School Management teams, Professional Service Group Managers
Also of Relevance to:	All staff
Brief Summary of Purpose:	The Risk Strategy sets out the University's approach to risk management. It sets out the roles and responsibilities of the Board of Governors, the Executive, and other key parties. It also sets out risk management and reporting processes, and links with corporate and business planning.

Risk Strategy Version 6

Risk Strategy sections

Appendix 1: Risk Management Policy

Appendix 2: Risk Assurance 3 Lines Framework

Appendix 3: Risk Hierarchy Diagram & table

A: Purpose of the Risk Strategy

1.   The Risk Strategy explains the University's approach to risk management. Risk Management provides a mechanism and framework which at the highest level seeks to ensure that the University achieves its strategic objectives, through effective identification, and management of uncertainties that could impact on these outcomes.

2.   It is also a key requirement of the Hefce Memorandum of Assurance and Accountability, which defines the operating aspects of effective management in which all Higher Education providers funded under the Hefce regime must continue to operate until the new OfS regulatory regime commences on 1st August 2019.

3.   The Risk Strategy sets out the roles and responsibilities of the Board of Governors, the Executive and other key parties. It also sets out the risk management process at LSBU and the main reporting procedures.

4.   The Risk Strategy is part of the University's **internal control** and **corporate governance arrangements**.

B: Risk management & governance

5.   The University is committed to the highest standards of corporate governance. This risk strategy and the processes set out herein form an important part of LSBU's governance arrangements.

6.   The Risk Strategy is reviewed by the Strategic Risk Review Group, and approved by the Executive, the Audit Committee, and the Board of Governors.

7.   The Board of Governors also has a fundamental role to play in setting the risk appetite of the University, and in oversight of the management of risk. Its role is to:

- Approve the risk appetite of the University both as a whole and on any relevant individual issue (or risk type).
- Approve the policy in relation to risk management

- Approve major decisions affecting the University's risk profile or exposure
- Approve, on an annual basis, the corporate risk strategy
- Review annually the risk management arrangements
- Delegate matters as required to the Audit Committee, including assurance provided through the annual Internal Audit programme.
- Review at each meeting the corporate risk register

C: Risk Management – Overview & Objectives

8. For the purpose of risk management, risk is defined as

   "The threat or possibility that an action or event will adversely affect LSBU's ability to achieve its objectives".

9. This could be any event, outcome or action which could:

   - Cause financial disadvantage to the University, i.e. loss of income, additional costs, loss of assets, creation of liabilities
   - Cause damage to the reputation of the University
   - Prevent an opportunity from being taken
   - Lead to a failure to capitalise on our strengths
   - Prevent or hinder achievement of any of the objectives of the Corporate Strategy or associated local delivery plans
   - Impact negatively on student experience or achievement

10. Risk management is the process of identifying, defining and analysing these risks, and deciding on an appropriate course of action to either minimise the potential impact of these risks, or to establish controls to reduce the likelihood of their occurrence, to ensure that these risks do not impair the achievement of objectives at the relevant level.

11. To be effective, risk management needs to be embedded into the culture and processes of the University. Risk management affects everyone in the University and therefore all staff should be aware of this document and be familiar with the principles and procedures it contains.

12. This Risk Strategy document and the Risk Appetite statement will be made available on OurLSBU, the staff intranet, and the LSBU approach to risk

management will be included in the induction resources provided to new managers by the OSDT team, and included on the agenda of the monthly 'Welcome to the University' induction events organised for new starters by the OSDT team.

Risk Management – Objectives

13.   The higher level risk management objectives of the University are to:
- Integrate risk management into the culture of the University
- Ensure that necessary risk management procedures are embedded into the University's management, and governance processes
- Manage risk in accordance with best practice
- Support key business decisions through embedded risk appraisal processes
- Effectively manage existing risks within agreed risk tolerances
- Anticipate and respond to changing social, environmental, legislative and other requirements

D: Risk Management - Responsibilities

14.   *Executive:*
The Executive is responsible for ensuring that the risk management process operates effectively, that key risks are identified, that appropriate controls or other mitigating actions are in place and that matters are escalated and reported to Board as considered appropriate. The Executive will also own all Corporate Risks.

15.   *Strategic Risk Review Group:*
The Strategic Risk Review Group, a sub-group of the Executive, with other colleagues from across the institution, will meet on three occasions each year, in January, May and September, ahead of the meetings of Audit Committee, to review strategic risk matters, the current risk register, and other reports related to the effective operation of this strategy.

16.   *Risk Champions:*
All members of the Executive are Risk Champions for their areas of the University and will have overall responsibility for the adequacy and effectiveness

of the risk management processes in their areas of operation. These responsibilities are clearly set out in their letters of delegated authority.

Risk Champions may delegate responsibility for risk management in particular areas to the heads of those areas via the letters of delegated authority. Risk Champions retain overall responsibility for:

- Ensuring that risks are identified and reviewed alongside Local Roadmaps by the relevant risk owners
- Ensuring that risk management is carried out in accordance with this strategy
- Reviewing and reporting any significant changes in risk exposure
- Escalating operational risk matters through the meetings of the Executive as appropriate

17. *Risk Owners:*
Risk Owners are responsible for the management of specific corporate and/or operational risks. All Corporate risks must be owned by a member of the Executive, but operational risks may be owned by any member of staff as nominated by the appropriate Risk Champion.
Risk Owners take responsibility for the management of the risk, including:

- Identification of controls and management actions
- Implementation of controls and management actions
- Continued awareness and monitoring of any changes in the likelihood or impact of each risk
- Review of any objectives or performance indicators associated with the risk

18. *All staff:*
All members of staff have a responsibility to be risk aware, to ensure that this risk management strategy is observed in their daily work, and that any potential new areas of risk that they identify are reported to their line manager or Risk Champion in a timely manner.

19. *Link to other responsibilities: Health & Safety*
All staff, students and other workers have a responsibility to observe the stipulations of the University's approach to the management of Health & Safety. This includes assessment of personal risk whilst within the campus environment, and is covered by the policies and work of the Health & Safety Committee. This

is not within the remit of this strategy, which is focused on risks to the achievement of management objectives & the ambitions of the Corporate Strategy.

20. *Decision Making:*
The Risk Management Records maintained and updated in line with this strategy are used by the institution in the formal processes identified within it to both consider the adequacy of existing activity in line with objectives at all levels, and to consider issues of business development, the allocation of resources and response to changings conditions in the operational environment.

E: Risk Management - Software

21. The University uses a web-based system called 4Risk, which is part of the Insight 4 Governance Suite (available via http://kepler/Risk/Home.aspx) to record and report all risk management activity.

22. All Risk Champions will be able to access training in the use of 4Risk, and should use the software to update management activity against the corporate risks they own, and oversee its use in the operational areas which they manage.

23. Any requests for training in the use of 4-Risk, should be directed to the Corporate & Business Planning Manager (via extension 6360).

24. Any technical problems with access to the platform should be directed to the ICT heldesk support function via extension 6500 or via https://ict-helpdesk.lsbu.ac.uk/

F: Corporate Risk

25. Corporate risks are those which could cause financial or reputational damage to the University as a whole, or prevent or hinder the achievement of Corporate Plan objectives.

26. Each corporate risk must be owned by a member of the Executive.

27. The corporate risk register will be used to determine the focus of the annual internal audit plan.

28.   Each Corporate Risks entry will:

- Provide details of the impact and likelihood of the risk identified;
- Indicate who is responsible for the management of the risk;
- Identify the key controls in place to manage each risk;
- Provide an assessment of the inherent and residual exposure of each risk; and,
- Identify the actions required to manage the exposure to each risk.

29.   Assessment of corporate risk exposure should be monitored regularly by Executive leads, and will be reviewed at all meetings of the Strategic Risk Review Group.

30.   The current Corporate Risk register should be reported to each meeting of the Audit Committee

31.   The Corporate Risk summary report will be provided to each meeting of the Board of Governors.

32.   Any corporate risk that is rated 'Low' should be considered for downgrading to the appropriate Operational Risk Register. The Executive are responsible for downgrading corporate risks through their normal cycle of meetings.

33.   The Risk Appetite statement provides an approach to assessment of the level of risk within which the Corporate Risk is managed for the institution, and is reviewed annually.

34.   The risks in the Corporate Register are allocated to the goals of the Corporate Strategy, and the Strategic Risk Review Group will consider the objectives and their associated risks as a standing agenda item at their meetings.

35.   We should expect there to be real linkage between the risks to delivery of Corporate projects, which by their nature address key strategic issues, and the Corporate risks for the institution. The delivery of Corporate projects will be monitored regularly by the Executive, as all Corporate Projects have Executive Sponsors, and will also be reported to the Board of Governors. It is the responsibility of the Executive to ensure that the risk registers for projects are kept up to date, and that the Corporate Risk Register is updated in a timely way to reflect any changes to project deliverables which impact on Corporate Risks.

G: Operational Risk

36.   Operational risks could prevent achievement of School and Professional Service Group objectives, as identified in Local Roadmaps for these areas.

37.   An operational risk register is maintained by each School and by each Professional Service Group (PSG). It is the responsibility of the relevant Executive member, in their role as Risk Champion for their own area of responsibility, to ensure that these operational risk registers are maintained by the management teams within each School and PSG.

38.   Management of individual operational risks may be delegated within each area as appropriate. Where responsibility for operational risk management is delegated, this should be to a named individual who will be known as a Risk Owner.

39.   The impact and likelihood of each operational risk is rated using the same methodology as that applied to corporate risks.

40.   All operational risks with a 'critical' risk priority should be referred to the relevant Executive member for consideration, and potential escalation to the corporate risk register.

41.   Risk Champions are responsible for escalating operational risks. Escalation is through the normal cycle of Executive meetings although matters of a more fundamental nature should be reported immediately.

