

Meeting of the Audit Committee

4.00 - 6.00 pm* on Tuesday, 3 October 2017
in 1B16 - Technopark, SE1 6LN

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

Agenda

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2.	Declarations of interest		SB
3.	Minutes of the previous meeting	3 - 10	SB
4.	Matters arising	11 - 14	SB
Internal audit			
5.	Draft internal audit annual report, 2016/17	15 - 38	RF
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7.	Internal audit report - Key Financial Systems 16/17 P2 (Jan-July 17)	83 - 136	RF
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10.	Internal audit charter	185 - 194	RF
11.	General Data Protection Regulations readiness assessment test report	195 - 202	JS
External audit			
12.	Pensions assumptions	203 - 206	RF
Risk and control			
13.	Corporate risk register	207 - 230	RF
14.	Risk appetite and strategy	231 - 250	RF
Other matters - items to approve			
15.	Internal controls - annual review of effectiveness	251 - 268	RF

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
16.	Draft corporate governance statement, 2016/17	269 - 278	JS
17.	Draft public benefit statement, 2016/17	279 - 284	JS
Other matters - items to note			
18.	Speak up report	285 - 286	JS
19.	Anti-fraud, bribery and corruption report	287 - 288	RF
20.	Audit Committee business plan	289 - 296	MB
21.	Membership and Terms of Reference	297 - 304	MB
22.	Matters to report to the Board following the meeting		JS

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

Members: Steve Balmont (Chair), Shachi Blakemore, Duncan Brown, Mee Ling Ng and Roy Waight

In attendance: David Phoenix, Natalie Ferer, Richard Flatman, James Stevenson, Michael Broadway, Joe Kelly

Internal auditors: Justin Martin, Lucy Gresswell - PwC

External auditors: Fleur Nieboer and Jack Stapleton - KPMG



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**Minutes of the meeting of the Audit Committee
held at 4.00 pm on Thursday, 8 June 2017
1B16 - Technopark, SE1 6LN**

Present

Steve Balmont (Chair)
Shachi Blakemore
Mee Ling Ng
Roy Waight

In attendance

David Phoenix
Natalie Ferer
Richard Flatman
James Stevenson
Michael Broadway
Shân Wareing
Justin Martin (PwC - internal auditors)
Charlotte Bilsland (PwC - internal auditors)
Lucy Gresswell (PwC - internal auditors)
Jack Stapleton (KPMG - external auditors)
Fleur Nieboer (KPMG - external auditors)

1. Welcome and apologies

The Chair welcomed members to the meeting. The Chair welcomed Fleur Nieboer and Jack Stapleton from KPMG the newly appointed external auditors.

No apologies had been received.

The committee noted an update from the Vice Chancellor on Project Larch, the project to bring Lambeth College into the LSBU Family of Educational Institutions. The committee noted that the full business case for the Project would be discussed by the Board at an extraordinary meeting of 13 June 2017.

It was noted that during phase one the university would obtain rights to appoint the majority of governors of the board of Lambeth in accordance with

revised instrument and articles of government to be adopted by Lambeth College. During phase two it was intended that Lambeth College would dissolve and the activities of the College would transfer to a new wholly owned subsidiary of LSBU.

2. Declarations of interest

The committee noted that Shachi Blakemore had previously declared an interest to the Board on Project Larch as Lambeth College is a client of her firm. The committee noted that PwC had prepared the full business case for Project Larch. LSBU's internal audit team were entirely separate from the PwC team that worked on Project Larch.

3. Minutes of the previous meeting

The committee approved the minutes of the meeting of 7 February 2017 and their publication without any redactions.

4. Matters arising

The committee noted that actions 5, 12 and 18 had been completed.

The committee noted the TRAC return would be reviewed by Shachi Blakemore by the end of June 2017.

The committee noted that the development of an LSBU group risk register would form part of the Board working group on LSBU group governance structures.

5. Placements update

The committee noted an update on recommendations from the internal audit report on placements. The internal audit report had been discussed by the committee at its meeting of 7 February 2017.

It was reported that five of the recommendations had been completed and that seven were progressing in line with the project plan.

Shân Wareing left the meeting

6. External audit progress report

The committee noted the technical update and progress report of the external audit from KPMG. An initial visit from KPMG would take place in July 2017 and fieldwork for the external audit would commence in September 2017.

The committee noted that the executive is reviewing gender pay gap reporting requirements.

7. External audit plan

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 Project Larch and noted the opinion of KPMG was that the university would not need to consolidate the accounts of Lambeth College into the LSBU group accounts during phase one of the transaction.

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

8. KPMG Key performance indicators

The committee approved the KPIs of KPMG as agreed as part of the tender process. Narrative reporting on performance would also be included.

9. Indicative pensions assumptions

The committee noted that the pension assumptions used for calculating the deficit in the LPFA scheme at year end 2016/17 had yet to be provided by the scheme actuaries. The assumptions would be circulated to the committee for information when available.

10. Annual bad debt write off

The committee approved the write-off of tuition fee debt of £768k, 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.

11. Internal audit progress report

The committee noted the progress reports from PwC. 86% of the programme had been completed which was in line with the plan. The implementation rate of recommendations was good.

The committee noted that PwC were supporting the university in preparing for the General Data Protection Regulation which comes into force in May 2018.

12. Financial data continuous auditing report

The committee noted the financial data continuous auditing report for period 2. Both Payroll and Accounts Payable were rated amber. This was largely down to manual processes, many of which were now redundant following implementation of the new HR i-trent system. However, team changes and supervision also contributed to poor performance. The Executive was requested to review controls and supervision within the team and the interaction between payroll and HR.

13. Student data continuous audit report

The committee discussed the student data continuous auditing report, which was rated as medium risk.

The committee noted that the project to upgrade the student records system should help improve aspects of student data reporting.

14. Apprenticeships report

The committee discussed the internal audit report on apprenticeships which was rated as high risk. The executive considered that this was a result of being in the start-up phase with new processes being developed.

The committee requested an update at its next meeting.

15. Internal audit plan, 2017/18

The committee discussed the draft internal audit plan. The plan was for 125 days over the year. The plan included an audit of the new HR system, international partnerships, ICT and health and safety.

The committee approved the Internal Audit plan for 2017/18, subject to a review if the move of Lambeth College into the LSBU family of educational institutions impacted on the university.

16. **Corporate risk register**

The committee noted the corporate risk register. The committee discussed the risk rating on Project Larch. The rating would be reviewed if Lambeth College moved into the LSBU family of educational institutions.

The committee noted that a number of target dates for actions had passed. The committee requested that this is reviewed ahead of the next meeting.

17. **TRAC(T) return**

The committee noted the TRAC(T) return to HEFCE. The committee would ratify the return after it was reviewed by Shachi Blakemore alongside her review of the TRAC return (minute 4 refers).

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

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

19. **Anti-fraud policy review**

The committee noted that the anti-fraud policy remained unchanged from last year. The committee noted the fraud self-assessment had been undertaken in May 2017. The committee approved the policy.

20. **Speak up report**

The committee noted the Speak Up report. No new issues had been raised since the last meeting.

The committee noted that the allegation of unfairness in a university process had been investigated. The final report had been recently sent to the Chair of the Committee to review and conclude the matter. An update would be provided to the committee when the case was closed.

21. **External data returns report**

The committee noted the report on external data returns which would help the committee form its opinion on the quality of data returns in its annual report.

22. Effectiveness review - update from Chair at meeting

The Chair updated the committee on the initial findings of the recent self-assessment review of the committee's effectiveness.

The review had been largely positive. Two suggested areas to develop were:

- Training and development of audit committee members; and
- The level of involvement of the committee in the planning of both the external and internal audits.

The committee welcomed the KPMG technical update which would be circulated to the committee for each meeting and provided a briefing for committee members on sector and technical updates. All committee members would also be registered with KPMG's Audit Committee Institute.

After discussion, it was agreed that the committee's level of involvement in external and internal audit planning was appropriate.

23. Audit Committee business plan

The committee noted its business plan.

24. Grant Thornton resignation letter

The committee noted the resignation letters dated 6 April 2017 from the previous external auditors, Grant Thornton following the end of their contract. The committee noted that there were no circumstances connected with their resignation which needed to be raised with the Board. As required, the letter had been circulated to the Board of Governors and HEFCE for information.

25. Matters to report to the Board following the meeting

The committee requested that the internal audit plan, internal audit report on apprenticeships, external audit plan and an update on the committee effectiveness be reported to the Board. The corporate risk register would be reported to the Board as usual.

26. Any other business

The committee noted that LSBU's emergency response following the London Bridge terrorist incident of 3 June 2017 had operated well. Areas of weakness in out-of-hours communications had been identified and would be reviewed.

The committee noted the recent malware cyber attack on the NHS had affected parts of the university but it had been contained and the impact was limited.

The committee requested an update on lessons learned from both incidents is provided.

The committee noted that this was Charlotte Bilsland's last meeting as internal auditor. The committee thanked Ms Bilsland for her contribution to the committee.

**Date of next meeting
4.00 pm, on Tuesday, 3 October 2017**

Confirmed as a true record

..... (Chair)

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**AUDIT COMMITTEE - THURSDAY, 8 JUNE 2017
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
6.	External audit progress report	Review gender pay gap reporting		Executive	Under review
9.	Indicative pensions assumptions	Circulate indicative pension assumptions to committee when available		Richard Flatman	Done (05.07.17 by email)
12.	Financial data continuous auditing report	Review controls and supervision within the payroll team		Executive	Update as part of the continuous auditing report on the agenda
14.	Apprenticeships report	Update on apprenticeships to audit committee meeting of 3 October 2017		Pat Bailey	Update provided under matters arising
16.	Corporate risk register	Review corporate risk register		Richard Flatman	Completed
17.	TRAC(T) return	Review TRAC(T) return		Shachi Blakemore, Richard Flatman	Completed. Committee to formally ratify return.
20.	Speak up report	Update committee on conclusion of speak up matter		James Stevenson	On agenda
22.	Effectiveness review – update from Chair at meeting	KPMG technical update to be circulated to the committee for each meeting		KPMG	To do
25.	Matters to report to the Board following the meeting	Internal audit plan, internal audit report on apprenticeships, external audit plan and an update on the committee effectiveness to be reported to the Board		Richard Flatman, James Stevenson	Completed

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
26.	Any other business	Update on lessons learned from malware cyber attack and terrorist incident		Ian Mehrtens	Completed. Email circulated to the Board on 25 August 2017

Follow up to internal audit report on apprenticeships

1) Internal Audit May 2017

The objective of the Internal Audit was to review the controls in place for apprenticeships and assess whether the necessary evidence is in place to meet ESFA rules. This enabled the Apprenticeship team to tighten certain procedures. However the scope of the audit was limited and the report did not provide guidance on all ESFA requirements. The Apprenticeship team has done further work to access the full breadth of the requirements and to implement the necessary processes (see 2) below).

Following the May 2017 internal audit recommendations, the following actions have been implemented:

- Docu Sign has been introduced
- Employer Incentive payments have been claimed
- Additional Learning Support is now being claimed via the Individual Learning Record (ILR) process
- ESFA Funding rules have been mapped to evidence and signposted to LSBU documentation
- Learner Journey has been mapped
- Centralised Guidance Document has been created
- E- portfolio has been chosen and will be introduced shortly

Further changes required are:

- LSBU needs to retain details of the state benefits claimed by apprentices; this will be added to online portfolio.
- Processes need to be developed to involve academics in reviews of apprentices.

PwC will report on the follow up to the internal audit report recommendations in its progress report to the audit committee meeting of 9 November 2017.

2) ESFA Funding Rules

Further to the Audit, by breaking down the funding rules we have been able to clearly see how, when and where LSBU can evidence that it is compliant with the Funding Rules. A document has now been produced that clearly signposts where evidence is supported by various documentation and processes.

This evidence pack must contain evidence to support the funding claimed and must be available to the ESFA on request. The introduction of the e-portfolio "Onefile" will support the storage of evidence. This will include initial assessments, evidence of first date of learning, their Individual Learning Plan, reviews and registers.

3) Other actions:

Procedures have been modified for the enrolment for 17/18 to be compliant. Once Onefile is operational the Apprenticeship Team will carry out an in house audit to confirm that this is fully effective.

LSBU to ensure that Onefile is used to record 16/17 learners to capture all the evidence required to be fully compliant. This will be in place by end November 2017.

LSBU to undertake a review of enrolment processes in October 2017 and to identify appropriate changes to the enrolment process (eg online forms to include support needs and any state benefits claimed).

Student reviews to place every 12 weeks and will need feedback from the academics. A member of the Apprenticeship Team is responsible for sending these reviews to the employer via Onefile.

Conclusion

We believe that LSBU has the historical evidence and ongoing processes necessary to satisfy the requirements of an ESFA audit of its apprenticeship programme.



	CONFIDENTIAL
Paper title:	Internal Audit Annual Report – 2016/17
Board/Committee	Audit Committee
Date of meeting:	3 rd October 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Information; to provide Committee with the annual report on the work of the Internal Audit programme.
Which aspect of the Corporate Strategy will this help to deliver?	The internal audit plan relates to controls and processes that relate to the entire organisation, and provides assurance against all of the risk types within the Corporate Risk Appetite statement.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the report and its findings

Matter previously considered by:		
Further approval required?		