42.   Fundamental Risks: These are risks which have a risk severity rating of critical, and which threaten the immediate safety of students or staff, or the financial standing or reputation of the institution.

43.   More formal review of Operational risk registers will take place through the Organisational Effectiveness Review Meetings, which will take place at two points during each academic year.

Risk Management and Business Planning

44.   Planning and budgeting at an Operational level (School and Professional Service Group) takes place on an annual basis, with Local Roadmaps for each area

developed through the annual Planning & Budgeting process and reviewed and approved alongside budgets prior to the start of the next academic year.

45.   The Local Roadmap template requires managers to identify their top 3 challenges in section 1 – strategic context, and to consider mitigating actions for these as they develop their strategic actions for the year ahead, as well as considering the external risk factors which relate to these strategic actions in section 4 of the Local Roadmap.

Once the Local Roadmaps are approved alongside budgets, these risks should be considered for inclusion in operational risk registers and, together with other operational risks, should be reviewed and updated according to the usual process, outlined below.

Regular Review of Operational Risk Management

46.   Risk Management should be a regular agenda item in the management meetings within School Executive Teams, and within the Management meetings of Professional Service Groups.

47.   Risk management will be a standing agenda item at all of the Executive Review Meetings, where Risk Registers, with details of risks and mitigating actions, will be reviewed alongside progress against the delivery of plans, KPIs and financial performance.

48.   The Risk Review Functionality of the 4-Risk platform is configured to require all risk owners to log into the system at 2 points during each year and check that the risk entries for which they are responsible are up to date, in October & April, ahead of the Organisational Effectiveness Reviews in November and May.

49.   The Strategic Risk Review Group will also meet 3 times a year, and will consider strategic risk elements drawn from registers across the institution as part of its regular agenda.

50.   Risk Management also features as a mandatory topic within the annual internal audit programme, and at the end of each financial year, a sample of operational registers will be selected to feed into this piece of audit activity, in order to provide 3rd party assurance as to the effectiveness of this risk strategy.

51.   Mitigating actions identified in operational risk registers should be cross-referenced to the deliverables identified in Local Roadmaps and reviewed alongside delivery of those actions and projects.

London South Bank University

London South Bank University: Risk Management Policy

Section A: Risk Management - Process

1. The University has adopted a two tier system to risk management, with risks defined at one of two levels, either Corporate or Operational.

2. *Corporate risks*: could cause financial or reputational damage to the University as a whole, or prevent or hinder the achievement of the objectives within the Corporate Strategy.

3. *Operational risks*: could prevent achievement of School and /or Professional Service Group objectives as set out in respective Local Roadmaps.

4. The risk management process as set out below applies to both corporate and operational risks.

5. The key stages of the risk management process are as follows:

    *   **Identify the risks** which could prevent or hinder the achievement of the corporate plan and/or operational business plan objectives. This should be done on a routine basis, and then risks reviewed regularly once identified.

    *   **Assess the potential impact and inherent likelihood** of each risk to give a total risk priority of low, medium, high or critical. See section I on "Risk Priority: Rating methodology" for details of this system. The inherent priority should represent the potential impact and the likelihood of the risk occurring if there were no controls in place

    *   **Consider whether there are existing controls** that are in place. Controls are ongoing auditable processes or regular checks or scrutiny that serve to reduce the impact of the risk and/or the likelihood of occurrence

    *   **Identify any required actions** that should be taken by management to reduce the potential impact or likelihood of the risk occurring

- At this stage **record the risk details** in the online 4-Risk Platform for the risk area under consideration.

- If there are controls in place **assess the residual likelihood** of the risk to give a second risk priority rating. The residual priority should represent the impact and likelihood after all controls have been taken into account, and can be expected to be lower than the inherent rating if the controls are effective.

- **Implement any identified actions** to reduce residual impact/likelihood to an acceptable level,.

- **Record and amend the actions** taken by management in the online platform

- **Regularly review risk registers,** which provide a snapshot of the risk records in any given area at a particular point in time.

Section B: Risk Priority - Rating methodology

6.   Risks are measured in terms of their impact and likelihood. A measurement should be made of both the inherent and residual risk.

Impact

- *Critical* – occurrence would have a critical effect on the ability of the University to meet its objectives; could result in the removal of degree awarding status, removal of funding, severe reprimand by HEFCE or Parliament or the closure of the University.
- *High* – occurrence would have a 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.
- *Medium* – occurrence may result in the failure to meet operational objectives and may reduce the effectiveness of the University but it would not result in the failure of the University's corporate objectives or put the University as a whole at risk.
- *Low* – occurrence would have little effect on operational or corporate objectives.

Likelihood

- *High* – likely within 1 year
- *Medium* –may occur medium to long term
- *Low* – unlikely to occur

Table 1: Total Risk Values based on assessment of impact and likelihood

	4 - Critical	High	Critical	Critical
	3 - High	Medium	High	High
Impact	**2 - Medium**	Low	Medium	Medium
	1 - Low	Low	Low	Low
		1 - Low	**2 - Medium**	**3 - High**

Inherent Likelihood

LSBU Risk Overview – Risk Management & Assurance & 3 lines of Defence, inc. Risk Types (*from Appetite*)

Risk Area	Line 1 (Staff & Technology, Process & Procedures)	Line 2 (Management Oversight)	Line 3 (Independent Assurance)	Controls / Notes
LSBU – Institutional Risk Management	**Individual Review**: Online (Quarterly, by Risk Owner) **Structural Review**: School and Professional Function Management meetings (occasional)	**Corporate Risk**: Strategic Risk Group: (3 times a year) **Operational Risk**: Organisational Effectiveness Reviews (Nov & May)	**Internal Audit Programme**: Risk Management Report (Each July – as per Hefce Memorandum (* being replaced by OfS registration conditions)	Risk Strategy – see Risk Framework Document
Risk Types:				
Financial	Financial Regulations Procure2Payment invoice process automation Procurement checks	Financial Controller Head of Procurement	Internal Audit: Continuous Audit programme External Audit Procurement maturity assessment	Key component of annual internal audit programme.
Legal / Compliance	Staff compliance with policies and procedures	Legal Support within Governance team Professional expertise within the PSGs	3rd Party Expertise on specific matters - Shakespeare Martineau LLP - Mills & Reeve LLP - Veale Wasborough Vizards LLP - Shoosmiths LLP - Michelmores LLP	Mandatory staff training programme includes: - Recruitment & Selection - Data Protection & FOI - Health & Safety Awareness - Equality & Diversity
Academic Activity	Quality Office & related curriculum cycles Centre for research informed teaching & digitally enhanced learning	Academic Board School SET meetings	Internal Audit: Specific Audits QAA Review	Planned through yearly risk review process
Reputation	PR Team Internal Comms Team Incident Response Team Town Hall Cascades	League table working group Leadership Forum	OfS institutional review processes.	Corporate Affairs and Brand & Communications team work to develop contacts and coverage, as well as managing institutional issues.

LSBU Risk Framework: Diagrammatic Overview of Risk Strategy Elements

Board of Governors:
- Overall responsibility for risk management
- Agrees Risk Strategy
- Sets Risk Appetite
- Reviews Risk profile

Audit Committee:
- Sets Internal Audit programme & priorities
- Receives Audit Reports
- Oversees risk management
- Provides Risk assurance to the Board

Internal Audit:
- Test controls & mitigations
- Deliver internal audit programme

Executive:
- Reviews risk aspects of investment business cases
- Scrutinises Corporate Risk Reports & Registers
- Reviews Operational risk registers

Strategic Risk Group:
- Reviews emerging risk issues
- Reviews Operational risk matters

School & Professional Functions:
- Manage Operational risks
- Maintain Operational Risk Registers
- Escalate significant risk matters via Exec Leads

Risk Owners:
- Review risks regularly & consider mitigations
- Escalate significant risk matters via local management processes

LSBU Risk Overview – Risk Framework: Levels of Review Table

Level of Review	Activity	Format of Review	Frequency	Details / notes
Office for Students	Institutional Risk Assessment	Risk Letter in March	Yearly	Utilises data from AAR return and signed accounts
Board of Governors	Detailed Risk Review	November meeting	Yearly	Papers on Governors Drive
	Consideration of risk matters	Strategy Days	Six monthly	Strategy agendas
	Noting of Risk Report	Paper at Meetings	5 per year	Papers on Governors Drive
Audit Committee	Risk Review	Paper at Meetings	4 per year	Papers on Governors Drive
Executive:	Operational Risk Review	Registers at Organisational Effectiveness Review Meetings	Yearly	Papers stored in EXEdrmd drive
	Business Case Review	Business Cases above defined thresholds	When submitted	Risk section within template
Strategic Risk Review Group:	Review of risk matters	Exec sub group meeting with key risk representatives	Three times per year	Managed by FMI function
Schools & Professional Functions:	Risk consideration	Risk matters incorporated into local management meetings	Monthly / Quarterly	Local control of agendas
	Operational Risk Review	Register at Organisational Effectiveness Review Meetings	Yearly	Papers stored in EXEdrmd drive
	New Risk Consideration	Section of planning template submitted in June	Yearly	Registers linked to local objectives
	Risk Owner Review	Online Risk platform review process	Three times per year	http://kepler/
Members of Staff:	Issue raising	local management meetings	Ad hoc	Local minutes

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London South Bank University Risk Appetite:

Proposed Statement – October 2018

That the risk appetite statements remain as follows for each of the four risk types within the risk appetite framework:

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

These are displayed against the original appetite framework overleaf.

This proposal will be considered at the Board of Governors meeting in October 2018.

	Avoid / Averse	Minimal	Cautious	Open	Seek	Mature
	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
Financial	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	Consistently focused on the best possible return for stakeholders. Resources allocated in 'social capital' with confidence that process is a return in itself.
Legal Compliance	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	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.
Academic Activity	Defensive approach to objectives – aim to maintain or protect, rather than innovate. Priority for tight management controls & limited devolved authority. General avoidance of systems/ 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.	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. Responsibility for non-critical decisions may be devolved.	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.
Reputation	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 a 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.

	CONFIDENTIAL
Paper title:	Internal Controls - Annual Review of Effectiveness 2017/2018
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	John Baker, Corporate & Business Planning Manager
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note the attached review

Executive Summary

This paper presents the annual review of effectiveness of the University's system of internal control, and underpins the internal control statement in the annual report and accounts. This paper is in draft form at this stage, until the approval of the financial statements, and will require further confirmation that no changes are required at the next meeting on the 8th November.

The proposed statement is a "full compliance" statement for the period under review. Please refer to section 1 of the report for the summary/justification of the full compliance statement.

- The Audit Committee is requested to note the report and approve the annual compliance statement

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London South Bank University

System of Internal Controls

Annual Review of Effectiveness

Year ended 31 July 2018

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1. Executive Summary

This report documents the progress that has been made with regard to our system of internal control and to our risk management processes over the past year. A copy of the proposed statement of full compliance for the year ended 31 July 2018 is enclosed as Appendix 1.

In making this statement, we are required to ensure that a number of key principles of effective risk management have been applied. These principles, together with an assessment of compliance by LSBU, are provided in the table below.

Effective risk management:

Requirement	Assessment
Covers all risks – governance, management, quality, reputation and financial.	✔
Produces a balanced portfolio of risk exposure.	✔
Is based on a clearly articulated policy and approach.	✔
Requires regular monitoring and review, giving rise to action where appropriate.	✔
Needs to be managed by an identified individual and involves the demonstrable commitment of governors, academics and officers.	✔
Is integrated into normal business processes and aligned to the strategic objectives of the organisation.	✔

In making this assessment, and in drafting the proposed full compliance statement for the period under review (for the year ended 31 July 2018, but considering all matters up to the date of approval of the financial statements) the following assurance sources have been taken into account:

HEFCE Risk Assessment & the Office for Students

- The most recent risk assessment, as reported by HEFCE in its letter to LSBU dated 21 February 2018, following their Annual Provider Review (and as reported to Board and Audit Committee at subsequent meetings), confirms that LSBU is "not at higher risk" at this time in relation to financial sustainability, good management and governance matters. The Executive is not aware of any issues which would currently change that rating.

- HEFCE also carried out an Assurance Review visit to LSBU in January 2017. The overall conclusion from that review was the highest assurance rating possible *"that, at this time we (HEFCE) are able to place reliance on the accountability information."* No additional recommendations for improvement were included in the report.

Internal Audit

- The programme of internal audit work for the year ended 31 July 2018 was aligned to the corporate risk framework to provide assurance on the effectiveness of controls in key risk areas.

- The 2017/18 internal audit programme included a review of risk management. Based on the results, our risk processes were again categorised as low risk. Corporate Risk is formally reviewed three times a year by the University's Strategic Risk Review Group and by every meeting of the Board of Governors and Audit Committee.

- The conclusions from internal audit work are discussed in more detail in section 5 of this report. There have been no reports with a critical risk rating this year, and no critical findings.

- The opinion of the internal auditors is that controls are 'generally satisfactory, with some improvements required'.

- The Continuous Audit programme has identified no significant exceptions or control recommendations. Those findings identified are not considered to be significant in aggregate to the key financial control environment.

- Appropriate action is being taken to address weaknesses identified and to implement agreed actions.

- The annual internal audit report outlines one report with a high risk rating - which relates to international partnerships activity.

- The overall number of findings has increased to 30, but this should be considered in the context of the fact that different reviews take place each year and with different risk profiles. This total is broadly consistent with that during 16/17 (25) and 15/16 (20) and the growth in findings has been in the low and medium risk category. There were 13 medium risk findings, only 3 at high risk and 14 at low risk.

- The overall internal audit action implementation rate for 17/18 was 64% of all recommendations falling due. This is a reduction on the 97% reported last year, and behind the benchmark target of 75%.

Internal Governance

- The Corporate Risk Register is aligned to the Corporate Strategy and is reviewed three times a year by the University's Strategic Risk Review Group and updated regularly outside of these meetings.

- The Strategic Risk review Group has a formal Terms of Reference and a wider composition, and meets formally at 3 points in each academic year.

- A new Corporate Risk Report has been developed for the Board, which has been re-structured to align with the categories of the Institution's Risk Appetite statement.

- This Corporate Risk Report has been submitted to every meeting of the Board of Governors

- The Corporate Risk Report & Risk Register has been submitted to every meeting of the Audit Committee

- Our opinion that LSBU's risk management arrangements continue to be strong is confirmed by the internal auditors in their annual review of risk management.

- There have been no major breakdowns in controls during the year. The annual internal audit opinion comments that the core financial control environment has remained robust during the year.

- Regular anti-fraud, bribery and corruption updates/reports have been provided to each meeting of the Audit Committee. No significant matters have occurred.

- No significant issues have arisen as a result of the University's external reporting processes.

2. Annual Review Process

To be able to make the statement on internal control set out in Appendix 1, Governors need to satisfy themselves that the risk management system is functioning effectively and in a manner that they have approved.

The two elements of effective monitoring are:

- An ongoing review process;
  (for LSBU this takes the form of regular risk management reports to the Audit Committee and Board of Governors, and ongoing monitoring reports and consideration of risk issues by the Strategic Risk Review Group); and

- An annual assessment of the effectiveness of internal controls.

This paper documents the annual assessment undertaken. It considers issues dealt with in reports received during the year, together with any additional information necessary to ensure that Governors take account of all significant aspects of internal control for the year under review and up to the date of approval of the annual accounts.

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3. Changes in the nature and extent of significant risks

The Corporate Risk Register has been subject to triannual review by the University's Strategic Risk Review Group and has been updated as appropriate. The Risk Register is aligned with the goals of the University's Corporate Strategy for 2020.

The current Corporate Risk Register residual risk matrix is attached at Appendix 2.

The main changes to the corporate risk register have been the addition of a new risks relating to Integrated service delivery across the LSBU Family, and the institutional responsiveness in the event of an emergency incident.

The principal risks facing the University relate to UK undergraduate student recruitment, income generation from Overseas and EU applicants, NHS Contract income, and increasing pension deficits / cost of pension provision.

These risks are discussed in more detail in the University's financial statements.

4. Scope and quality of management's ongoing monitoring of risks and the system of internal control

Risk Management is a standing item on the agenda of Organisational Effectiveness Review meetings, and risk management and internal control are embedded into normal operating routines. Both are subject to regular management review and periodic audit review.

Every Corporate Risk has an Executive Risk Owner. Every member of the Executive is the Risk Champion for their area of the institution, and this is embedded into formal letters of delegated authority issued for every financial period.

All matters relating to internal control are reported to the Executive, which also monitors carefully the implementation of agreed recommendations / actions for improvement, as reported through the Internal Audit Progress reports.

5. Results of internal audit work for 2017/18

The University's Internal Auditors for the period under review were PricewaterhouseCoopers LLP (PwC) and their opinion for 2017/18 is set out in their internal audit annual report.

This opinion is based on their assessment of whether the controls in place support the achievement of management's objectives, as set out in their Internal Audit Risk Assessment and Internal Audit Plan 2017/18.

They have completed the program of internal audit work for the financial year ended 31 July 2018, and their opinion is:

Our opinion is;

Generally satisfactory with some improvements required

Governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control and value for money arrangements which potentially put the achievement of objectives at risk.

Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control and value for money arrangements.

Basis of opinion

Our opinion is based on:

- All audits undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the organisation's audit needs have been covered to date

Commentary:

The key factors that contributed to our opinion are summarised as follows:

- Our view on London South Bank University's (LSBU's) operational control environment and governance arrangements is underpinned by the audit reviews that we have performed during the year. There has been one high risk rated report, two medium risk rated reports and two low risk rated reports prepared during the financial year. These ratings are the same as 2016/17, although different scope areas were reviewed. The findings from these reports are not considered significant in aggregate to the system of internal control. None of the individual assignments completed in 2017/18 have an overall classification of critical risk.

- We identified one high risk report this year, the International Partnerships Arrangements review. This area was selected for review due to the University's having nearly 200 arrangements with international partners and having been engaged in the process of terminating loss-making contracts, revising the process for entering new contracts and reviewing the financial performance of existing partnership arrangements. We identified two high risk findings where for 3 out of 4 partnerships sampled (75%), there was no evidence of a risk assessment or due diligence performed on the partnerships before signing the agreement. The second finding is related to the monitoring of partnerships, where LSBU does not keep a log of the checks completed to validate academic quality of international partners and additionally, LSBU only monitoring income generated from Partnerships rather than overall financial performance. Our high risk finding relates to specific issues and is not deemed to represent systemic threats to the entire control and governance environment.

- Our Continuous Auditing work shows that on the whole the core financial control environment has improved during the year since Phase 1, with no significant exceptions or control recommendations raised. Fewer exceptions were identified across the systems compared with 2016/17, and in particular, we are pleased to report that the performance of Payroll has improved to a green risk rating due to fewer exceptions identified. There have been some exceptions identified through our substantive controls testing of Accounts Receivable and Accounts Payable processes. For Accounts Payable, the risk rating remains green due to fewer exceptions identified, and for those identified they were low risk. The findings identified are not considered to be a threat to the operation of the system as a whole, although, when taken in aggregate, these findings do undermine the efficient performance of the financial control environment.