Executive Summary

The internal audit annual report is part of the annual accountability return we make to Hefce, and contains the opinion which is included in the published accounts.

The opinion within this report for 2016/17 is “generally satisfactory with some improvements required”. This is consistent with the previous year, and the second highest of four potential categories.

The commentary on page two highlights these areas, which mainly relate to the report into the delivery of Apprenticeships, and recognises that 97% of agreed actions falling due in 16/17 were implemented, a further improvement on the 88% reported in 15/16.

- The Committee is requested to note the annual report.

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Internal audit annual report *2016/17* DRAFT

*London South
Bank University*

September 2017

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Appendices

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2. Opinion types
3. Basis of our classifications
4. Outstanding recommendations
5. Mapping of internal audit work

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 31/07/2017.

The Higher Education Funding Council for England’s (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 127 days, of which 128 days were delivered. Whilst this report is a key element of the framework designed to inform the Audit Committee’s Annual Report to HEFCE, 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 5.

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.

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.
- Any significant recommendations not accepted by management and the resulting risks.
- 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.

The commentary on page 5 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. The findings from these reports are not considered significant in aggregate to the system of internal control. None of the individual assignments completed in 2016/17 have an overall classification of critical risk.
- We identified one high risk report this year, the Apprenticeships review. This area was selected for review due to the University’s objective to expand the current apprenticeship training provision. We identified one high risk finding as we found that there were issues in regards to LSBU’s compliance with the funding rules set by the Education & Skills Fundraising Agency. In particular, we found that apprenticeship agreements had not been signed by all parties ahead of the apprenticeship start date, employer incentive payments had not been transferred to the employer within the deadline and attendance records had not maintained for 6/20 students in our sample. 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 remained robust during the year with no significant exceptions or control recommendations raised. There have been some exceptions identified through our substantive controls testing of Accounts Payable processes and we have noted another incidence of deterioration in performance in payroll control, see details in section 3, however the findings identified are not considered to be significant in aggregate to the key 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 improved in 2016/17; 97% of agreed actions have been implemented compared to 88% in the 2015/16.
- LSBU’s risk management arrangements continue to be strong as evidenced by our low risk report. In particular, LSBU has a clear risk governance structure and consistent approach to identifying and managing risk at all levels. The University’s approach integrates risk management with the strategic and business planning process which is in line with good practice and has an established risk appetite which is aligned with strategic objectives.
- 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.

Acknowledgement

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

Summary of findings

Our annual internal audit report is timed to inform the organisation’s Audit Committee’s Annual Report to HEFCE.

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

Description	Detail
<p>Overview</p> <p>We completed 11 internal audit reviews. This resulted in the identification of 0 critical, 1 high, 13 medium and 11 low risk findings to improve weaknesses in the design of controls and/or operating effectiveness.</p> <p>Over the past three years, the number of findings has remained consistent which demonstrates that LSBU has a stable control environment. The risk profile has changed over the course of the three year period with more low risk findings and fewer high risk findings.</p>	<ul style="list-style-type: none"> • 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 2016/17. • We have completed our Internal Audit Plan in line with the set timescales.
<p>Risk Management, Control and Governance</p> <p><i>Risk Management</i></p> <p>Risk management arrangements remain robust. We were pleased to see that despite a low risk rated report in 2015/16, management have continued to implement improvements to further strengthen the University’s approach to risk management.</p> <p>The current year review identified just two low risk findings which relate to omissions in the organisational risk registers and minutes not being available for risk discussions at the School/ Professional Service Group level.</p> <p><i>Control</i></p> <p>Our review of Apprenticeships identified that this is a high risk area for the University. We identified one high risk finding which is summarised opposite.</p>	<p><i>Apprenticeships – high risk finding</i></p> <p>We identified one high risk finding relating to LSBU’s compliance with the ESFA higher education institution funding rules:</p> <ul style="list-style-type: none"> • For 19/20 apprentices we tested, we found that the apprenticeship agreement and commitment statement had not been signed by all parties ahead of the apprenticeship start date; • Employer incentive payments were claimed for seven of the 20 students in our sample. In all seven cases, the payment had not been transferred to the employer within the 10 working day deadline set by the ESFA. In one instance, the employer incentive claim form could not be located; and • Attendance records could not be provided for 6/20 apprentices. All of these apprentices were in the School of Health and Social Care.

Summary of findings

Description	Detail
<p>The results of our Key Financial Systems Continuous Auditing has remained largely consistent throughout the year, with the exception of payroll where we have seen an increase in the number of operating effectiveness exceptions identified. A summary of Continuous Auditing performance and the results of individual reviews is included in Section 3. Despite the decline in performance, we do not consider the findings to be significant in aggregate to the control environment.</p> <p>Value for Money</p> <p>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.</p>	<p>Value for Money has been demonstrated through the following activities:</p> <ul style="list-style-type: none"> • <i>Use of purchasing consortiums</i> – LSBU is a member of the London Universities Purchasing Consortia; • <i>Adherence to financial controls</i> - 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 • <i>Value for Money Working Group</i> – 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.
<p>Data Submission</p> <p>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 HEFCE.</p> <p>Whilst there is no requirement for our internal audit programme to provide a conclusion in respect of data quality, our internal audit programme in 2016/17 has been designed to support the Audit Committee in forming its conclusion in respect of such matters.</p>	<p>Continuous Auditing</p> <p>The two Student Data Continuous Auditing reports issued in 2016/17 were both classified as medium risk. 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.</p>

Summary of findings

Description	Detail
<p>Data Submission (continued)</p>	<p><i>HR System Implementation</i></p> <p>LSBU integrated the HR module of Midlands iTrent during the year. The objective of this review was to assess whether appropriate controls were in place to ensure the complete and accurate migration of employee data. This review was classified as low risk. One medium risk finding was identified as there was no process in place to identify lessons learnt from the project.</p>
<p>Good practice</p> <p>We also identified a number of areas where few weaknesses were identified and / or areas of good practice.</p>	<p><i>Contract Management and Spend Activity</i></p> <p>Although this review was medium risk rated, we found some key examples of good practice:</p> <ul style="list-style-type: none"> • All Contract Managers stated that they felt supported by the Procurement team. From our interviews with Procurement, we are aware that the Head of Procurement has started work on preparing a new framework for managing contracts which will be tailored to each contract based on their impact. We agree that this will significantly improve contract management going forwards. • One contract we reviewed demonstrated good practice with established KPIs, monthly supplier meetings and a robust audit trail of all discussions with the supplier. We recommend that this practice is shared with other Contract Managers. <p><i>HR System Implementation</i></p> <p>Our review over the implementation of the new HR System, iTrent, was classified as low risk. We identified just two findings (one medium risk and one low risk) and found that there was a clear plan in place to implement the system successfully.</p> <p><i>Risk Management</i></p> <p>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.</p>

Internal audit work conducted

Introduction






The table below sets out the results of our internal audit work. The following page shows direction of control travel and a comparison of planned and actual internal audit activity. The criteria for our report classifications and the definitions applied in the assessment of our individual findings are included in Appendix 3.

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	-	-	3	-
Continuous Auditing: Key Financial Systems – Phase 2	No Classification	Final	-	-	1	1
Continuous Auditing: Student Data – Phase 1	No Classification	Final	-	-	-	2
Continuous Auditing: Student Data – Phase 2	No Classification	Final	-	-	-	1
HEFCE: 5 Year Review	No Classification	Final	-	-	-	-
HR System Implementation	Low	Final	-	-	1	1
Placements	Medium	Final	-	-	4	2
Apprenticeships	High	Final	-	1	2	1
IT audit	No classification	<i>The review has been delayed and will be presented to the November Audit Committee</i>				
Risk Management	Low	Final	-	-	-	2
Contract Management and Spend Activity	Medium	Final	-	-	2	1
Total			-	1	13	11

Internal audit work conducted

Direction of control travel

Finding rating	Trend between current and prior year	Number of findings		
		2016/17	2015/16	2014/15
Critical		-	-	-
High		1	2	4
Medium		13	14	13
Low		11	4	9
Total		25	20	26

Over the past three years, the number of findings has remained consistent which demonstrates that LSBU has a stable control environment. The risk profile has changed over the course of the three year period with more low risk findings and fewer high risk findings. There have been no critical risk rated findings over the past three years which is positive.

The trend should be considered in the context that we conduct different reviews each year which present different risk profiles. In 2015/16, both the high risk findings came from the Data Security internal audit which has not been included in the 2016/17 internal audit programme.

Implications for management

- The high risk finding in the current year relates to the Apprenticeships report. This report was classified as high risk due to signed apprenticeship agreements not being in place for the majority of apprentices tested (19/20), lack of attendance records for 6/20 apprentices tested and non-compliance with the rules set by the Education & Skills Funding Agency (ESFA) in relation to transferring employer incentive payments. We will follow up on the findings from this review and provide an update at the next Audit Committee meeting.
- The majority (24%) of findings were from the Placements report. We have followed up on the agreed actions during the year and we're pleased to report that 5/6 agreed actions have now been implemented and 1/6 agreed actions is partially implemented (see details and revised implementation date in Appendix 4).
- In the prior year, Data Security was the primary area of concern, with a high risk rating overall. As part of the 2016/17 internal audit programme, we have conducted a benchmarking exercise to understand which aspects of the IT control environment present the greatest risk. This report has been delayed, however we anticipate that this review will highlight the areas of focus for the 2017/18 IT audit.
- 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 a decline in performance during the year, however we have not identified any risks which are pervasive to the entire control environment.

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 2016/17 audit programme. The comparative performance for 2015/16 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 2017/18 key financial systems as this captures the results of testing during the 2016/17 financial year (January 2017 – July 2017). 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 there has been a deterioration in performance during this period due to an increase in the number of operating effectiveness and control design exceptions identified. Payroll in particular has continued to deteriorate and has moved from a green rating to a red rating over the two year period. A key theme underlying the decline in payroll performance is missing evidence and lack of timely input by the HR and payroll teams.

System / Rating	Trend	2017/18 IA Programme		2016/17 IA Programme		2015/16 IA Programme	
		P1 2017/18	P2 2016/17	P1 2016/17	P2 2015/16	P1 2015/16	
Payroll	↓	 Red (5)	 Amber (5)	 Amber (4)	 Amber (5)	 Green (0)	
Accounts Payable	↔	 Amber (1)	 Amber (2)	 Green (1)	 Green (0)	 Green (2)	
Accounts Receivable	↔	 Green (2)	 Green (2)	 Green (1)	 Green (3)	 Green (1)	
Cash	↔	 Green (1)	 Green (1)	 Amber (1)	 Green (1)	 Green (0)	
General Ledger	↔	 Green (2)	 Green (0)	 Amber (1)	 Green (1)	 Green (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 both Phases in 2016/17; this was classified as low risk for both Phases in 2015/16. The table shows a decline in performance during the year: 35 operating effectiveness exceptions were identified in Phase 1; this increased to 41 exceptions Phase 2. One control design exception was also identified in Phase 2 (Phase 1: two exceptions). The increase in exceptions is driven by evidence not being available to confirm that a control has operated effectively.

Page 28

Control	P2 16/17 Effectiveness	P2 16/17 Control design	P1 16/17 Effectiveness	P1 16/17 Control design	Trend
S1	14	-	3	1	↓
S2	-	-	5	-	↑
S3	1	-	4	-	↑
S4	1	-	4	1	↑
S5	6	-	5	-	↓
S6	5	-	9	-	↑
S7	-	1	1	-	↔
S8	8	-	1	-	↓
S9	N/A	-	N/A	-	↓
S10	1	-	-	-	↓
S11	5	-	3	-	↓
Total	41	1	35	2	↓

In Phase 1, we applied Computer Assisted Audit Techniques (CAATS) to perform data mining procedures over a sample of courses and modules to confirm that student timetabling data is correct and to highlight any potential exceptions to management. We identified just two minor exceptions in Phase 1. Due to the significant improvement in the CAATS results in Phase 1, we agreed to remove CAATS testing from the scope of the review in Phase 2.

Internal audit work conducted

Comparison of planned and actual activity

Audit unit	Budgeted days	Actual days
<i>Continuous Auditing: Financial Controls – Phase 1</i>	13	15
<i>Continuous Auditing: Financial Controls – Phase 2</i>	12	15
<i>Continuous Auditing: Student Data Controls – Phase 1</i>	15	15
<i>Continuous Auditing: Student Data Controls – Phase 2</i>	15	12
<i>DEFCE: 5 Year Review</i>	5	5
<i>HR System Implementation</i>	9	9
<i>Placements</i>	8	8
<i>Apprenticeships</i>	7	7
<i>IT audit</i>	10	9*
<i>Risk Management</i>	5	5
<i>Contract Management and Spend Activity</i>	10	10
<i>Value for Money</i>	3	3
<i>Audit management and follow up</i>	15	15
Total	127	128

* The IT audit has not been finalised.