- The timely implementation of internal audit recommendations by management is a key indicator of good governance and a target rate of 75%+ should be aspired to by management. LSBU's implementation rate has deteriorated in 2017/18; 64% of agreed actions have been implemented compared to 97% in the 2016/17.

- LSBU's risk management arrangements remain robust. We were pleased to see that despite a low risk rated report in 2016/17, management have continued to implement improvements to further strengthen the University's approach to risk management. We identified only one finding, which was low risk.

- Our work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: adherence to financial controls and use of purchase consortiums. We performed an IT review focused on LSBU's IT Technology Roadmap and provided assurance on whether IT projects are costed up front to give a view of costs to complete, the monitoring of these costs between planned and accrued/actual costs to identify overruns or underspends, and if IT projects align to IT strategic objectives to ensure they are consistent with the goals of the organisation including delivering VFM.

6. Extent and frequency of communication to the Board (and other committees)

Regular reports on risk and control matters have been presented to the Board and its Committees throughout the year as set out below. These are in addition to the detailed papers at this meeting.

Board of Governors	Report	Purpose
12 July 2018	**Key performance indicators**	To note a progress report from the Vice Chancellor
	Corporate risk report	To note a report from the Chief Financial Officer
	HEFCE Annual Mid-Year Accountability Return - Forecasts	To approve the return to Hefce including the 4 year forecast.
17 May 2018	**Key Performance Indicators within Corporate Strategy Progress Report**	To consider the Vice Chancellor's report and note developments and progress against strategy
	Corporate risk report	To note a report from the Chief Financial Officer
15 March 2018	**Corporate risk report**	To note a report from the Chief Financial Officer
	HEFCE annual assessment of Institutional Risk	To note HEFCE's assessment of "not at higher risk"
	Key performance indicators	To consider the Vice Chancellor's report and note developments
23 November	**Corporate risk register**	To note a report from the Chief Financial Officer

2017	Key performance indicators & 16/17 Corporate Strategy Progress Report	To consider the Vice Chancellor's report and note progress against strategy
	Annual report from Audit Committee	To note report from the Chair of Audit Committee
	Audit Committee report on the accounts	To note report from the Chair of Audit Committee
	Annual report and financial statements for year ended 31 July 2017	To approve report from the Chief Financial Officer
	Report from the Finance Planning and Resources Committee on the accounts	To note report from the Chair of Finance Planning and Resources Committee
	External Audit key issues memorandum	To note report from the External Auditors (Grant Thornton)
	HEFCE annual accountability return	To note reports from the Chief Financial Officer
12 October 2017	Corporate risk register	To note detailed annual review from the Chief Financial Officer
	Key performance indicators	To consider the Vice Chancellor's report and note developments
	Corporate Governance Statement	To approve

Audit Committee	Report	Purpose
7 June 2018	Corporate risk report	To consider the report on corporate risks from the Chief Financial Officer
	Internal Audit progress report	To note report from internal auditors on audit progress for 2017/18
	Internal Audit Reviews:	To note reports completed from 2017/18 internal audit plan
	• Continuous Audit into Student Data	

	• Report on International Partnerships	
	Internal Audit plan 2018/19	To preview plan from internal auditors for activity in 2018/19
	External audit plan for 2017/18	To approve plan from external auditors
8 February 2018	**Corporate risk report**	To consider the report on corporate risks from the Chief Financial Officer
	Internal Audit progress report	To note report from internal auditors on audit progress for 2017/18
	Internal Audit Reviews:	To note reports completed from 2017/18 internal audit plan
	• Fire safety report • Student data report • Key financial systems • ICT risk diagnostic	
9 November 2017	**Corporate risk report**	To consider the report on corporate risks from the Chief Financial Officer
	Draft report and accounts for year ended 31 July 2017	To consider the report from the Chief Financial Officer
	Internal audit annual report	To note report from internal auditors and the annual opinion for 2016/17
	Internal audit progress report	To note report from internal auditors on audit progress for 2017/18
	Audit Committee Annual Report	To approve the Audit Committee Annual Report
	External Audit	Annual findings report
	Other reports received	• Prevent annual return • GDPR • Annual VFM report

3 October 2017	**Corporate risk report & Risk appetite and strategy**	To consider the report on corporate risks from the Chief Financial Officer
	Internal Audit progress report	To note report from internal auditors on audit progress for 2017/18
	Annual report on effectiveness of internal controls	To consider this report for 16/17 from the Chief Financial Officer
	Internal Audit Reports	To note reports completed as part of the 2016/17 audit plan
	- Key financial systems - Contract management - Risk management - GDPR readiness	

Finance Planning & Resources	**Report**	**Purpose**
26 June 2018	**Key performance indicators update**	To consider the progress against the KPIs set against the corporate plan
1 May 2018	**Key performance indicators update**	To consider the progress against the KPIs set against the corporate plan
27 Feb 2018	**Key performance indicators update**	To consider the progress against the KPIs set against the corporate plan
14 November 2017	**Key performance indicators update**	To consider the progress against the KPIs set against the corporate plan
26 September 2017	**Key performance indicators update**	To consider the progress against the KPIs set against the corporate plan

In addition:

The Audit Committee will have reviewed the following reports at meetings in October and November 2018 before the accounts are signed:

- The financial statements, including the Statement of Internal Control
- Final annual report of the internal auditors for the year ended 31 July 2018
- External auditor's annual findings report

The Board will conduct a detailed review of the corporate risk register at its meeting in October 2018.

7. Incidence of significant control failings or weaknesses during the year

There have been no reportable incidents of significant control failings or weaknesses during the year.

The internal auditors have identified some control design and operating effectiveness issues around delivery of International partnerships and these are being addressed.

Regular anti-fraud, bribery and corruption reports have been submitted to each meeting of the Audit Committee.

8. Effectiveness of the University's external reporting processes

No significant issues have arisen as a result of the University's external reporting processes other than matters already covered within the Corporate Risk framework.

APPENDIX 1

Statement on Internal Control

As the governing body of London South Bank University, we have responsibility for ensuring that there is a process for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives of the University, whilst safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Memorandum and Articles of Association, and the Memorandum of Assurance and Accountability with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- We meet a minimum of seven times a year (including 2 strategy days) to consider the plans and strategic direction of the institution;

- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;

- The Audit Committee provide oversight of the risk management process and comments on its effectiveness;

- We receive periodic reports from the chair of the Audit Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;

- The Audit Committee receives regular quarterly reports from management;

- Internal audit is outsourced to an external provider. The Audit Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;

- The internal audit programme has been aligned with the University's corporate risk register;

- An organisation-wide register of key corporate risks is maintained, together with individual operational risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;

- The Strategic Risk Review Group meets regularly to consider risk, assess the current exposure and keep up to date the record of key corporate risks facing the University;

- A network of risk champions exists to support risk management activity in all schools and professional service groups; Update training is provided as required to support delivery;

- Formal risk management and internal control procedures have been embedded within ongoing operations.

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the OfS Audit Code of Practice and as per the Internal Audit Charter, also adheres to the definition of internal auditing, code of ethics and the standards for professional practice that are published by the Institute of Internal Auditors. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

APPENDIX 2: Corporate Risk Register: Residual Likelihood Matrix

Date: 21st Sep 2018	**Author:** John Baker – Corporate & Business Planning Manager	**Executive Lead:** Richard Flatman – Chief Financial Officer

Impact

		1 - Low	**2 - Medium**	**3 - High**
4 Critical *Corporate plan failure / removal of funding, degree award status, penalty / closure*				2: Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL)
3 High *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*		6: Management Information (RF) 37: Affordability of Capital Expenditure investment plans (RF) 305: Data not used / maintained / processed securely (SW) 362: Low staff engagement (PB) 495: Higher Apprenticeships (PB) 519: Negative Curriculum Assessment (SW) 624: LSBU Family integrated service benefits (IM)	3: Increasing pensions deficit reduces flexibility (RF) 467: Progression rates don't rise (SW)	457: Anticipated international & EU student revenue unrealised (PI)
2 Medium *failure to meet operational objectives of the University*		1: Capability to respond to change in policy or competitive landscape (DP) 517: Impact of EU Referendum result on regulation & market trends (DP) 494: Inconsistent delivery of Placement activity across the institution (SW)	14: Loss of NHS contract income (WT) 398: Academic programmes not engaged with technological and pedagogic developments (SW) 402: Unrealised research & enterprise £ growth (PI) 584: External incident compromises campus operations or access (PB) 518: Core student system inflexibility / failure (SW)	
1 Low *little effect on operational objectives*				
		1 - Low *This risk is only likely in the long term*	**2 - Medium** *This risk may occur in the medium term.*	**3 - High** *The risk is likely to occur short term*

Residual Likelihood

Executive Risk Spread: VC – 2, DVC – 3, CFO – 3, PVC-S&E – 5, PVC-R&EE – 2, COO – 1, CMO -1, Dean Health – 1, US - 0

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	CONFIDENTIAL
Paper title:	Draft Corporate Governance statement
Board/Committee	Audit Committee
Date of meeting:	4 October 2018
Author:	Joe Kelly, Governance Officer
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	For information
Recommendation:	Executive is requested to note the draft Corporate Governance statement.

Executive Summary

The Corporate Governance Statement is intended to assist readers of the financial statements in obtaining an understanding of the governance and legal structure of the University. It sets out the governance and legal structure of the University and how the Board complies with the Higher Education Code of Governance (CUC, 2014).

Executive is requested to note the draft Corporate Governance statement.

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Corporate Governance Statement

The following statement is given to assist readers of the financial statements in understanding the governance and legal structure of the University.

The University's Board of Governors is committed to maintaining the highest standards of corporate governance. In carrying out its duties it follows:

- The Directors' duties as set out in sections 170 – 177 of the Companies Act 2006
- The CUC Higher Education Code of Governance
    - Higher Education Senior Staff Remuneration Code
- The HEFCE/Office for Students (OfS) Memorandum of Assurance and Accountability and the Audit Code of Practice
- The OfS Public Interest Principles
- The Charity Commission's Guidance on Public Benefit and its duties as charity trustees of compliance, prudence and care
- The University's Articles of Association and standing orders
- The seven principles of standards in public life
- Other legislative requirements of corporate and Higher Education bodies

Governance and Legal Structure

London South Bank University is a company limited by guarantee and an exempt charity within the meaning of the Charities Act 2011. Its objects and powers are set out in its Articles of Association. The Articles provide the governance framework of the University and set out the key responsibilities of the Board of Governors and its powers to delegate to committees, the Vice Chancellor and the Academic Board.

Compliance with the CUC Higher Education Code of Governance

The Board has materially complied with all aspects of the Higher Education Code of Governance (CUC, December 2014) during the year under review, as demonstrated below. References to paragraphs of the code are shown in brackets below.

Decision making

London South Bank University is led by a Board of Governors, which is collectively responsible for the strategic direction of the University, approval of major projects and partnerships and ensuring that the potential of every student is maximised (1.1).

The Board has agreed a Schedule of Matters Reserved which establishes the responsibilities of the Board and its committees. The Board, and where appropriate, its committees make decisions by consensus at meetings or electronically (2.4). The schedule is reviewed on an annual basis, the last occasion being 12 October 2017.

During the year, the Board met five times (five times in 2016/17). In addition, the Board held two strategy days (two in 2016/17) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review there was an 82% (2016/17: 83%) attendance rate at Board meetings.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page [•] (1.2.) The Board receives an annual reminder on Charity Commission guidance (most recently, 23 November 2017). It receives assurance that the institution meets the requirements of the Memorandum of Assurance and Accountability with HEFCE (from 1 April 2018 the Financial Memorandum with OfS) through the Audit Committee (1.3).

Compliance

All governors and members of the Executive are required to declare their interests on appointment, on an annual basis and are required to declare any interests which relate to decisions at meetings. During the year under review, all declared interests were authorised by the Board. No conditions were attached to any of these interests (2.2). The governing body affirms that it makes decisions without any undue pressure from external interest groups, which is assured through the declaration of interests' process (2.3).

HEFCE undertook its five-yearly assurance visit in January 2017 and concluded that it could place reliance on LSBU's accountability information, the highest opinion of the four possible.

The Board receives annual reports on the institution's compliance with key legislation, for example health and safety; equality, diversity and inclusion; and otherwise by exception reporting (3.6). In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. Material adverse change is reported to HEFCE (from 1 April 2018 through OfS) when discovered and annually as part of the Accountability and Assurance statement (3.6). [No material adverse changes were reported to HEFCE during the year – *to confirm at November 2018*].

The Board receives annual reports from the Students' Union in relation to its democratic processes and finances (2.5).

Sustainability

The Board is responsible for the sustainability of the institution and approves the annual budget, which is aligned to the five year corporate strategy (3.2). The Board oversees the performance and financial sustainability of the institution by regularly

reviewing Key Performance Indicators, management accounts and five year forecasts (3.3). Overall financial control is delegated to the Chief Financial Officer, who is a member of the Executive and has regular access to the Vice Chancellor, as and when required.

Academic governance

The Board has oversight of academic governance across the institution, receiving an annual report from the Academic Board. [The Board has reviewed the quality process and agreed an assurance statement during the year under review – *to confirm at the November 2018 board*.]

The Board has regard to the principle of academic freedom (4.1, 4.2, 4.3).

In addition, the Board meets with the Academic Board twice each year to discuss strategy.

External activities

The Board reviews all proposals for all significant, external activities and independent legal advice is sought, if necessary. Due diligence is conducted when entering into major projects that have significant risk associated with them (5.1).

During the year under review the Board has progressed negotiations with Lambeth College about joining the LSBU group. Appropriate due diligence has been carried out and will be used to inform the final decision in 2018/19.

Equality and Diversity

The Board receives an annual report on equality, diversity and inclusion, and compliance with the public sector equality duty under the Equality Act 2010. The Board also receives progress updates against agreed Equality, Diversity and Inclusion action plans at the institution.

The Board regularly reviews its composition and considers equality and diversity in its appointments. The Nomination Committee has agreed that in the event of underrepresentation of any group, targeted recruitment would be used to address this (6.3, 6.4, 6.5).

A recruitment company that specialises in equality and diversity has been appointed to help improve the diversity of the Board.

Structures and processes

The Board when fully complemented consists of 18 governors: 13 independent governors (7.1), the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the period are listed on page (•.) The Board determines the number and composition of the Board

of Governors within parameters set by the University's Articles of Association. Staff and student governors were not excluded from any items at Board meetings during the year (1.4).

Under the Articles, the Board has the power to remove any governor from office if they breach their terms of office (7.2). On appointment, governors also agree to act in accordance with the seven principles of public life and the university values. (1.2, 2.1).

Following the publication of the OfS Public Interest Principles in 2018, all governors have confirmed that they meeting the 'fit and proper' definitions as set out by the OfS.

Committees

The Board delegates authority to a number of committees. All committees are formally constituted with appropriate terms of reference, which are reviewed annually (3.6). Terms of reference and membership of each committee are available on the governance pages of the University's website. Each committee has a majority of independent governors. The chairs of each committee are independent governors and are set out below under Key Individuals.

The following principal committees met throughout the year:

- Appointments Committee
- Audit Committee
- Finance, Planning and Resources Committee
- Major Projects and Investment Committee
- Nomination Committee
- Remuneration Committee

The Nomination committee is responsible for recruiting new independent governors (7.3). Recommendations are made to the Appointments Committee, which makes the final decision on appointment. A written description of the role and capabilities required of governors has been agreed by the Nomination Committee. Candidates are judged against the capabilities required and the balance of skills, experience currently on the Board. The balance of skills, experience and diversity of independent governors is kept continually under review by the Nomination Committee.

Membership of the Audit Committee is four independent governors (3.12), and a co-opted external member (who retired in February 2018). The Audit Committee produces an annual report for the Board, following HEFCE (OfS since 1 April 2018) requirements (3.4, 3.5). The Audit Committee reviews the effectiveness of the systems of control in place across the institution. The Audit Committee receives an annual report on the quality of data submitted to external bodies (3.8, 3.10).

There is a Remuneration Committee which decides the remuneration of senior post-holders, including the Vice Chancellor (3.13). Membership of the committee is four independent governors, including the Chair of the Board (3.14). No individual is present for discussions that directly affect them. The Vice Chancellor is not a member of the committee. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16.).

During the year the Board adopted the CUC Remuneration Code. Following this the committee has approved the senior remuneration policy and has undertaken an independent review of executive salaries.

The Board completed an interim effectiveness review in July 2017. Following this review no major changes to the Board's structure have been proposed.

The Board plans to undertake a full effectiveness review during 2018/19, following the guidance in the CUC Code.

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Douglas Denham St Pinnock (from 1 August 2017)
Head of Institution (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Audit Committee	Steve Balmont
Chair of Finance, Planning and Resources Committee	Hillary McCallion (from 1 August 2017)
Chair of Major Projects and Investment Committee	Douglas Denham St Pinnock
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Mee Ling Ng
University Secretary and Clerk to the Board of Governors	James Stevenson

Key individuals can be contacted through the office of the University Secretary and Clerk to the Board of Governors, Mr James Stevenson, at London South Bank University, 103 Borough Road, London SE1 0AA. Published documents are available on the governance section of the University website.

Statement of Primary Responsibilities of the Board of Governors
(based on the CUC Guide for Members of Higher Education Governing Bodies
in the UK)

1. To approve the educational character, mission and strategic vision of the institution, together with its long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.

2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate, personnel and health and safety management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.

3. To ensure the establishment and monitoring of quality assurance and systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.

5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself, and to carry out such reviews at appropriate intervals.

6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

7. To safeguard and promote the good name and values of the institution.

8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.

9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.

11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and

financial statements, and to have overall responsibility for the University's assets, property and estate.

12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.

13. To make such provision as it thinks fit for the general welfare of students.

14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution or its students.

15. To ensure that the institution's constitution is followed at all times and that appropriate advice to the Board is available to enable this to happen.

Paper title:	Strategic Report for the year ending 31 July 2018
Board/Committee	Audit Committee
Date of meeting:	4 October 2018
Author:	Natalie Ferer, Financial Controller
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To review the Strategic Report for inclusion in the annual Report and Accounts for the year ending 31 July 2018.
Recommendation:	The committee is asked to note the report.

Background

The Strategic Report forms part of the University's annual report and accounts for the year ending 31 July 2018. A draft of this section of the accounts is being brought to the Executive so they can consider the contents ahead of its review of the accounts next week.

Some sections of the Strategic report are not presented here as they are not yet available, but will be included in the full financial statements presented to the Executive on 19 September:

- Commentary on financial results for the year
- Going concern statement
- Public benefit statement

SORP Guidance

Guidance on contents of the Strategic Report is set out in the Statement of Recommended Practice for HE and FE institutions (SORP).   The SORP considers that disclosure of the following items is best practice for all institutions:

- its objectives and strategy for achieving those objectives;
- its development and performance throughout the financial year
- its future prospects;

- a description of the principal risks and uncertainties being faced

The SORP also states that the Strategic Report should be set out an analysis of the institution through the eyes of the institution's governing body, focusing on matters that are relevant to the interests of funders and financial supporters and complement as well as supplement the financial statements, in order to enhance the overall corporate disclosure.

Attachments:

- Excerpts from the draft Strategic Report

Report and financial statements 2018
Strategic Report

This Strategic Report is that of the University and its subsidiary, South Bank University Enterprises Limited.