Implications for management

- Five additional days were required to complete the Financial Controls Continuous Audit due to the number of exceptions which arose during testing.
- We used three less days than budgeted for the Student Data Continuous Audit – Phase 2. This was due to a change in scope as we removed the CAATs testing over timetabling data. This change was agreed with Audit Committee following the significant improvement in testing results in Phase One as only two minor exceptions were identified.
- In light of the variance between budgeted and actual days for both Continuous Audits, we have amended the 2017/18 Internal Audit budget and allocated 30 days to Financial Controls and 25 days to Student Data.
- The IT audit has not yet been completed. There have been delays to this review due to the number of stakeholders required to provide input into the report. We have currently used 9 days of the allocated budget, we expect that all 10 days will be used.

Follow up work conducted

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented.

Within the Internal Audit Risk Assessment and Internal Audit Plan 2016/17, ten 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.

Results of follow up work

29 agreed actions were due for implementation by 31 July 2017. The table below summarises the follow up work performed.

Status	Number of agreed actions due by 31/07/2017
Implemented	28
Partially implemented and deferred to 2016/17	1
Not implemented	0
Total	29

Summary

There is one agreed action (3%) which was due to be resolved by year end, but additional work is required to close the action. We have provided details of the current status of the finding and the revised implementation deadlines in Appendix 4.

We will continue to work collaboratively with management in 2017/18 to ensure that implementation timescales agreed for management actions in year are achievable, taking in to account any known or expected changes in LSBU’s processes or regulatory requirements.

Appendix 1: Limitations and responsibilities

Appendix 2: Opinion types

Appendix 3: Basis of our classifications

Appendix 4: Outstanding recommendations

Appendix 5: Mapping of internal audit work

Appendices

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 year ended 31/07/2017. 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.

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either: <ul style="list-style-type: none"> 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.

Appendix 3: 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 3: 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

Appendix 4: Outstanding recommendations

Breakdown of outstanding recommendations

There is one agreed actions which has been partially implemented by 31 July 2017. We have provided a breakdown of the original finding raised, agreed action, risk rating, status and revised due date below.

Review	Agreed Action	Risk Rating	Original due date	Revised due date	Status
Placements Page 36	<p><u>InPlace findings</u></p> <ol style="list-style-type: none"> 1. We will involve key users in the tailoring of the software in terms of reports and monitoring functionality, to enable a smoother transition when the system goes live, and enable the system to be used to the best of it's capacity. 2. We will formulate a general survey which will be input into InPlace and allow wide-scale student interaction and feedback. 3. We will explore the reporting tools within InPlace and utilise a report which will show when placements are coming to an end, so that the placement provider can be contacted to understand their business needs and the possibility of further placements for LSBU students. 4. We will tailor training courses to different schools and user groups to ensure that they understand how to get the best out of the software and how it can improve both staff productivity and student experience. 5. We will use the reporting function on InPlace to track the progress of placement applications and follow-up on slow-moving placement applications where appropriate. 6. Appropriate due diligence checks will be completed before giving placement providers access. If access is granted to placement providers, their access will be limited to prevent them viewing sensitive data. 	<p>●</p> <p>Medium</p>	30/06/2017	31/12/2017	<p>Partially implemented.</p> <ol style="list-style-type: none"> 1. Stakeholder groups are being created for new academic year. The Governance Board will start in semester two of the 2017/18 academic year to manage change processes. 2. Feedback surveys have been incorporated into InPlace. 3. Not yet implemented. 4. Tailored training courses by Schools will be delivered in the new academic year based on student placement timings. A full communications plan being agreed with Marketing. 5. Not yet implemented. 6. The School of Health are exploring employer access to InPlace. No other Schools will have this functionality enabled.

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: Financial Controls – Phase 1	■	■	◆	■	■
Continuous Auditing: Financial Controls – Phase 2	■	■	◆	■	■
Continuous Auditing: Student Data Controls – Phase 1	■	■	■	■	◆
Continuous Auditing: Student Data Controls – Phase 2	■	■	■	■	◆
HEFCE: 5 Year Review	◆	■	■	■	■
HR System Implementation	■	■	■	■	◆
Placements	◆	■	●	●	■
Apprenticeships	■	◆	■	●	■
IT audit	◆	■	■	■	■
Risk Management	■	◆	■	●	●
Contract Management and Spend Activity	■	■	◆	◆	●
Value for Money	■	■	■	◆	■

Key

- ◆ Testing focused on this area
- Testing was peripheral
- Not tested

Data submission

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 Higher Education Statistics Agency, HEFCE 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.

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 15/05/2015. 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 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.

If you receive a request under freedom of information legislation to disclose any information we provided to you, you will consult with us promptly before any disclosure.

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	CONFIDENTIAL
Paper title:	Internal Audit Progress Report – September 2017
Board/Committee	Audit Committee
Date of meeting:	3 rd October 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Information; to provide Committee with the current progress of the work of the Internal Audit programme.
Which aspect of the Corporate Strategy will this help to deliver?	The internal audit plan relates to controls and processes that relate to the entire organisation, and provides assurance against all of the risk types within the Corporate Risk Appetite statement.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the report and its findings

Matter previously considered by:		
Further approval required?		

Executive Summary

99% of the agreed internal audit programme for 16/17 is now complete, and 17% of the 17/18 programme.

The progress overview accompanies three reports to committee, the Contract Management review, the review of Risk Management, and the Key Financial Systems Continuous audit report for period 2 16/17, alongside the draft annual report.

Ten agreed recommendations were followed up in this period, and 8 have now been implemented (80%), with 2 partially implemented (20%). (*details in appendix A on p15*)

- The Committee is requested to note the report and the progress made.

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Internal Audit Risk Assessment and Plan 2017/18

FINAL

London South Bank
University

July 2017

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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 2017/18 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.



Basis of our plan

We have budgeted 125 days for our 2017/18 Internal Audit Plan. In our view these are the minimum number of days required to support our Annual Audit Opinion.

As the Internal Audit Plan has been limited to 125 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

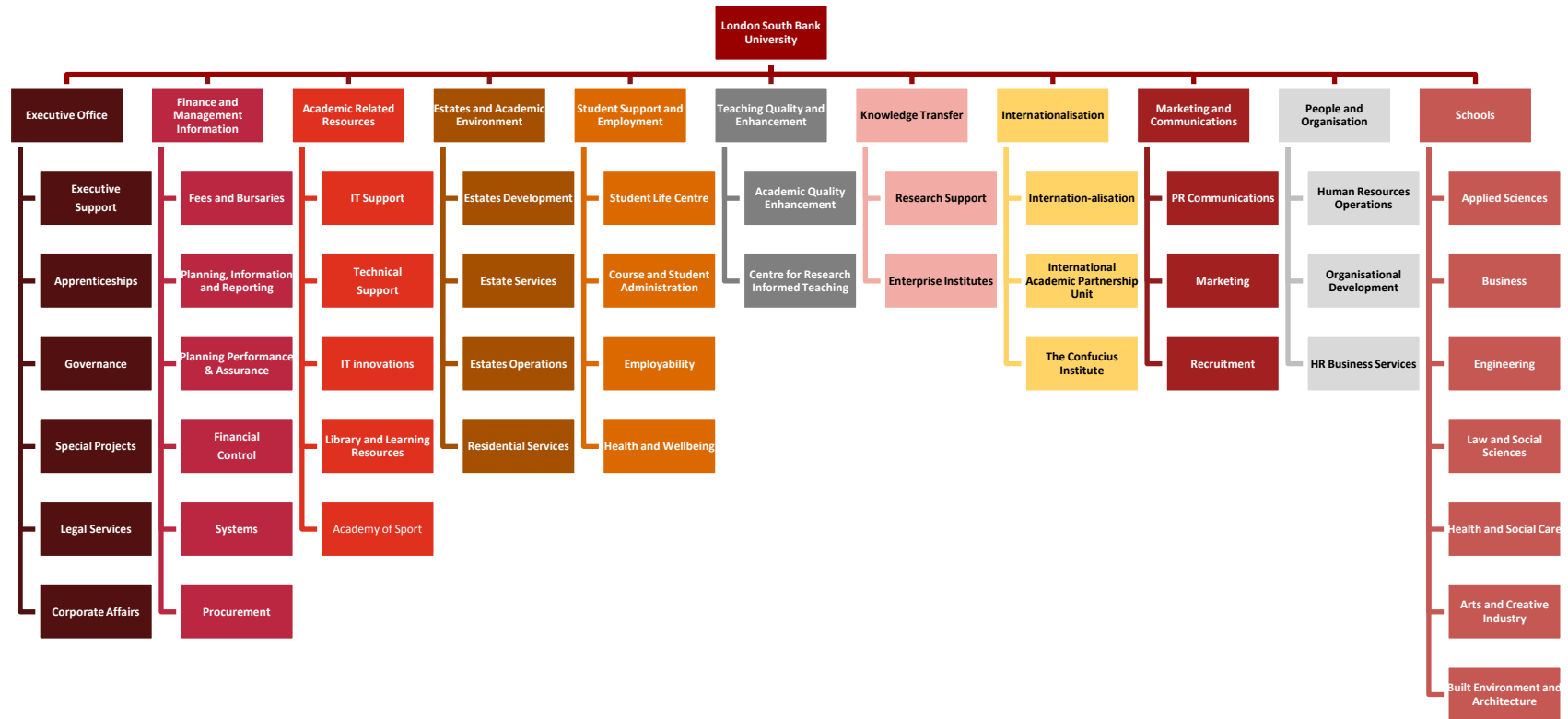
Internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Memorandum of Assurance and Accountability (MAA). As a result, our work and deliverables are not designed or intended to comply with 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

HEFCE Requirements

The HEFCE Audit Code of Practice within the HEFCE 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 HEFCE 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 HEFCE 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 HEFCE compliance requirements within the HEFCE Audit Code of Practice as shown in this diagram.



Key Priorities

In line with the HEFCE 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 2017/18 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 HEFCE 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), HEFCE 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 2017/18 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 2017/18 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 HEFCE 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 HEFCE Financial Memorandum between the Department for Education (DfE) and HEFCE. 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 2017/18.

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 2017/18 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 performed a review of London South Bank University's preparedness for the HEFCE 5 Year Review in 2016/17. No internal audit due until 2019/20.
A.4	Corporate Affairs	4	3	3	●	Every two years	We have included an assessment of London South Bank University's readiness for the introduction of the EU General Data Protection Regulation (GDPR) from May 2018 in 2016/17, no further work required this year.
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	We reviewed the controls in place for Apprenticeships in 2016/17. We will perform follow up work on our findings as part of the 2017/18 plan.
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 performed a review of contract management and spend activity in

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
							2016/17. No internal audit due until 2018/19.
B.6	Systems	5	4	3	●	Every two years	We reviewed the implementation of the new HR System in 2016/17. Elements of Agresso controls are tested as part of our continuous auditing programme.
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. Elements of the HR system controls are tested as part of our continuous auditing programme. We will also perform a HR audit in 2017/18 to review the controls in place following the implementation of the new system. We have also included a review over Health and Safety in the 2017/18 plan.
C.2	HR Business Services	5	3	4	●	Annual	
C.3	Organisational Development	5	3	4	●	Annual	
D	Internationalisation						
D.1	Internationalisation	4	3	3	●	Every two years	We will perform a review over International Partnership Arrangements in 2017/18.
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 2017/18.
E	Marketing and Communications						
E.1	PR Communications	4	3	3	●	Every two years	An internal audit covering PR Communications, Marketing and Recruitment is due in 2018/19. No work required this year.
E.2	Marketing	4	3	3	●	Every two years	
E.3	Recruitment	5	3	3	●	Every two years	
F	Knowledge Transfer						
F.1	Research Support	5	4	3	●	Every two years	We performed a review over Research and Enterprise Contracts in 2015/16. We also followed up on the agreed actions in 2016/17 and have seen that our recommendations have been implemented. No internal audit due until 2018/19.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
F.2	Enterprise Institutes	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2017/18.
G	Teaching Quality and Enhancement						
G.1	Academic Quality Enhancement	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2017/18.
G.2	Centre for Research Informed Training	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2017/18.
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 2017/18 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 2017/18.
I	Estates and Academic Environment						
I.1	Estates Development	3	3	2	●	Every three years	We have included a review over Health and Safety in the 2017/18 plan. This review will review the controls in place for ensuring the safety of staff and students on campus.
I.2	Estates Services	3	3	2	●	Every three years	
I.3	Technical Services	3	3	2	●	Every three years	
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 2017/18.
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 2017/18.
J.4	Health and Wellbeing	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2017/18.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
J.5	Academy of Sport	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2017/18.
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 2017/18, with indicative start dates for each audit.

Ref	Auditable Unit	Indicative number of audit days	2017/18				Comments
			Q1	Q2	Q3	Q4	
B	Finance and Management Information						
B.1	Risk Management	5				✓	<ul style="list-style-type: none"> • Policies and Procedures • Reporting and Monitoring of risk • Risk Identification • Embedding Risk Management
B.1	Value for Money	3				✓	HEFCE requirement. We will also consider value for money arrangements on other reviews performed.
B.2	Continuous Auditing – Financial Controls	30	✓		✓		We will review controls in the following areas: <ul style="list-style-type: none"> • General Ledger • Cash • Accounts Payable • Accounts Receivable • Payroll
B.3	Continuous Auditing – Student Data	25		✓	✓		Rolling cycle of reviews of key controls over student data. To also include compliance checks with UKVI.
C	People and Organisation						
C.1	HR audit	10			✓		We will review the HR controls in place following the introduction of the new HR system in 2016/17. This will include staff performance management.
D	Internationalisation						
D1	International Partnership Arrangements	10		✓			We will review international partnership arrangements, to ensure that these have been subject to appropriate levels of due diligence, risk management and ongoing oversight.