London South Bank University (LSBU) was incorporated on 12 August 1970. It is registered at Companies House under number 986761 and its registered address is 103 Borough Road, London, SE1 0AA. London South Bank University is a company limited by guarantee and has no share capital.

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described on pages 16-21 and the members of the Board of Governors during the year ended 31 July 2017 are listed on page3. The Governors are also directors under the Companies Act 2006.

The University is an exempt charity within the meaning of the Charities Act 2011 applying in England and Wales and its principal regulator is The Office for Students (OFS). All Governors are also charitable trustees. The University is regulated principally by OFS under a Memorandum of Assurance and Accountability. The University complies with conditions of grant set out in funding agreements with the relevant grantor.

Solicitors

Shakespeare Martineau LLP	Mills and Reeve LLP	Veale Wasbrough Vizards LLP
1 Colmore Square	Botanic House	Orchard Court
Birmingham B4 6AA	100 Hills Road	Orchard Lane
	Cambridge CB2 1PH	Bristol BS1 5WS

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

Auditor	**Internal Auditor**	**Bankers**
KPMG LLP	PricewaterhouseCoopers LLP	NatWest
15 Canada Square	1 Embankment Place	City of London Office
London	London	1 Princes Street
E14 5GL	WC2N 6RH	London EC2R 8PA

Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2018 except as noted:

Board of Governors

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix OBE (Vice Chancellor and Chief Executive)	
Mr Sodiq Akinbade	Retired 30 June 2018
Mr Steve Balmont	
Mrs Shachi Blakemore	
Mr Duncan Brown	Appointed 1 August 2017

Ms Julie Chappell

Mr Michael Cutbill

Mr Douglas Denham St Pinnock

Professor Peter Fidler CBE   Appointed 1 August 2017

Mrs Carol Hui   Resigned 20 February 2018

Professor Hilary McCallion CBE

Ms Nelly Kibirige   Appointed 1 July 2018

Mr Kevin McGrath

Dr Mee Ling Ng OBE

Ms Jenny Owen

Mr Tony Roberts

Mr Suleyman Said   Retired 30 June 2018

Mr Nazene Smout   Appointed 1 July 2018

Changes in Governors since 31 July 2018:

Mr Jeremy Parr   Appointed 1 August 2018

Principal Officers:

Name	**Position**
Professor David Phoenix	Vice Chancellor and Chief Executive
Professor Patrick Bailey	Deputy Vice Chancellor
Mrs Mandy Eddolls (resigned 15 June 2018)	Executive Director of Organisational Development and HR
Mr Richard Flatman	Chief Financial Officer
Professor Paul Ivey	Pro Vice Chancellor (Research and External Engagement)
Miss Nicole Louis	Chief Marketing Officer
Mr Ian Mehrtens	Chief Operating Officer
Mr James Stevenson	Secretary and Clerk to the Board of Governors
Professor Shân Wareing	Pro Vice Chancellor (Education and Student Experience)

A separate Corporate Governance Statement is shown on pages x-x.

Objectives and Activities

London South Bank University has been transforming lives, communities and businesses for over 125 years. At its creation, its aims were to improve social mobility for the people of south London by improving their employment opportunities, and to support the community by providing access to the applied knowledge that would advance their businesses. Other than an increasingly global reach, that mission remains almost unchanged today – LSBU provides a highly applied academic environment which supports students into professional careers by providing the knowledge and skills that are attractive to employers. It supports employers and the professions by providing the education, consultancy and high quality applied research they need.

Our mission is to be recognised as an enterprising civic university that addresses real world challenges. London South Bank University's Corporate Strategy 2015–2020 sets out how the University will achieve its vision of becoming London's top modern university by 2020. The University's strategy has three key outcomes:

Student success

- Ensuring we are externally recognised for providing a personalised, high calibre education which equips graduates for employment and prepares them to make a positive contribution to society.

Real world impact

- Ensuring we provide dynamic evidence-based education which is underpinned by highly applied research and enterprise activity.

Access to opportunity

- Building opportunity through partnership: ensuring we are actively widening participation, engaging with our communities and are a partner of choice.

The University has had a very good year in terms of financial and strategic outcomes. It improved its rank by 15 places in the Good University Guide and subject performance ranking improved for 23 out of 30 subjects.

Student Success

We aim to ensure that our teaching remains highly applied, professionally accredited and demonstrably linked to research and enterprise, delivering the attributes that will make our graduates highly sought after. Students are seen as participants in their learning and their voices are encouraged and listened to. We provide students with an individualised learning experience to develop the skills and aspirations that enable them to enter employment, further study or start their own business. Our approach continues to pay dividends. Sam Gyimah, Minister for Higher Education, said:"There are some great technical options within universities; like South Bank University.. do a great technical option in construction." (BBC's Newsnight programme 19 February 2018)

- LSBU was named University of the Year for Graduate Employment [The Times and Sunday Times Good University Guide 2018]. Alistair McCall, editor of the Guide said: "London South Bank has an outstanding record for graduate employment. It is a shining example of all the best qualities held by the modern university sector".

- LSBU is now the top 4 university in the UK for graduate outcomes (graduate employment and further study). 87.7% of LSBU graduates were in graduate employment or further study, surpassing Oxford and Cambridge and all but one Russell Group university. (This is based on the official Employment Performance Indicator cohort and excludes Specialist Institutions).

- LSBU is a top 12 UK university for Graduate Starting Salaries [The Times Good University Guide September 2017]

- LSBU is a top 20 UK university for Graduate Prospects; and is the No 1 London Modern University for Graduate Prospects [Sunday Times League Table September 2017]

Real World Impact

We aim to deliver outstanding economic, social and cultural benefits from our intellectual capital, by connecting our teaching and research to the real world through commercial activities and social enterprise.

The profile of our research within and beyond LSBU has been enhanced through our new Research and Enterprise Institutes. The Annual University Research Audit (AURA) informed preparations for further research development and led to the creation of 33 research groups and 15 research centres.

- 73% of LSBU research is rated 3* and 4* for Impact. LSBU has ongoing research partnerships with leading companies including Sellafield, London Underground and FitFlop

- 2017/8 was a year of growth for our two innovation centres, based at TWI in Cambridge. The London South Bank Innovation Centre and the Advanced Resins and Coatings Innovation Centre launched two major projects in spring 2017. The two centres have already attracted projects worth over £10m

- The University's Clarence Centre for Enterprise and Innovation is ranked in the top 15 worldwide of university-run business incubators.[UBI Global World Rankings 2017/18]

- LSBU entered the QS World Rankings 2017-18 for the first time and achieved a QS stars rating of 4 stars

Access to Opportunity

LSBU works with partners to provide opportunities for students with the potential to succeed.

- LSBU is a leader in the new Higher and Degree apprenticeships offering over 20 programmes in partnership with employers. 350 students were enrolled on Higher and Degree Apprenticeship programmes during the year

- LSBU is a top 15 UK university and the top London Modern for part-time postgraduate study. Over a quarter of LSBU students are on postgraduate courses, with 45% of them sponsored by their employer (HESA Student Full Person Equivalent (FPE)

- LSBU is establishing a new Institute for Professional and Technical Education to support educational pathways into higher and degree level technical education and, with partners, is investing over £12m in increasing provision for apprenticeships

- LSBU was ranked 32nd of all UK universities for "value added" by the Economist magazine, which used published data to analyse the "value added" by individual universities to their students based on actual and expected earnings [The Economist Data Team 10 August 2017]

Strategic Enablers

- LSBU was awarded Outstanding Student Services Team 2018 in the THE Leadership & Management Awards 2018

Principal risks and uncertainties

At a corporate level, risks are identified and managed through the University's risk management processes as described in the statement on internal control.

The Corporate Risk Register is the subject of careful and frequent review, and is aligned to the Corporate Strategy. The critical and high risks which the institution faces, considering external factors in the main, and the associated mitigation strategies are as follows:

Risk	Controls and Mitigation Strategies
Revenue reduction	• QSC approval of course validations informed by market insight • Weekly review of numbers by MAC leadership team • Monthly review of DARR report • Revised Outreach
Anticipated International and EU student revenue not realised	• Annual cycle of training events with staff on UKVI processes. • Recruitment reports to each meeting of Ops Board • Development of Overseas offices
Progression rates don't increase	• Increase data analysis to academic staff including progression data • Study support provided by Library & Learning Resource Centre • Personal tutoring specification established
Increasing pensions deficit	• Regular review and consideration of potential options for future provision • Modelling / scenario analysis of future costs and projected movements in assets & liabilities • Group defined contribution scheme established • Strict controls over early access to pensions.

Disclosure of information to auditors

At the date of making this report each of the Governors, as set out on page 3, confirm the following:

• So far as each Governor is aware, there is no relevant information needed by the University's auditors in connection with preparing their report of which the University's auditors are unaware; and

• Each Governor has taken all the steps that he or she ought to take as a Governor in order to make him or herself aware of any relevant information needed by the University's auditors in connection with preparing their report and to establish that the University's auditors are aware of that information.

Auditor

The Members will be asked to reappoint KPMG UK LLP as auditor of the University by written resolution.

Directors' report

This Strategic Report also serves as the Directors' Report for the purposes of the Companies Act 2006.

Approval

Approved by the Board of Governors and signed on behalf of the Board by:

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

Date

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	CONFIDENTIAL
Paper title:	Draft Public Benefit Statement
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Approval
Recommendation:	Audit Committee is requested to note the draft Public Benefit Statement.

Executive Summary

The Public Benefit Statement forms a mandatory part of the annual report of charities. The Memorandum of Assurance and Accountability with HEFCE (OfS from 1 April 2018) states that the following must be included in the audited financial statements:

• A statement that the charity has had regard to the Commission's guidance on public benefit – see link.

• A report on how the HEI has delivered its charitable purposes for the public benefit

The draft statement sets out the University's charitable objects from its Articles of Association. It demonstrates how the University advances education for the public benefit. The University's main beneficiaries are its students. In carrying out its objects the University also benefits the wider public through research and knowledge transfer.

The committee is requested to note the draft Public Benefit Statement for inclusion in the annual report.

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Public Benefit statement

Charity Commission Guidance on Public Benefit

The members of the Board of Governors are the charitable trustees of the University. In undertaking its duties the Board of Governors has regard to the Charity Commission's guidance on public benefit.

Charitable Objects

The charitable objects (under s.3 Charities Act 2011) of the University, as set out in its Articles of Association, are to:

- conduct a university for the public benefit for the advancement of education, promotion of research and dissemination of knowledge;
- provide full time and part time courses of education at all levels; and
- provide facilities to promote these objects and provide associated support and welfare for students.

The University's objects are applied solely for the public benefit, as follows.

The University advances education for the public benefit by:
- providing teaching to its students in the form of lectures, seminars, personal tuition and online resources;
- delivering many courses accredited by recognised professional bodies, both full and part time;
- setting and marking assessments, giving feedback to students and providing evidence of achievement by the awarding of degrees, diplomas and certificates.

The University promotes research and the dissemination of knowledge by:
- undertaking academic research and publishing the results;
- publishing articles in peer-reviewed journals;
- maintaining an academic library with access for students and academics;

The University provides student support and services for students through:
- wellbeing services, including support for students with disabilities and mental health issues. This includes a counselling service;
- student advice and guidance services via a one-stop-shop and student helpdesks across both campuses;
- employability services, supporting students who are working while studying, helping students source work experience and graduate opportunities;
- money advice, including debt management;
- specific support services for particular groups of students, including care leavers, carers and pregnant students;
- mentoring and coaching;
- providing student accommodation;
- funding some individual students' education through bursaries and fee waivers;
- providing funds to London South Bank University Students' Union (LSBUSU).

Beneficiaries

In carrying out its objects the University benefits its students and future students through teaching and learning activities; and benefits the wider public, through research and knowledge transfer.

The trustees affirm that the opportunity to benefit is not unreasonably restricted. The benefits of learning at London South Bank University are open to anyone who the University believes has the potential to succeed. Throughout its history LSBU has enabled wider access to education. The University's Strategy, 2015-2020 sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; and access to education.

Like other universities LSBU must charge tuition fees. However, maintenance loans are available to home full time undergraduates who have applied for funding via Student Finance England. In addition, the University offers financial assistance in the form of scholarships, bursaries and charitable funds to students in need.

The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £761,457 on 31 July 2017 (2016: £755,551). The funds are managed with the aim of securing capital growth and an annual income. In 2017/18 the income received was £24,427 (2015/16: £18,420). The income is allocated for distribution by the University's Hardship Panel to students in financial difficulty.

[During 2017/18 £xxx was distributed to students in hardship and £xxx as prizes for students].

The University's curriculum is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. In 2016, 84.5% of graduates were in graduate employment and/or further study 6 months after leaving (DLHE survey results 2016 – 17). Over 7,746 LSBU students are sponsored to study by their employers, including NHS funded students.

The University also contributes to the wider public benefit through the publication of research. The University performed well in the Research Excellence Framework 2014, with the majority of its research graded as internationally excellent and recognised internationally. LSBU is committed to Open Access, sharing scholarly works with industry, the professions and wider public through LSBU Research Open at http://researchopen.lsbu.ac.uk and providing an Open Access Fund to pay Open Access publication costs.

	INTERNAL
Paper title:	Anti-fraud, bribery and corruption report
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	Natalie Ferer, Financial Controller
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note this report

Executive Summary

Since the last report there is nothing to report.

The Committee is requested to note this report.

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	CONFIDENTIAL
Paper title:	Data protection / GDPR update
Board/Committee:	Audit Committee
Date of meeting:	4 October 2018
Author:	Hywel Williams, Data Protection Officer
Executive sponsor:	James Stevenson, University Secretary
Purpose:	To update on compliance steps
Recommendation:	The committee is requested to note

Summary

As the committee is aware, the EU General Data Protection Regulation and new Data Protection Act 2018 came into effect on 25th May 2018.

The GDPR compliance project board has been addressing compliance at LSBU. The project board held its penultimate meeting in June 2018. The final meeting will be held in October 2018 and will transfer the project to a business as usual action plan let by the Data Protection Officer (DPO).

Update reports will continue to be provided to each meeting of the audit committee.

Key data protection and GDPR compliance steps taken since the last update report are:

1.   A new data breach management process is operational with awareness of the revised processes growing. Two breaches of personal data were judged to be notifiable, and were notified, to the ICO. No further action has been taken by the ICO in both cases. The cases were not serious enough to brief the Emergency Response Team (which would be invoked in case of a serious data breach occurring).

2.   Following publication of the first tier privacy notices (enquirers, students and alumni), further work has been conducted to update privacy statements on

personal data gathering forms to give just-in-time data protection information as well as referring to the fuller descriptions in the privacy notices. This work continues as forms are revised and updated, e.g. for the new admissions cycle for September 2019.

3. New forms for requesting the exercise of rights relating to personal data by data subjects and for requesting disclosure of personal data to third parties have been created and are in use.

4. The data protection and information compliance intranet pages have been updated, including a new page for guidance on managing breaches of personal data. These pages will be further expanded over the next few months as further guidance is made available to staff. The guidance documents will build on the analysis so far of how the GDPR, and the new Data Protection Act 2018 in particular, impacts LSBU.

5. The data protection mandatory training module has been updated to reflect the new legislation. This training is mandatory for all new staff and should be repeated every two years. Also in place is a one-off training update for all other staff to bring them up to date on the legislative changes. Communications about these will go out to all staff in October 2018. The DPO also provides a face-to-face data protection training at the induction for new staff, for the Nursing and Midwifery staff, and for contractors involved in the September 2018 enrolment.

6. Updating of data protection clauses in LSBU's commercial contracts is continuing at the request of suppliers and other controllers, as well as when LSBU is renewing and updating contracts.

7. Individual advice and guidance is given to business areas by the DPO as required. The DPO has also been involved in the scoping workshops for the LEAP programme.

8. Monthly coordination meetings have been set up between the DPO, Head of ICT Security and Head of Security and Estates Customer Services to identify areas for collaboration and to discuss lessons learnt from security related events.

Over the next 6 months, the focus of the data protection officer is to move the work into business as usual. Key steps will include:

- plan for embedding Privacy by Design across the organisation (working with Procurement, IT, PMO);

- continuing tailored workshops with schools and PSGs to aid compliance;
- data protection input into the LEAP programme;
- review key ongoing data protection risks and incorporate into wider risk management framework;
- ongoing communications and awareness plan;
- work with the Head of ICT Security to develop a data classifications scheme.

Recommendation

The audit committee is requested to note the update.

As the next meeting is November an update will be reported the audit committee meeting in February 2019.

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	CONFIDENTIAL
Paper title:	Speak up report
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	Audit Committee is requested to note the report

Executive Summary

Since the last meeting of the Audit Committee no new Speak Up issues have been raised.

All previous issues have been closed.

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	CONFIDENTIAL
Paper title:	Audit Committee annual business plan
Board/Committee:	Audit Committee
Date of meeting:	04 September 2018
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Review
Recommendation:	Audit Committee is requested to review the plan.

Executive Summary

The Audit Committee 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. As agreed at the meeting of 5 November 2015, the committee's business plan will be a standing item on agendas.

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Audit Committee plan 2018 / 19

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
4 October 2018					
Public benefit statement	Executive	19 Sep 2018	Audit Committee	4 Oct 2018	James Stevenson
Corporate governance statement	Executive	19 Sep 2018	Audit Committee	4 Oct 2018	James Stevenson
Pension assumptions	Executive	19 Sep 2018	Audit Committee	4 Oct 2018	Richard Flatman
Audit TOR & membership			Audit Committee	4 Oct 2018	James Stevenson
Internal controls annual review and effectiveness	Executive	19 Sep 2018	Audit Committee	4 Oct 2018	Richard Flatman
Draft internal audit annual report	Executive	19 Sep 2018	Audit Committee	4 Oct 2018	Richard Flatman
Anti-fraud, bribery and corruption report			Audit Committee	4 Oct 2018	Richard Flatman
Audit committee business plan			Audit Committee	4 Oct 2018	James Stevenson
Speak up report			Audit Committee	4 Oct 2018	James Stevenson
GDPR compliance update	Executive	19 Sep 2018	Audit Committee	4 Oct 2018	James Stevenson
Internal audit plan & charter			Audit Committee	4 Oct 2018	Justin Martin
Risk strategy and appetite	Executive Audit Committee	19 Sep 2018 4 Oct 2018	Board of Governors	18 Oct 2018	Richard Flatman

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
Pensions assumptions	Executive	12 Sep 2018	Audit Committee	4 Oct 2018	Richard Flatman
Corporate Risk	Executive Audit Committee	19 Sep 2018 4 Oct 2018	Board of Governors	18 Oct 2018	Richard Flatman
Internal audit progress report	Executive	26 Sep 2018	Audit Committee	4 Oct 2018	Richard Flatman
Strategic Report (Annual Report & Accounts)	Executive	26 Sep 2018	Audit Committee	4 Oct 2018	Richard Flatman
8 November 2018					
External audit findings	Executive Audit Committee	19 Sep 2018 4 Oct 2018	Board of Governors	22 Nov 2018	Richard Flatman
Annual value for money report	Executive	17 Oct 2018	Audit Committee	8 Nov 2018	
Audit Committee Annual Report	Executive Audit Committee	19 Sep 2018 4 Oct 2018	Board of Governors	22 Nov 2018	Richard Flatman
Anti-fraud, bribery and corruption report			Audit Committee	8 Nov 2018	Richard Flatman
Annual report and accounts	Executive Audit Committee	24 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Richard Flatman
Corporate Risk	Executive Audit Committee	24 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Richard Flatman
Going concern statement	Executive	24 Oct 2018	Audit Committee	22 Nov 2018	Richard Flatman