G	Academic Related Resources						
H.1	IT Audit	15			✓		Scope to be finalised following the completion of our IT Controls Benchmarking Assessment.
I	Estates and Academic Environment						
I1	Health and Safety	12	✓				We will perform a review of compliance with Health and Safety regulations.
Z	Audit Project Management						
Z.1	Planning and Management	10	✓	✓	✓	✓	
Z.2	Follow Up	5	✓	✓	✓	✓	
	Total Days	125					

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

From our work undertaken during 2016/17 and discussions with management, there are additional reviews that we believe management and the Audit Committee need to consider for inclusion in the 2017/18 plan in addition to the core days on the previous page. These include:

- 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. 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 have previously reviewed Business Continuity, Information Security, performed two Phishing exercises and completed an IT Controls Benchmarking Assessment. We are proposing to use the results of the Assessment to determine our IT Audit, this may include: **IT general controls, cyber security, IT infrastructure** 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 have included a review over partnership arrangements in the 2017/18 plan, 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 this and how you encourage staff to take on teaching qualifications in advance of the TEF coming in.
- 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.

- We completed a review over contract management and spend activity in 2016/17. We could also perform a **contract deep dive**, for example your IBM contract to ensure that key contract terms and conditions are complied with. We could also assess the **due diligence and risk management** procedures in place for entering into new contracts.
- **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 **Social Media Governance**.
- We performed a review over Placements in 2016/17, which included reviewing the controls in place for introducing the new placements system. We'd suggest that we perform another review of **Placements** once the new system is in place, this could also look at how London South Bank University is performing against their commitment to offer all students the opportunity of a placement, internship or a professional experience during their time with the University.

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.

<i>Impact rating</i>	<i>Assessment rationale</i>
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.

<i>Likelihood rating</i>	<i>Assessment rationale</i>
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 2017/18

Risk	Mapping to the Internal Audit Plan
Lack of capability to respond to policy changes & shifts in competitive landscape	<p>We do not have a specific audit in 2017/18 but have included a readiness assessment for changes to General Data Protection Regulation (GDPR) from May 2018. This is being performed in Quarter 4 of 2016/17.</p> <p>We have also included a review over international partnership arrangements in the 2017/18 plan. 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.</p>
Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets	<p>We have not included a specific review of this in our 2017/18 Internal Audit Plan. However we are planning to complete a review over PR Communications, Marketing and Recruitment in 2018/19. In our list of other potential audits, we have suggested that a review over Social Media Governance would be beneficial.</p>
Affordability of Capital Expenditure investment plans	<p>We have not included a specific review of this in our 2017/18 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.</p>
Inconsistent delivery of Placement activity across the institution	<p>Our 2016/17 Internal Audit programme included a review of Placements, including a review of London South Bank University's readiness to implement the new Placements system so this has not been included in our 2017/18 Internal Audit Plan. Our regular follow up work will ensure recommendations are implemented on a timely basis to mitigate any risks in this area.</p>
Higher Apprenticeship degrees	<p>We included a review of Apprenticeships in the 2016/17 Internal Audit Plan. We have not included another review of this area in 2017/18. Our regular follow up work will ensure recommendations are implemented on a timely basis to mitigate any risks in this area.</p>
Management Information perceived as unreliable, doesn't triangulate, or is not presented.	<p>We included a review of Management Information: Data Quality in the 2015/16 Internal Audit plan. Our regular follow up work ensures that recommendations are implemented on a timely basis to mitigate any risks in this area.</p> <p>Our continuous auditing programmes will also provide comfort over the robustness and data quality underpinning key financial systems and student data.</p>

Loss of NHS contract income.	We have not included any specific reviews of this in our Internal Audit Plan.
Data is not used/maintained security.	We have included time for an IT audit as part of our 2017/18 Internal Audit Plan.
Impact of Low staff engagement	We have not included any specific reviews of this in our Internal Audit Plan.
Increasing pension deficit reduces flexibility	We have not included any specific reviews 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.
Unrealised research & enterprise £ growth	We performed a review of processes and controls surrounding entering into research and enterprise contracts as part of 2015/16 Internal Audit Plan, our Risk Assessment indicates that a further review is not required this year.
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.
Negative Quality 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.
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.

Appendix 4: Summary of audit programme 2010/11 – 2017/18

The table below summarises the coverage of our internal audit work programme between 2010/11 – 2016/17:

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
Financial Systems								
Financial Forecasting	0	0	5	0	0	0	0	0
Financial Systems Key Control Reviews including continuous auditing	45	43	43	50	40	31	25	30
Funding arrangements for Confucius Institute	10	0	0	0	0	0	0	0
Payments to Hourly Paid Lecturers	10	0	0	0	0	0	0	0
Payroll Implementation	0	0	7	12	0	0	0	0
Payroll Follow Up	0	0	4	0	0	0	0	0
<i>Sub Total</i>	<i>65</i>	<i>43</i>	<i>59</i>	<i>62</i>	<i>40</i>	<i>31</i>	<i>25</i>	<i>30</i>
Operational Systems								
Apprenticeships	0	0	0	0	0	0	7	0
Bribery Act 2010	0	5	0	0	0	0	0	0
Business Continuity	0	0	0	10	0	0	0	0
Change Programme	0	0	0	0	15	0	0	0
Contract Management	10	0	0	0	0	0	10	0
Data Quality – rolling programme of reviews:								
2011/12 – HESA Staff Return	0	5	0	0	0	0	0	0
2012/13 – Key Information Set	0	0	10	0	0	0	0	0
2013/14 – HESA Finance Return	0	0	0	10	0	0	0	0
Delegated Authority arrangements	0	10	0	0	0	0	0	0
Enterprise	0	0	10	0	0	0	0	0
Extenuating Circumstances, Academic Appeals & other processes that could result in a student complaint to the OIA	0	0	0	16	0	0	0	0
Health and Safety	10	0	0	0	0	0	0	12
HEFCE 5 Year Review	0	0	0	0	0	0	5	0
HR System Implementation	0	0	0	0	0	2	9	0
HR audit	0	0	0	0	0	0	0	10

Internal Audit Risk Assessment and Plan 2017/18

Information Security	0	0	0	0	0	10	0	0
International Partnership Arrangements	0	0	0	0	0	0	0	10
IT audit	0	0	0	0	0	0	10	15
IT Security Arrangements	0	0	15	0	10	0	0	0
Management information: Data quality	0	0	0	0	0	10	0	0
Management of Fraud Risk	0	0	5	0	0	0	0	0
Management of Representative Partners for International Students	0	5	0	0	0	0	0	0
Prevent Duty	0	0	0	0	0	10	0	0
Placements	0	0	0	0	0	0	8	0
Research	0	10	0	0	0	0	0	0
Research and Enterprise Contracts	0	0	0	0	0	10	0	0
Review of Capital Programme	0	0	8	0	0	0	0	0
Student Data Continuous Auditing	0	0	0	0	30	25	30	25
Student Module Data	0	0	0	5	0	0	0	0
Student Residences	0	7	0	0	0	0	0	0
TRAC Review	0	0	3	0	0	0	0	0
Sub Total	20	42	51	31	55	67	79	72
Risk and Governance-Based Reviews								
Risk Management	2	13	2	5	10	5	5	5
Value for Money								
Value for Money Arrangements	10	2	2	5	5	5	3	3
Other								
Follow Up	5	5	5	5	5	5	5	5
Planning, Management and Reporting	9	9	9	10	10	10	10	10
Review of Financial Regulations	1	0	0	0	0	0	0	0
Total	112	114	128	128	125	123	127	125



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 Audit Progress Report 2017/18

*London South Bank
University*

FINAL

September 2017

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Appendices

- A. Follow up on audit actions
- B. Thought leadership



Summary (1 of 2)



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 summary

We have completed 99% of our 2016/17 internal audit programme for the year, and 17% of our internal audit programme for 2017/18. An outturn statement detailing assignments undertaken and actual activity is shown in the “Progress against plan” section.

For this Audit Committee, we present the following final reports:

- Contract Management and Spend Activity;
- Risk Management; and
- Continuous Auditing: Key Financial Systems 2017/18 Phase One.

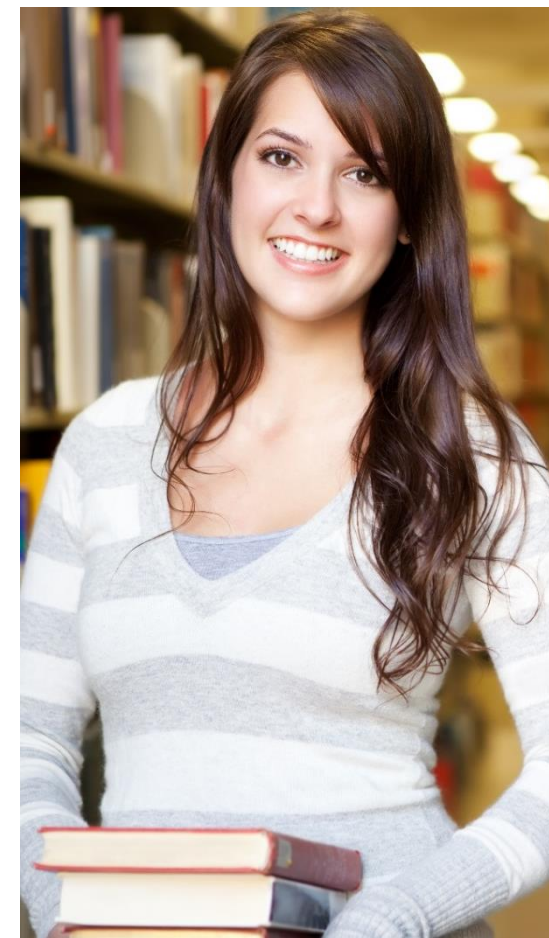
We also present:

- Our draft 2016/17 Internal Audit annual report;
- Our draft 2017/18 Internal Audit Charter; and
- Our final 2017/18 Internal Audit plan.

Findings of our Follow Up Work

We have undertaken follow up work on actions with an implementation date of 31/08/2017 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 ten actions have been followed up this quarter. Eight actions have been implemented (80%) and two actions are partially implemented (20%). Progress is summarised in Appendix A.



Summary (2 of 2)



Other Matters

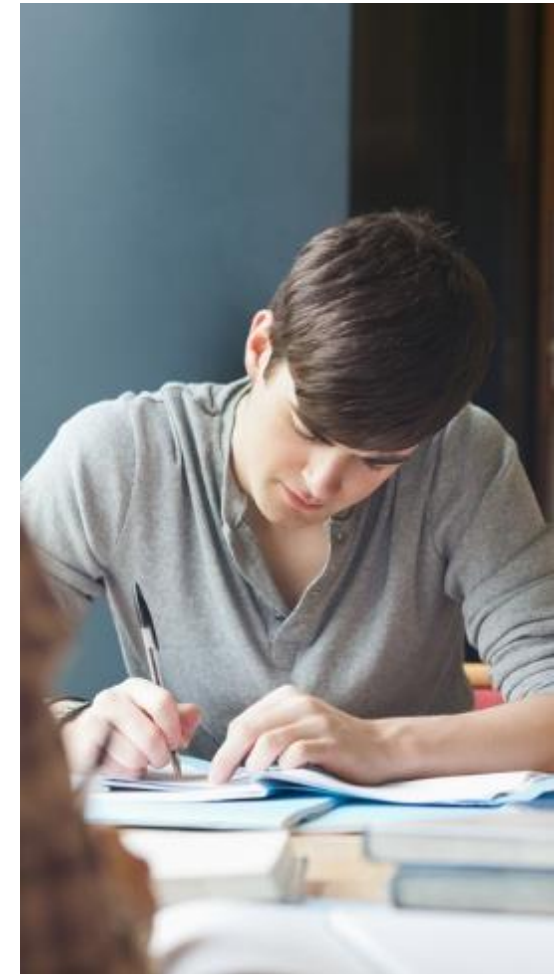
In August we hosted six London South Bank University (LSBU) finance interns at our PwC Embankment Office where we introduced them to PwC, provided details on the PwC graduate scheme and invited three of our junior staff to share their first year of experience with a professional services firm.

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.

The IT Controls Benchmarking Assessment report will be presented to the November 2017 Audit Committee. The report has been delayed due to the breadth of stakeholders required to provide input before it can be finalised.

Recommendations

- That the Audit Committee **notes** the progress made against our 2016/17 and 2017/18 Internal Audit Programme.
- That the Audit Committee **comments** on our final report for: Contract Management and Spend Activity, Risk Management and Continuous Auditing: Key Financial Systems 2017/18 Phase One.
- That the Audit Committee **comments** on our draft 2016/17 Internal Audit Opinion.
- That the Audit Committee **approves** the proposed 2017/18 Internal Audit Charter.



Activity in the period (1 of 3)



Final reports issued since the previous meeting

Contract Management – Medium Risk

We reviewed the contractual arrangements for a sample of three suppliers, focusing on those with the greatest risk and/ or spend. Our review considered whether contract terms and supplier performance are managed effectively.

We identified *two* medium risk findings:

1. There is no centralised guidance on the process for managing supplier performance, this meant that there was inconsistent contract management across the three contracts we reviewed. For two of the three contracts we also identified that a record of meetings and action points agreed with suppliers has not been retained.
2. We would expect contract managers to approve payments to suppliers prior to the payment being processed. For 4/25 payments we tested, we found that evidence of contract manager approval was either missing or not robust (through a shared excel spreadsheet). For 1/25 payments we found that a Purchase Order for the service was raised prior to requisition order approval from the appropriate staff member.

We also identified *good practice*:

- All Contract Managers stated that they felt supported by the Procurement team. From our interviews with Procurement, we are aware that the Head of Procurement has started work on preparing a new framework for managing contracts which will be tailored to each contract based on their impact. We agree that this will significantly improve contract management going forwards.
- One contract we reviewed demonstrated good practice with established KPIs, monthly supplier meetings and a robust audit trail of all discussions with the supplier. We recommend that this practice is shared with other Contract Managers.

Activity in the period (2 of 3)



Final reports issued since the previous meeting (continued)

Risk Management – Low risk

Controls in place for risk management across the University appear to be robust and well managed. We are pleased to report that despite a low risk report in 2015/16, 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 two *low risk* finding:

- We reviewed a sample of five risk registers for Professional Service Groups (PSGs) / Schools and found that there were overdue actions, actions that weren't specific and incomplete columns.
- We reviewed the minutes of workforce planning meetings and local roadmaps for the same sample of PSGs/ Schools. We found:
 - The meeting minutes were not provided for 2/5 PSGs/ Schools in our sample.
 - The workforce planning meetings minutes do not explicitly address emerging risks. We recommend that the Terms of Reference for these meetings is expanded to incorporate the proactive identification of emerging risks.
 - Risks had not been identified for all strategic objectives in the Teaching Quality & Enhancement and International Office Local Roadmaps.































Activity in the period (3 of 3)



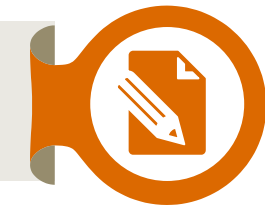
Final reports issued since the previous meeting (continued)

Continuous Auditing: Key Financial Systems 2017/18 Phase One

There has been a decline in performance this period. We continue to see a significant number of exceptions in payroll which means the risk rating has moved from amber to red. A key theme underlying the decline in performance is missing evidence and lack of timely input by the HR and payroll teams.

System / Rating	P1 2017/18	P2 2016/17	P1 2016/17	P2 2015/16	P1 2015/16	Trend
Payroll	 Red	 Amber	 Amber	 Amber	 Green	
Accounts Payable	 Amber	 Amber	 Green	 Green	 Green	
Accounts Receivable	 Green	 Green	 Green	 Green	 Green	
Cash	 Green	 Green	 Amber	 Green	 Green	
General Ledger	 Green	 Green	 Amber	 Green	 Green	

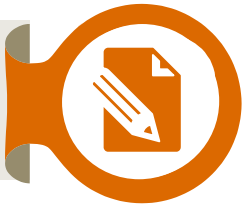
Progress against 2016/17 plan (1 of 3)



The below table outlines the progress against the 2016/17 Internal Audit Plan:

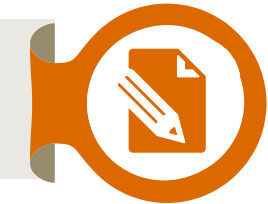
Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 1: August 2016 – October 2016											
Continuous Auditing: Key Financial Systems – January 2016 to July 2016											
13 (13)	19/08/2016	22/08/2016	05/09/2016	16/09/2016	N/A						
HEFCE 5 Year Review											
5 (5)	30/11/2016	15/12/2016	15/12/2016	24/01/2017	N/A						
HR System Implementation											
9 (9)	03/10/2016	03/10/2016	07/10/2016	20/10/2016	Low	3	-	-	1	1	1
Quarter 2: November 2016 – January 2017											
Placements											
8 (8)	28/11/2016	12/12/2016	15/12/2016	23/01/2017	Medium	7	-	-	4	2	1
Continuous Auditing: Student Data – April 2016 to October 2016											
15 (15)	14/11/2016	21/11/2016	02/12/2016	25/01/2017	N/A						

Progress against 2016/17 plan (2 of 3)



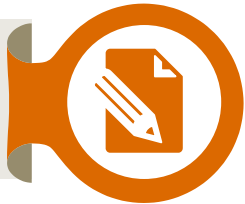
Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 3: February 2017 – April 2017											
Continuous Auditing: Key Financial Systems - August 2016 to December 2016											
12 (15)	13/01/2017	16/01/2017	27/01/2017	08/05/2017	N/A						
Continuous Auditing : Student Data - November 2016 to March 2017											
15 (12)	31/03/2017	10/04/2017	19/04/2017	25/05/2017	N/A						
Apprenticeships											
7 (7)	13/03/2017	20/03/2017	23/03/2017	17/05/2017	High	3	-	1	2	-	
IT audit											
10 (9)	03/04/2017	17/04/2017	TBC – an update shall be provided to the November 2017 Audit Committee.								

Progress against 2016/17 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)	14/07/2017	17/07/2017	11/09/2017	19/09/2017	Low	2	-	-	-	2	-
Contract Management and Spend Activity											
10 (10)	16/06/2017	19/06/2017	08/08/2017	19/09/2017	Medium	3	-	-	2	1	-
Other											
18 (18)	Planning, contract management, reporting, value for money and follow up										
Total	127 (126)										

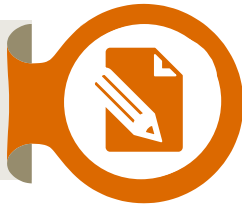
Progress against 2017/18 plan (1 of 3)



The below table outlines the progress against the 2017/18 Internal Audit Plan:

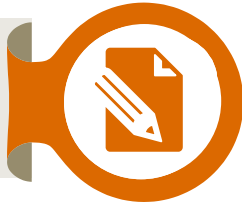
Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 1: August 2017 – October 2017											
Continuous Auditing: Key Financial Systems – January 2017 to July 2017											
15 (15)	02/08/2017	14/08/2017	15/09/2017	19/09/2017	N/A						
Health and Safety											
12 (1)	18/09/2017										
Quarter 2: November 2017 – January 2018											
International Partnership Arrangements											
10 (0)											
Continuous Auditing: Student Data – April 2017 to October 2017											
13 (0)					N/A						

Progress against 2017/18 plan (2 of 3)



Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 3: February 2018 – April 2018											
Continuous Auditing: Key Financial Systems - August 2017 to December 2017											
15 (0)					N/A						
Continuous Auditing : Student Data - November 2017 to March 2018											
12 (0)					N/A						
HR audit											
10 (0)											
IT audit											
15 (0)											

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 2018 – July 2018											
Risk Management											
5 (0)											
Other											
18 (5)	Planning, contract management, reporting, value for money and follow up										
Total	125 (21)										

Appendices

Appendix A: Follow up (1 of 4)

#	Review	Agreed Action	Original due date	Risk rating	Status
1	Risk Management	<p><u>Organisational Risk Register</u></p> <p>1. The new 4-risk system records historical changes to risk entries, however the system is currently not set-up to export changes in each PSD/ School. We will introduce reporting on changes made at the PSD/ School level.</p> <p>2. We will review the organisational risk registers and send reminders to risk owners to complete all mandatory fields.</p>	31/07/2017	<p>●</p> <p>Medium</p>	<p>Implemented/ closed</p> <p>1. This action has been superseded by the new risk review aspect incorporated into the Risk Strategy. We refer Audit Committee to our low risk 2016/17 risk management report.</p> <p>2. Risk owners were reminded of the requirement to complete all fields in the June 2017 Risk Review meetings.</p>
	Data Security	<p><u>Encryption</u></p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>31/01/2017</p> <p>31/08/2017</p>	<p>●</p> <p>High</p>	<p>Partially implemented.</p> <p>Progress has been made in updating old servers, updating policies and enforcing agreed countermeasures. In addition we are getting better at managing our estate, however there is still work to be done in all of these areas</p> <p>Revised due date: 31/12/2017.</p>

Appendix A: Follow up (2 of 4)

#	Review	Agreed Action	Original due date	Risk rating	Status
2	Data Security (Continued)	<p>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.</p> <p>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.</p> <p>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.</p>			
3	HR System Transformation	<p>Formalisation of business continuity plan</p> <p>We will formalise the business continuity plan in an official document available to all those involved in the process, so that it can be implemented without key members of the team being available.</p>	<p>31/10/2016</p> <p>31/03/2017</p> <p>30/06/2017</p>	<p>●</p> <p>Low</p>	<p>Implemented.</p> <p>A Service Responsibility Matrix has been agreed and transitioned into service. The matrix outlines who holds responsibility to support the different areas of iTrent.</p>
4	Placements	<p>Placement records</p> <p>We will use InPlace to manage and monitor all placements.</p> <p>We will actively encourage students to inform the university of all placements they are undertaking so that appropriate risk management and academic procedures can be instigated.</p>	<p>31/07/2017</p>	<p>●</p> <p>Medium</p>	<p>Implemented.</p> <p>InPlace roll out begins in Sept 2017 for the new Academic year. It has already been rolled out in the School of Health.</p> <p>Details of the new processes have been uploaded onto student and staff portals.</p>

Appendix A: Follow up (3 of 4)

#	Review	Agreed Action	Original due date	Risk rating	Status
5	Placements	<p><u>Due diligence procedures</u></p> <p>The introduction of InPlace will allow LSBU to monitor the status of placements and mitigate the risk that a student starts on a placement before the required checks have been completed.</p> <p>Going forward, all placements will be signed off by academic staff before the placement commences. This sign off will confirm that the School has completed all the necessary checks, including review of the risk assessment and insurance documentation.</p>	31/07/2017	<p>●</p> <p>Medium</p>	<p>Implemented.</p> <p>InPlace requires academic authorisation and an online risk assessment process to be completed.</p> <p>Support documents for risk assessments and guidance have been uploaded onto student and staff portals.</p>
6	Placements	<p><u>Guidance documents</u></p> <p>We will create centralised guidance documents on the placement process to be followed and distribute these to all relevant staff, students and other stakeholders.</p>	31/07/2017	<p>●</p> <p>Medium</p>	<p>Implemented.</p> <p>Centralised guidance has been uploaded on staff and student portals. Additional guidance for complex risk assessments will be uploaded in February 2018.</p>
7	Placements	<p><u>InPlace findings</u></p> <ol style="list-style-type: none"> 1. We will involve key users in the tailoring of the software in terms of reports and monitoring functionality, to enable a smoother transition when the system goes live, and enable the system to be used to the best of it's capacity. 2. We will formulate a general survey which will be input into InPlace and allow wide-scale student interaction and feedback. 3. We will explore the reporting tools within InPlace and utilise a report which will show when placements are coming to an end, so that the placement provider can be contacted to understand their business needs and the possibility of further placements for LSBU students. 	30/06/2017	<p>●</p> <p>Medium</p>	<p>Partially implemented.</p> <ol style="list-style-type: none"> 1. Stakeholder groups are being created for new academic year. Governance board to start in semester two of the 2017/18 academic year to manage change processes. 2. Feedback surveys created and uploaded onto InPlace already. 3. Not yet implemented.

Continued on page 18.

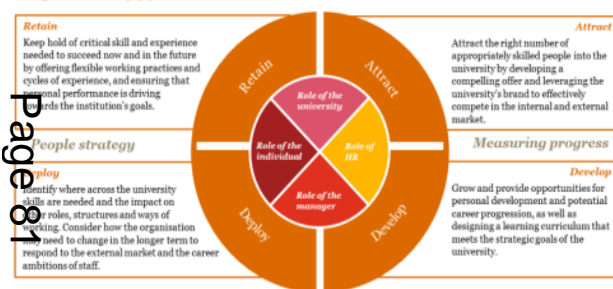
Appendix A: Follow up (4 of 4)

#	Review	Agreed Action	Original due date	Risk rating	Status
7	Placements <i>(continued)</i>	<p>4. We will tailor training courses to different schools and user groups to ensure that they understand how to get the best out of the software and how it can improve both staff productivity and student experience.</p> <p>5. We will use the reporting function on InPlace to track the progress of placement applications and follow-up on slow-moving placement applications where appropriate.</p> <p>6. Appropriate due diligence checks will be completed before giving placement providers access. If access is granted to placement providers, their access will be limited to prevent them viewing sensitive data.</p>	30/06/2017	<p>●</p> <p>Medium</p>	<p>4. Tailored training courses by Schools to be delivered in the new academic year based on student placement timings. Full communications plan being worked through with Marketing.</p> <p>5. Not yet implemented.</p> <p>6. The School of Health are exploring employer access to InPlace. No other Schools will have this functionality enabled.</p> <p>Revised due date: 31/12/2017.</p>
8	Placements	<p><u>Monitoring of student attendance</u></p> <p>We will use the functionality available on InPlace to monitor student attendance in a more proactive way, such as through the timesheets module.</p>	31/07/2017	<p>●</p> <p>Low</p>	<p>Implemented.</p> <p>The Student Attendance Team is monitoring attendance for specific courses. Timesheet functionality has been enabled for all courses that would like to use this as a monitoring tool.</p>
9	Placements	<p><u>Workplace inspections</u></p> <p>We will produce guidance on when workplace inspections are required.</p>	31/07/2017	<p>●</p> <p>Low</p>	<p>Implemented.</p> <p>Completed and uploaded onto the staff portal.</p>
10	Placements	<p><u>Placement provider due diligence</u></p> <p>We will use the agency functionality available on InPlace to keep provider profiles and only request additional information from providers when required (e.g. insurance policy certification once a year)</p>	31/07/2017	<p>●</p> <p>Advisory</p>	<p>Implemented.</p> <p>The agency functionality is used for managing placements.</p>

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 alongside our in-house blog which discusses current issues in the education sector. We have included a selection of recent topics:

People Strategy framework



From operational to transformational: the changing role of HR in higher education

This article looks at how HR can play a more central role in shaping the direction of higher education. Four key areas will become increasingly important: effective utilisation of technology platforms, managing how universities can think and act as one workforce, enhancing the student experience and focusing on a people strategy.