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
Quality assurance return	Academic Board Executive Audit Committee	31 Oct 2018 24 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Richard Flatman
Modern slavery act statement	Executive Audit Committee	24 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Richard Flatman
Prevent annual return	Executive Audit Committee	24 Oct 2018 8 Nov 2018	Board of Governors	22 Nov 2018	Ian Mehrtens
External audit - review of non-audit services	Executive	17 Oct 2018	Audit Committee	8 Nov 2018	Richard Flatman
External audit performance against KPIs	Executive	17 Oct 2018	Audit Committee	8 Nov 2018	Richard Flatman
Final internal audit annual report	Executive	17 Oct 2018	Audit Committee	8 Nov 2018	Richard Flatman
Speak up report			Audit Committee	8 Nov 2018	James Stevenson
External audit letter of rep	Executive Audit Committee	12 Sep 2018 4 Oct 2018	Board of Governors	19 Sep 2018	Richard Flatman
Internal audit progress report	Executive	24 Oct 2018	Audit Committee	8 Nov 2018	Justin Martin
Audit committee business plan			Audit Committee	8 Nov 2018	James Stevenson
5 February 2019					
Anti-fraud, bribery and corruption report			Audit Committee	5 Feb 2019	Richard Flatman

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
TRAC (T) return			Audit Committee	13 Jun 2019	Richard Flatman
Data assurance repor	Executive	16 Jan 2019	Audit Committee	5 Feb 2019	Richard Flatman
Corporate Risk	Executive Audit Committee	16 Jan 2019 5 Feb 2019	Board of Governors	14 Mar 2019	Richard Flatman
FMI Structure and leadership team			Audit Committee	5 Feb 2019	Richard Flatman
TRAC return	Executive	16 Jan 2019	Audit Committee	5 Feb 2019	Richard Flatman
Speak up report			Audit Committee	5 Feb 2019	James Stevenson
GDPR compliance update	Executive	23 Jan 2019	Audit Committee	5 Feb 2019	James Stevenson
Internal audit progress report	Executive	23 Jan 2019	Audit Committee	5 Feb 2019	Justin Martin
Corporate Risk	Executive	8 May 2019	Board of Governors	23 May 2019	Richard Flatman
Audit committee business plan			Audit Committee	5 Feb 2019	James Stevenson
13 June 2019					
Anti-fraud, bribery and corruption report			Audit Committee	13 Jun 2019	Richard Flatman
Annual debt write-off	Executive	22 May 2019	Audit Committee	13 Jun 2019	Richard Flatman
Emergency plan annual assurance	Executive	22 May 2019	Audit Committee	13 Jun 2019	Ian Mehrtens

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
Anti-fraud policy review	Executive	22 May 2019	Audit Committee	13 Jun 2019	James Stevenson
Internal audit plan	Executive	22 May 2019	Audit Committee	13 Jun 2019	Richard Flatman
External audit plan	Executive	22 May 2019	Audit Committee	13 Jun 2019	Richard Flatman
Corporate Risk			Board of Governors	18 Jul 2019	Richard Flatman
Corporate Risk	Executive Audit Committee	29 May 2019 13 Jun 2019	Board of Governors	18 Jul 2019	Richard Flatman
Internal audit progress report	Executive	26 Sep 2018	Audit Committee	4 Oct 2018	Justin Martin
Speak up report			Audit Committee	13 Jun 2019	James Stevenson
GDPR compliance update	Executive	29 May 2019	Audit Committee	13 Jun 2019	James Stevenson
Audit committee business plan			Audit Committee	13 Jun 2019	James Stevenson
Internal audit progress report	Executive	29 May 2019	Audit Committee	13 Jun 2019	Justin Martin

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	CONFIDENTIAL
Paper title:	Committee terms of reference and membership
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	Audit Committee is requested to note the TOR and membership.

Executive Summary

The Audit Committee's terms of reference is based on the model terms of reference 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 committee undertook an effectiveness review in summer 2017. No changes to the terms of reference were identified.

The committee's terms of reference and membership are attached for information. The committee is requested to note.

Membership 2018/19

Steve Balmont	Independent Governor	Chair (until 31 December 2018)
Shachi Blakemore	Independent Governor	
Duncan Brown	Independent Governor	Chair (from 1 January 2019)
Mee Ling Ng	Independent Governor	

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Audit committee

Terms of reference

1.   Constitution

1.1   The Board of Governors has established a committee of the Board known as the Audit Committee.

2.   Membership

2.1   The Audit Committee and its chair shall be appointed by the Board, from among its own members, and must consist of members with no executive responsibility for the management of the institution.

2.2   There shall be no fewer than three members; a quorum shall be at least two members.

2.3   The chair of the Board should not be a member of the committee.

2.4   Members should not have significant interests in LSBU.

2.5   At least one member should have recent relevant experience in finance, accounting or auditing.

2.6   The committee may, if it considers it necessary or desirable, co-opt members with particular expertise.

2.7   Members of the committee should not also be members of the finance committee (or equivalent).

3.   Attendance at meetings

3.1   The chief executive, head of finance (or equivalent), the head of internal audit and a representative of the external auditors shall normally attend meetings where business relevant to them is to be discussed.

3.2   At least once a year the committee should meet with the external and internal auditors without any officers present.

4. Frequency of meetings

4.1 Meetings shall normally be held four times each financial year. The external auditors or head of internal audit may request a meeting if they consider it necessary.

5. Authority

5.1 The committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the committee.

5.2 The committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the head of institution and/or chair of the Board. However, it may not incur direct expenditure in this respect in excess of £20,000 without the prior approval of the Board.

5.3 The Audit Committee will review the audit aspects of the draft annual financial statements. These aspects will include the external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' management letter. The committee should, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to the Board.

6. Secretary

6.1 The secretary to the Audit Committee will be the Clerk to the Board or other appropriate person nominated by the Clerk.

7. Duties

7.1 The duties of the committee shall be to:

7.1.1 advise the Board on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors;

7.1.2 discuss with the external auditors, before the audit begins, the nature and scope of the audit;

7.1.3 as necessary, to hold regular discussions with the external auditors (in the absence of management where necessary);

7.1.4 consider and advise the Board on the appointment and terms of engagement of the internal audit service (and the head of internal audit if applicable), the audit fee, the provision of any non-audit services by the internal auditors, and any questions of resignation or dismissal of the internal auditors;

7.1.5 review the internal auditors' audit risk assessment, strategy and programme; consider major findings of internal audit investigations and management's response; and promote co-ordination between the internal and external auditors. The committee will monitor that the resources made available for internal audit by the executive are sufficient to meet LSBU's needs (or make a recommendation to the Board as appropriate);

7.1.6 keep under review the effectiveness of the risk management, control and governance arrangements, and in particular review the external auditors' management letter, the internal auditors' annual report, and management responses;

7.1.7 monitor the implementation of agreed audit-based recommendations, from whatever source;

7.1.8 monitor the proper investigation by the executive of all significant losses and that the internal and external auditors, and where appropriate the funding council's accounting officer, have been informed;

7.1.9 oversee the policy on anti-fraud and irregularity, including being notified of any action taken under that policy;

7.1.10 satisfy itself that suitable arrangements are in place to promote economy, efficiency and effectiveness;

7.1.11 receive any relevant reports from the National Audit Office (NAO), the funding councils and other organisations;

7.1.12 monitor annually the performance and effectiveness of the external and internal auditors, including any matters affecting their objectivity, and

make recommendations to the Board concerning their reappointment, where appropriate;

7.1.13 consider elements of the annual financial statements in the presence of the external auditors, including the auditors' formal opinion, the statement of members' responsibilities and the statement of internal control, in accordance with the funding councils' accounts directions;

7.1.14 in the event of the merger or dissolution of the institution, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed;

7.1.15 advise the Board of Governors on the effectiveness of the internal control system and recommend changes as necessary;

7.1.16 review regularly the financial regulations for the supervision and control of financial procedures, accounts, income and expenditure of LSBU and to advise the Board of Governors as necessary;

7.1.17 monitor compliance with relevant regulatory and legal requirements (e.g. HEFCE financial memorandum) and report to the Board of Governors as necessary;

7.1.18 receive reports made under the "speak up" policy and to monitor annually the performance and effectiveness of the "speak up" policy and procedures;

7.1.19 to authorise single debt write offs above £10,000 and annual debt write offs above £50,000. To receive a report on any debt written off below this threshold and approved by the Executive Director of Finance.

7.1.20 to consider significant deviations from business case or concerns following a post investment review

8. Reporting procedures

8.1 The minutes (or a report) of meetings of the Audit Committee will be circulated to all members of the Board.

8.2 The committee will prepare an annual report covering the institution's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Board and Vice Chancellor/Chief Executive,

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and will summarise the activity for the year. It will give the committee's opinion of the adequacy and effectiveness of the institution's arrangements for the following:

- risk management, control and governance (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts); and

- economy, efficiency and effectiveness (value for money).

- management and quality assurance of data submitted to HESA and to HEFCE and other funding bodies

This opinion should be based on the information presented to the committee. The Audit Committee annual report should normally be submitted to the Board before the members' responsibility statement in the annual financial statements is signed.

Approved by the Board of Governors on 9 July 2015

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