How can universities make the most of international opportunities?

Internationalisation is a hot topic on the agenda of many universities. With increasing revenues coming from overseas students, the need to offer diverse programmes run by top academic talent and the highly competitive nature of obtaining research funding, more universities have employees working internationally than ever before. Immigration and visas, tax and social security, creation of permanent establishments, VAT are all complex issues that require thought and planning to get right. But universities are large and often divisional institutions which means this is not easy to achieve.

Many universities are reactive when dealing with these challenges instead of being proactive in developing a people strategy and framework which is effective for the university. With increased focus on where money is earned and tax is paid and with the digital tax system moving forward, it will be universities who act upon these issues who emerge triumphant from this new age.

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/ and www.pwc.blogs.com/publicsectormatters/education/

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	CONFIDENTIAL
Paper title:	Internal Audit Report on Continuous Audit review of Key Financial Systems.
Board/Committee	Audit Committee
Date of meeting:	3 rd October 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Information; to provide Committee with the report on the Continuous Audit review of Key Financial Systems for Period 2 in 16/17.
Which aspect of the Corporate Strategy will this help to deliver?	Key Financial Systems relate to the entire organisation, and provides assurance against the financial and compliance risk types within the Corporate Risk Appetite statement.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> the report and its findings

Matter previously considered by:		
Further approval required?		

Executive Summary

Whilst the testing for Accounts Receivable, Cash and General Ledger remain green, Accounts Payable remains at amber, and there has been a decline in performance in the payroll area which means the rating has moved to red.

The move to the integrated HR and Payroll iTrent system has meant that the evidence requirements for the control testing has been extended in some cases.

The findings are detailed on pages 5 to 28, with 2 medium, 4 low, and 2 advisory control design findings.

- The Committee is requested to review the report

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Internal Audit Report 2017/18

Continuous Auditing: Key Financial Systems 2017/18 – Phase 1

London South Bank
University

Final

September 2017

▶ Click to launch

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Background and scope

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Findings

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Appendices

- A. Basis of our classifications
- B. Terms of reference
- C. Limitations and responsibilities

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



System Summaries

There has been a decline in performance this period. We continue to see a significant number of exceptions in payroll which means the risk rating has moved from amber to red. A key theme underlying the decline in performance is missing evidence and lack of timely input by the HR and payroll teams.

Our ratings are based on the number and severity of findings noted for controls tested as part of the programme. Our rating criteria are set out at Appendix A. This does not consider control design issues – these are individually risk rated.

System / Rating	P1 2017/18	P2 2016/17	P1 2016/17	P2 2015/16	P1 2015/16	Trend
Payroll	Red	Amber	Amber	Amber	Green	
Accounts Payable	Amber	Amber	Green	Green	Green	
Accounts Receivable	Green	Green	Green	Green	Green	
Cash	Green	Green	Amber	Green	Green	
General Ledger	Green	Green	Amber	Green	Green	

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).

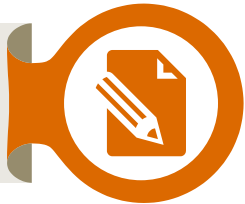
Our detailed findings are set out in Findings section of this report, starting on page 5.

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.



Detailed Findings



Payroll

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
P1 Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.	●	<p>15/20 exceptions noted.</p> <ul style="list-style-type: none"> 14/20 new starter forms were authorised after the employee's start date. In one instance the new starter form was approved 84 days after the employee's start date. In all 14 instances, the employee was not paid until after the authorisation had occurred. For 1/20 new starters the pay details per the starter form did not match the pay details recorded on iTrent. <p>Management response:</p> <p>10/15 exceptions relate to permanent and fixed term employees. Delays have arisen due to receiving information late from the recruiting manager and/or candidate. The HR team also process new starters in batches which can cause delays. The recruitment team have produced a new work schedule which should improve this process and reduce the number of exceptions.</p> <p>4/15 exceptions relate to Hourly Paid Lecturers (HPLs)– historically HPLs are added to iTrent after they have started teaching. The HR department are looking into how to improve the HPL process.</p> <p>1/15 exceptions relate to weekly workers – due to the number of weekly workers employed by LSBU, these workers are only entered onto the payroll system once they have submitted a timesheet.</p>	●	●	●	●

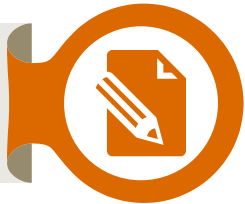
Detailed Findings



Payroll

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
P2 Leaver forms are received from Human Resources upon notification of resignation or redundancy.	●	<p>11/20 exceptions noted.</p> <ul style="list-style-type: none"> For 10/20 leavers, evidence of employee notification and/or manager approval to process the employee's departure could not be located. For 1/20 leavers, the employee was overpaid due to payroll not being informed in a timely manner that a deduction was required. <p>Management response:</p> <p>The leaver process is being redesigned to incorporate iTrent. A manager would initiate the leaver via Managers Self Service, which would notify the employee of the leaver process and request the resignation letter to be uploaded to Employee Self Service.</p> <p>The HR Service Desk (HRSD) is reliant upon the instruction from the line manager to process leavers. One employee was overpaid as the instruction was received late by the manager, the monies were recovered in this case.</p> <p>Responsibility for action:</p> <p>Dave Lee (Head of HR Operations)</p>	●	●	●	●

Detailed Findings



Payroll

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
P3 The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.	●		●	●	●	●
P4 Exception reports are produced and reviewed as part of month-end procedures, before the payment run is authorised.*	●		●	●	●	●

* 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.

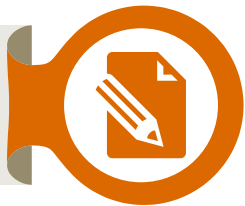
Detailed Findings



Payroll

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
P5 Variation forms, with supporting documentation, are received prior to any changes being made to standing data.	●	<p>2/25 exceptions noted.</p> <ul style="list-style-type: none"> For 2/25 variations, a variation form could not be located. <p>Management response:</p> <p>The two exceptions relate to the HR1 approval form not being uploaded onto the HR system. We have improved the process for processing amendments to staff data meaning that electronic approval is required in the HR system before the change is made.</p> <p>Responsibility for action:</p> <p>Dave Lee (Head of HR Operations)</p>	●	●	●	●
P6 Access to the payroll system is restricted to appropriate personnel.	●		●	●	●	●

Detailed Findings



Payroll

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
P7 Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	●	<p>2/25 exceptions noted.</p> <ul style="list-style-type: none"> 1/25 timesheets had not been authorised by an appropriate member of staff. 1/25 timesheets did not include the date of authorisation by the employee's line manager. <p>Management response:</p> <p>Going forward timesheets will be authorised electronically. This will ensure that only authorised managers can complete the approval and will include an automatic date stamp.</p> <p>Responsibility for action:</p> <p>Natalie Ferer, Financial Controller</p>	●	●	●	●

Detailed Findings



Payroll

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
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.	●		●	●	●	●
P9 Expenses are supported by appropriately authorised claim forms.	●	<p>2/25 exceptions noted.</p> <ul style="list-style-type: none"> 2/25 expense forms had not been authorised by an appropriate member of staff. <p>Management response:</p> <p>Going forward expenses will be authorised electronically. This will ensure that only authorised managers can complete the approval.</p> <p>Responsibility for action:</p> <p>Natalie Ferer, Financial Controller</p>	●	●	●	●

**P8: Payroll reconciliations -
timeliness of review**

Control Design

1

Findings

We reviewed the reconciliations between the general ledger and the payroll system for two months. We found that the reconciliations are not being reviewed in a timely manner (between 17 and 38 days after month close). There is no internal policy which dictates the timeframe for reviewing the payroll reconciliation.

Implications

Discrepancies between the ledger and payroll system are not promptly identified and investigated. This could mean that payroll balances are incomplete and/ or inaccurate.

Agreed action

Going forward the reconciliations will be reviewed within 15 working days of month end.

Responsible person/title:

Natalie Ferer, Financial Controller and David Lee, HR Systems & Analytics Manager

Target date:

30/09/2017

Reference number:

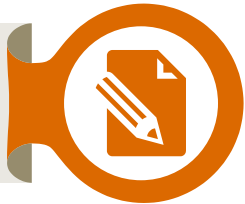
1

Finding rating

Rating

Advisory

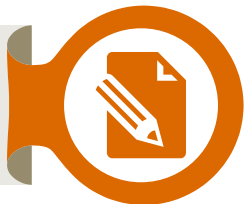
Detailed Findings



Accounts Payable

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
AP1 Authorised documentation must be received prior to the creating a new or amending a supplier record.	●	<p>Amendments to supplier details</p> <p>7/25 exceptions noted.</p> <ul style="list-style-type: none"> 3/25 changes to supplier details were processed without validating the authenticity of the new details in writing. 4/25 changes to supplier details were made without review by a second member of staff. These were all minor changes made to correct errors in the supplier record (e.g. typos). <p>Management response:</p> <p>Procurement are investigating to determine why processes are not being followed for changes to supplier details. Processes will be amended to ensure minor changes are also part of the validation process.</p> <p>Responsibility for action:</p> <p>Penny Green (Head of Procurement)</p>	●	●	●	●

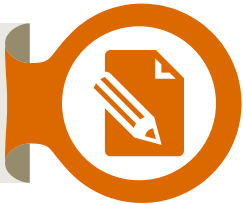
Detailed Findings



Accounts Payable

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
AP2 Invoices are approved for payment by an appropriately authorised individual.	●		●	●	●	●
AP3 Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.	●		●	●	●	●
AP4 BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	●		●	●	●	●
AP5 Agresso does not allow duplicate suppliers.	●		●	●	●	●

Detailed Findings



Accounts Payable

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
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.	●		●	●	●	●

AP1 & AP2: Authorisation of new suppliers and amendments to supplier details

Control Design

2

Findings

New suppliers are added to the system and amendments are made to supplier details before validation by a second employee.

Implications

Invalid suppliers, or supplier standing data, is maintained leading to inaccurate or fraudulent payments.

Agreed action

We will introduce additional steps whereby the supplier account is deactivated immediately after being set up on the system. This means that payments can not be made until the change is validated by a second member of staff.

Responsible person/title:

Penny Green (Head of Procurement)

Target date:

30/09/2017

Reference number:

2

Page 99

Finding rating

Rating

Medium

AP5: Duplicate suppliers

Control Design

3

Page 100

Finding rating

Rating

Low

Findings

We identified duplicate suppliers in our testing. The system does not allow duplicate suppliers with identical details to be set up, but where there is a slight difference in the supplier record (i.e. “Limited” or “Ltd”), another supplier record can be set up.

Implications

Amounts due to suppliers for goods and services are over paid.

Agreed action

A monthly report will be run on supplier details (i.e. bank details, contact details etc) to identify any duplicate records.

Responsible person/title:

Penny Green (Head of Procurement)

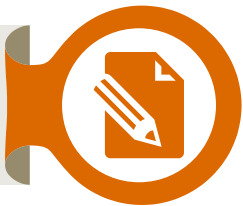
Target date:

30/09/2017

Reference number:

3

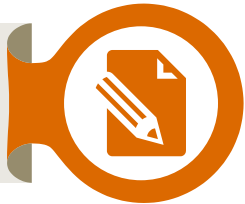
Detailed Findings



Accounts Receivable

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
AR1 Credit checks are performed on new customer accounts upon request, prior to the commitment of service.	●		●	●	●	●
AR2 Invoices are properly authorised on Agresso in line with the authorised signatory register.	●		●	●	●	●
AR3 Commercial debt: reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	●		●	●	●	●

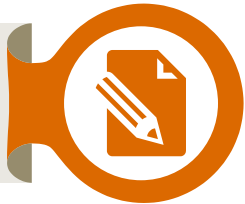
Detailed Findings



Accounts Receivable

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
AR4 Student debt: reminder letters are sent in respect of overdue fees on a monthly basis in line with policy.	●		●	●	●	●
AR5 Debts are written off following appropriate review and authorisation.	●		●	●	●	●
AR6 Monthly reconciliations are performed between the debtors balance on the general ledger and QLX.	●		●	●	●	●

Detailed Findings



Accounts Receivable

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
AR7 Monthly reconciliations are performed between the debtors balance per QLX to QLS.	●		●	●	●	●
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.	●		●	●	●	●

AR3: Debtor escalation

Control Design

4

Page 104

Finding rating

Rating

Low

Findings

Reminder letters are currently sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt. There is no proactive action for debt recovery after the 90 day chasing letter is sent. As a result there are currently outstanding debts that are over 5 years old.

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 process for escalating long-outstanding debts is in place, however this is not currently formalised. We will update our internal policies to clarify the escalation process.

Responsible person/title:

Natalie Ferer, Financial Controller

Target date:

30/11/2017

Reference number:

4

Detailed Findings



Cash

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
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.				
C2		Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.				

Detailed Findings



Cash

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
C3 Cash receipting responsibility within the QLX system and KX system is restricted to appropriate individuals.	●		●	●	●	●
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.	●		●	●	●	●

C1: Cash banking forms

Control Design

5

Findings

Cash banking forms are used throughout LSBU to record cash taken in respect of tuition fees and student residences. The cash banking form is then reconciled to QLX and KX. Cash banking forms are not being used by accommodation sites.

Implications

Discrepancies between cash collected and the ledger are not identified. This could mean cash balances are incomplete and/ or inaccurate.

Agreed action

Cash banking forms are now being used at accommodation sites.

Responsible person/title:

Natalie Ferer, Financial Controller

Target date:

30/09/2017

Reference number:

5

Finding rating

Rating Low

C3: KX user access
Control Design

6

Page 108

Finding rating

Rating

Low

Findings

Access rights are granted to individuals without documented approval from their line manager.

Implications

Inappropriate access to the KX system may be granted to employees.

Agreed action

A new user form will be put in place which will detail access required and new users will be required to complete the form and arrange for it to be authorised before being set up on KX.

Responsible person/title:

Natalie Ferer, Financial Controller

Sacha Marshall-Ocana, Head of Student Accommodation

Target date:

30/09/2017

Reference number:

6

C4: Timeliness of bank reconciliations

Control Design



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Finding rating

Rating

Advisory

Findings

We reviewed the reconciliations between LSBU’s bank accounts and the general ledger for two months. There is no internal policy which dictates the timeframe for reviewing the reconciliation between the general ledger and the LSBU’s bank accounts.

Implications

Discrepancies between the ledger and bank accounts are not promptly identified and investigated. This could mean cash balances are incomplete and/ or inaccurate.

Agreed action

Going forward the reconciliations will be reviewed within 15 working days of month end.

Responsible person/title:

Natalie Ferer, Financial Controller

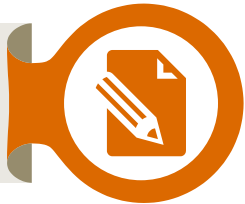
Target date:

30/09/2017

Reference number:

7

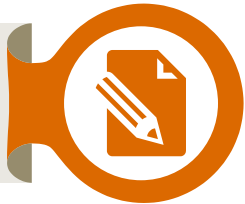
Detailed Findings



General Ledger

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
GL1 Journals must be authorised, with supporting documentation, prior to being posted on the system.	●	<p>3/25 exceptions noted.</p> <ul style="list-style-type: none"> For 3/25 journals, there was no supporting documentation. <p>Management response:</p> <p>The members of staff who posted these journals have been reminded of the procedure for attaching supporting documentation. The Financial Accounting team will continue to spot check journals to ensure supporting documentation is attached where required.</p> <p>Responsibility for action:</p> <p>Natalie Ferer, Financial Controller</p>	●	●	●	●
GL2 On a monthly basis management accounts are prepared and significant variances against budget are investigated.	●		●	●	●	●

Detailed Findings



General Ledger

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
GL3 Suspense accounts are cleared or reconciled on a quarterly basis.	●		●	●	●	●
GL4 Balance sheet control accounts are cleared or reconciled on a monthly basis.	●	2/20 exceptions noted. <ul style="list-style-type: none"> 2/20 reconciliations were not dated when they were prepared. <p>Management response:</p> <p>The reconciliations were not dated in error. Going forward greater care will be taken to note the date the reconciliation is prepared and back this up with a date on the monthly check list.</p> <p>Responsibility for action:</p> <p>Natalie Ferer, Financial Controller</p>	●	●	●	●

Detailed Findings



General Ledger

Key Control	P1 17/18	Details on exceptions	Prior period exceptions			
			P2 16/17	P1 16/17	P2 15/16	P1 15/16
GL5 Access to the general ledger is restricted to appropriate personnel.	●		●	●	●	●
GL6 No single individual has access to make changes to both the QLX and QLS systems.	●		●	●	●	●

Retrospective Approval of Journals
Control Design

8

Page 1 of 3

Finding rating

Rating

Medium Risk

Findings

Manual journals are approved retrospectively in batches. We would expect journals to be approved prior to posting in Agresso.

Implications

- Invalid, incomplete or inaccurate journals may be posted in the system.
- Fraudulent entries may not be detected.

Action plan

A new journal process is being finalised and put in place. The new process will require the majority of journals to be authorised before posting. Some journals, for example transfers between cost centres and source codes will still be approved retrospectively by the Financial Controller but the volume will be low, making it easier to review and address matters as they arise.

Responsible person/title:

Natalie Ferer, Financial Controller

Target date:

30 November 2017

Reference number:

8



**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.

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.

Appendix B: Terms of reference

Continuous Auditing: Key Financial Systems

2017/18

To: Richard Flatman – Chief Financial Officer
From: Justin Martin – Head of Internal Audit

Page 117

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

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.

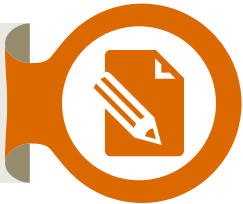
Our work touches upon the following areas that form part of our annual report to Audit Committee:

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

Audit scope and approach (1 of 4)



Scope

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

Sub-process	Key Control Objectives	Key risks
Payroll and staff expenses	<p>Accurate payments are made to valid employees of the organisation.</p> <p>Accurate payments are made in respect of valid expenses claims.</p>	<ul style="list-style-type: none"> 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.

Audit scope and approach (2 of 4)

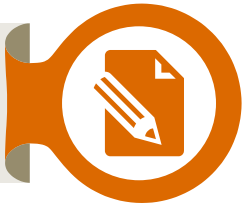


Scope

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

Sub-process	Key Control Objectives	Key risks
Accounts payable	<p>Expenditure commitments are made with prior budgetary approval.</p> <p>Payments are made only following the satisfactory receipt of goods or services.</p> <p>Payments are made only to valid suppliers.</p>	<ul style="list-style-type: none"> • 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.
Accounts receivable	<p>Fee income is collected on a timely basis.</p> <p>Goods or services are delivered only to credit worthy customers.</p> <p>Debts due are collected promptly.</p>	<ul style="list-style-type: none"> • 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.

Audit scope and approach (3 of 4)



Scope

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

Sub-process	Key Control Objectives	Key risks
Cash	Cash ledger balances are accurate and complete. Cash is not lost or misappropriated.	<ul style="list-style-type: none"> Information transferred from the cash receipting systems 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.
General Ledger	Ledger balances are valid and accurate.	<ul style="list-style-type: none"> 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.

Audit scope and approach (4 of 4)



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 periods during 2017/18:

- Phase 1: January 2017 – July 2017
- Phase 2: August 2017 – December 2017



Internal audit team



Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
Lucy Gresswell	Engagement Manager	07718 098 321 lucy.j.gresswell@uk.pwc.com
Janak Savjani	Engagement Supervisor	07802 660 974 janak.j.savjani@uk.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	Deputy Director of HR Business Services	markos.koumaditis@lsbu.ac.uk	Review and meet to discuss issues arising and develop management responses and action plan
Victoria Mahoo	Interim Payroll Manager	mahoov@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
Wayne Brown	Procurement Administrator	brownw@lsbu.ac.uk	Audit contact
Maureen Stanislaus	Payments Team Leader	stanism@lsbu.ac.uk	Audit contact



Key contacts



Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Julian Rigby	Head of Financial Processing	rigbyj@lsbu.ac.uk	Audit contact
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	Financial Accountant	warrenra@lsbu.ac.uk	Audit contact
Sally Black	Financial Accountant	black6@lsbu.ac.uk	Audit contact

Timetable



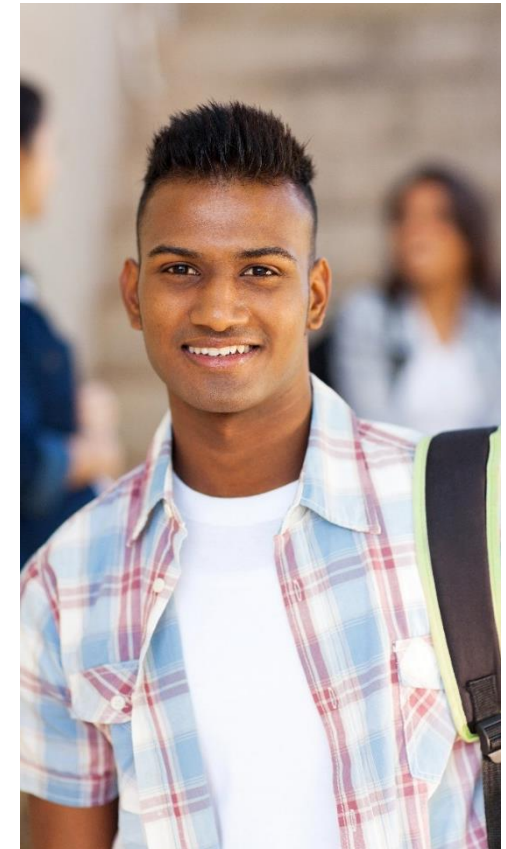
Timetable

	Phase 1	Phase 2
Fieldwork start	14/08/2017	08/01/2018
Fieldwork completed	25/08/2017	19/01/2018
Draft report to client	01/09/2017	02/02/2018
Response from client	08/09/2017	16/02/2018
Final report to client	15/09/2017	23/02/2018

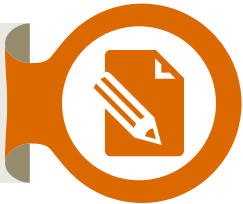
Agreed timescales are subject to the following assumptions:

- 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 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 1: Key controls schedule



Based upon our understanding of the financial systems in place at LSBU and in discussion with management, we have agreed that the operating effectiveness of the following controls will be considered. These have been mapped to the key risks identified as in scope above.

Payroll

Key Contacts: Dave Lee (listings for P1, P2 and P6), Leo Kalzula (P1, P2, P6) Victoria Mahoo (P3 – P5, P8) and Norda Graham (P7 and P9)

Key risk	Key Control	Reference
Fictitious employees are established on the payroll and/or employees are established on the payroll incorrectly (e.g. incorrect pay scale)	Authorised and accurate new starter forms are received prior to an individual being entered on to the payroll system.	P1
Payments are made in error to employees who have left the organisation and / or inaccurate final salary payments are made	Leaver documentation, including evidence of line manager approval, is received from Human Resources upon notification of resignation or redundancy.	P2
	The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.	P3

Appendix 1: Key controls schedule



Key risk	Key Control	Reference
Payments are made in error to employees who have left the organisation and / or inaccurate final salary payments are made	<p>The following exception reports are produced and reviewed as part of month-end procedures, before the payment run is authorised:</p> <ul style="list-style-type: none"> • 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
Invalid changes are made to employee salary and bank details leading to incorrect salary payments being made	Variation forms, with supporting documentation, are received prior to any changes being made to standing data.	P5
	Access to the payroll system is restricted to appropriate personnel.	P6
Overtime or other timesheet based records are inaccurate leading to salary over / under payments	Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	P7

Appendix 1: Key controls schedule



Key risk	Key Control	Reference
Information transferred from the payroll system to the main accounting system is not complete and accurate	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
Expenses are incurred and reimbursed that are not allowable	Expenses are supported by appropriately authorised claim forms.	P9

Accounts Payable

Key Contacts: Ravi Mistry (listings for AP2 and AP3), Wayne Brown (AP1 and AP5) and Maureen Stanislaus (AP2 – AP4 and AP6)

Key risk	Key Control	Reference
Invalid suppliers, or supplier standing data, is maintained leading to inaccurate or fraudulent payments	Authorised documentation must be received prior to the creating a new or amending a supplier record.	AP1
Payments are made for goods and services which have not been ordered, received or are inadequate. Invoices payments are not appropriately reviewed and authorised prior to payment	Invoices are approved for payment by an appropriately authorised individual	AP2
	Invoices are matched to purchase orders for expenditure prior to payment and variances investigated.	AP3

Appendix 1: Key controls schedule



Key risk	Key Control	Reference
Payments are made for goods and services which have not been ordered, received or are inadequate. Invoices payments are not appropriately reviewed and authorised prior to payment	BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	AP4
Amounts due to suppliers for goods and services are over paid	Agresso does not allow duplicate suppliers.	AP5
Information transferred from the accounts payable system to the main accounting system is not complete and accurate	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

Appendix 1: Key controls schedule



Accounts Receivable

Key Contacts: Vic Van Rensburg, Julian Rigby and Ian Macleay

Key risk	Key Control	Reference
Agreements are entered into with customers prior to the performance of credit checks or credit limits are exceeded. This may mean debts are not recoverable	Credit checks are performed on new customer accounts upon request, prior to the commitment of service.	AR1
Overdue debtor balances are not identified and balances are not actively chased to ensure timely collection of debts and maximisation of income	Invoices are properly authorised on Agresso in line with the authorised signatory register.	AR2
	Commercial debt: reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	AR3
	Student debt: reminder letters are sent in respect of overdue fees on a monthly basis in line with policy.	AR4
	Debts are written off following appropriate review and authorisation.	AR5

Appendix 1: Key controls schedule



Key risk	Key Control	Reference
Information transferred from the accounts receivable system and student record system to the main accounting system is not complete and accurate	Monthly reconciliations are performed between the debtors balance on the general ledger and QLX.	AR6
	Monthly reconciliations are performed between the debtors balance per QLX to QLS.	AR7
	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

Appendix 1: Key controls schedule

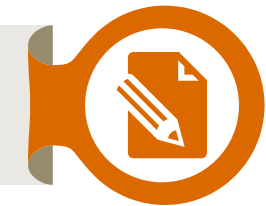


Cash

Key Contacts: Vic Van Rensburg, Julian Rigby (C1 – C3) and Judy Robson (C4)

Key risk	Key Control	Reference
Information transferred from the cash receipting systems to the main accounting system is not complete and accurate	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
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	Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	C2
	Cash receipting responsibility within the QLX system and KX system is restricted to appropriate individuals.	C3
	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

Appendix 1: Key controls schedule



General Ledger

Key Contacts: Rebecca Warren and Sally Black (GL1, GL3, GL4), Ralph Sanders (GL2), Ravi Mistry (GL5, GL6)

Key risk	Key Control	Reference
Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made	Journals must be authorised, with supporting documentation, prior to being posted on the system.	GL1
	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: <ul style="list-style-type: none"> • ≥ 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
Suspense accounts and balance sheet control accounts are not cleared on a timely basis	Suspense accounts are cleared/ reconciled and reviewed on a monthly basis.	GL3
	Balance sheet control accounts are cleared/ reconciled and reviewed on a monthly basis.	GL4
Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information	Access to the general ledger is restricted to appropriate personnel.	GL5
	No single individual has access to make changes to both the QLX and QLS systems.	GL6

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 15/05/2015. 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.

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	CONFIDENTIAL
Paper title:	Internal Audit Report into Contract Management & Spend Activity
Board/Committee	Audit Committee
Date of meeting:	3 rd October 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Information; to provide Committee with the report on the effectiveness and operation of contract management.
Which aspect of the Corporate Strategy will this help to deliver?	Effective contract management relates to the entire organisation, but particularly to goal 8 – Resources & Infrastructure.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> the report and its findings

Matter previously considered by:		
Further approval required?		

Executive Summary

The report classification is medium risk, with 2 medium, and 1 low risk findings which relate to lack of centralised guidance for procedure, and missing approvals in the supplier payment process. (pages 6- 8)

However the report also identifies areas of good practice, and work in progress which will add value to this activity going forward.

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

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Internal Audit Report 2016/2017

Contract Management and Spend Activity

London South Bank
University

Final

September 2017

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- A. Basis of our classifications
- B. Terms of reference
- C. Limitations and responsibilities
- D. Best practice and insight

Distribution list

For action: Penny Green (Head of Procurement)

For information: Richard Flatman (Chief Financial Officer)
John Baker (Corporate and Business Planning Manager)



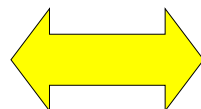
Executive summary

Report classification

Medium Risk



Trend



Performance is consistent with the 2010/11 review.

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	0	0	1	1	0
Operating effectiveness	0	0	1	0	0
Total	0	0	2	1	0



Headlines/summary of findings

We reviewed the contractual arrangements for a sample of three suppliers, focusing on those with the greatest risk and/ or spend. Our review considered whether contract terms and supplier performance are managed effectively.

We identified *two* medium risk findings:

1. There is no centralised guidance on the process for managing supplier performance, this meant that there was inconsistent contract management across the three contracts we reviewed. For two of the three contracts we also identified that a record of meetings and action points agreed with suppliers has not been retained.
2. We would expect contract managers to approve payments to suppliers prior to the payment being processed. For 4/25 payments we tested, we found that evidence of contract manager approval was either missing or not robust (through a shared excel spreadsheet). For 1/25 payments we found that a Purchase Order for the service was raised prior to requisition order approval from the appropriate staff member.

We also identified *good practice*:

- All Contract Managers stated that they felt supported by the Procurement team. From our interviews with Procurement, we are aware that the Head of Procurement has started work on preparing a new framework for managing contracts which will be tailored to each contract based on their impact. We agree that this will significantly improve contract management going forwards.
- One contract we reviewed demonstrated good practice with established KPIs, monthly supplier meetings and a robust audit trail of all discussions with the supplier. We recommend that this practice is shared with other Contract Managers.

Background and scope (1 of 2)



Background

London South Bank University (LSBU) has a number of long standing contracts with suppliers across the University.

We reviewed the contractual arrangements with a sample of three LSBU suppliers, focusing on those with the greatest risk and/ or spend. Our review considered whether contract terms and supplier performance are managed effectively.

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 = area of primary focus

x = possible area of secondary focus



Background and scope (2 of 2)



Scope

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

Sub-process	Objectives
Skills and resources for contract management	<ul style="list-style-type: none"> LSBU has a sufficient number of Contract Managers, with the appropriate resources and skills. Contract Managers are aligned with the right contracts.
Management of supplier performance	<ul style="list-style-type: none"> LSBU monitor and manage the performance of its suppliers e.g. through KPIs and service credits Poor supplier performance is identified and rectified.
Clarity of contractual terms for commercial charging mechanisms	<ul style="list-style-type: none"> Contracted terms for charging are clearly defined.
Process and controls over payments	<ul style="list-style-type: none"> There is a defined process and controls over supplier payments.

Limitations of scope

The scope of our work was limited to the areas outlined above.

We reviewed the controls in operation at the time of completing our work. Our work was undertaken on a sample basis and did not test controls operated by LSBU’s suppliers. Our conclusions are limited to the supplier arrangements we reviewed.



Management of supplier performance

Control design

1

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Finding rating

Rating

Medium

Findings

We reviewed the process and controls in place to monitor and manage supplier performance for three contracts. We found:

- There is currently no guidance in place setting out how individual contracts should be monitored and managed. This meant that there was inconsistency across Contract Managers for monitoring and managing supplier performance.
- For two of the three contracts, although the Contract Manager identified that there are controls in place to monitor supplier performance, a record of meetings and agreed action points had not been retained.

Implications

Inconsistent management of supplier performance could mean that poor performance is not identified and rectified by LSBU. This could impede the quality of service delivered to students and prevent value for money from being achieved.

Without an audit trail of minutes and agreed actions, LSBU may be unable to evidence that due process has been followed to rectify poor supplier performance. This could lead to the University being bound to substandard contracts.

Action plan

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.

Responsible person/title:

Penny Green (Head of Procurement)

Target date:

31/12/2017

Reference number:

CM-1

Process and controls over payments

Operating effectiveness

2

Findings

We tested 25 payments made in respect of three contracts to test that there was approval by the Contract Manager prior to the payment being made. We found:

- For 1/25 payments, evidence of Contract Manager approval could not be located.
- For 3/25 payments, approval by the Contract Manager had been evidenced through completion of a shared spreadsheet. This spreadsheet is accessible to a number of staff, therefore this is not a robust form of evidence that the payment was approved by an appropriate person.

A requisition must be raised and approved for all expenditure before a Purchase Order (PO) can be raised. For 1/25 payments in our sample, the requisition was approved after the PO had been issued.

Implications

Without oversight and approval of payments by the Contract Manager, there is a risk that payments could be made despite poor performance or disputes. This could lead to financial loss for LSBU.

If PO's are issued prior to authorisation by the appropriate staff member, this could result in inappropriate or fraudulent payments being made.

Action plan

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.

Responsible person/title:

Penny Green (Head of Procurement)

Target date:

30/11/2017

Reference number:

CM-2

Finding rating

Rating

Medium

Skills and resources for contract management

Control design

3

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Finding rating

Rating

Low

Findings

We interviewed three Contract Managers. We found:

- Two of the three Contract Managers interviewed could not recall receiving formal training on contract management.
- A key theme from all interviews was that there is a lack of clarity regarding the process which should be followed should the contract need to be terminated – specifically the level of authorisation required.
- One of the three Contract Managers stated that they would benefit from regular touchpoints with the procurement team to ensure that the contract was being managed effectively.

Implications

Contract Managers may not have the appropriate level of expertise to manage the contracts that have been allocated to them. This could lead to mismanagement of contracts which could negatively impact student experience or result in financial loss.

Action plan

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.

Responsible person/title:

Penny Green (Head of Procurement)

Guidance for contract management will include the process to be followed for terminating contracts.

Target date:

31/12/2017

Reference number:

CM-3



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

**Appendix D: Best practice
and insight**

Appendices

Page 147

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



Appendix B: Terms of reference

Apprenticeships

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 2016/17 internal audit plan approved by the Audit Committee.

Background and audit objectives

London South Bank University (LSBU) has a number of long standing contracts with suppliers across the University.

We will review the contractual arrangements LSBU has with a sample of its suppliers focusing on those with the greatest risk and/ or spend. We will consider whether contract terms and supplier performance are managed effectively.

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 = area of primary focus

x = possible area of secondary focus

Audit scope and approach (1 of 2)

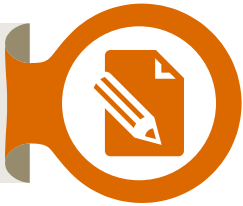


Scope

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

Sub-process	Objectives
Skills and resources for contract management	<ul style="list-style-type: none"> LSBU has a sufficient number of Contract Managers, with the appropriate resources and skills. Contract Managers are aligned with the right contracts.
Management of supplier performance	<ul style="list-style-type: none"> LSBU monitor and manage the performance of its suppliers e.g. through KPIs and service credits Poor supplier performance is identified and rectified.
Clarity of contractual terms for commercial charging mechanisms	<ul style="list-style-type: none"> Contracted terms for charging are clearly defined.
Process and controls over payments	<ul style="list-style-type: none"> There is a defined process and controls over supplier payments.

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.

We will review the controls in operation at the time of completing our work. We will undertake our work on a sample basis and will not test controls operated by LSBU's suppliers. Our conclusions will be limited to the supplier arrangements we review.

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
Joshua Wilson	Internal Auditor	Telephone: 07808 797 502 Email: joshua.j.wilson@pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Chief Financial Officer	0207 815 6301	Review and approve terms of reference
	<i>Audit Sponsor</i>	richard.flatman@lsbu.ac.uk	Review draft report
Penny Green	Head of Procurement	greenp7@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
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Receive draft and final terms of reference
			Receive draft report
			Receive final report



Timetable



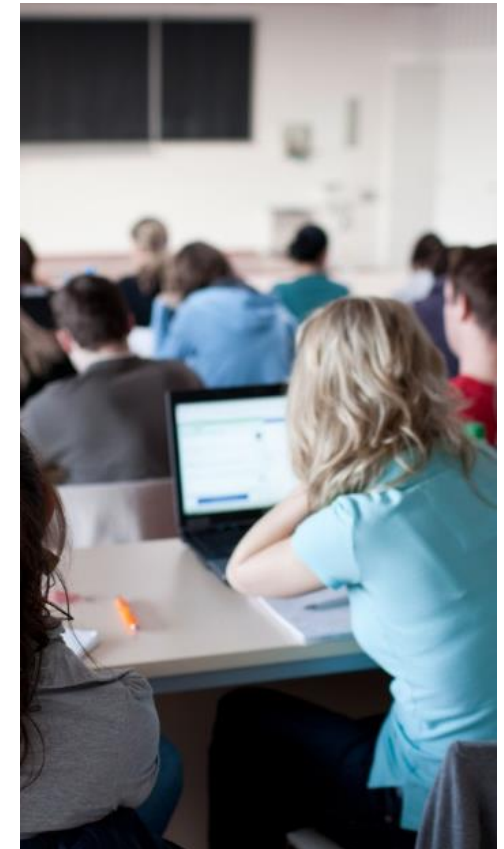
Timetable

Fieldwork start	19 June 2017
Fieldwork completed	30 June 2017
Draft report to client	14 July 2017
Response from client	28 July 2017
Final report to client	04 August 2017

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



Please find attached a deliverables listing outlining items we expect to have available in advance of the audit (19/06/2017):

- A list of all contracts held by LSBU, categorised by spend and supplier type;
- A list of all Contract Managers, including the contracts which they manage;
- All policy and guidance documents which outlines the controls and processes for managing supplier contracts.

For the sample of contracts selected for testing, we will need:

- The contract held with the supplier;
- Evidence for how the supplier's performance has been monitored in accordance with the contract terms;
- Where applicable, evidence that poor performance has been appropriately managed in accordance with the contract terms;
- A listing of all payments made to the supplier from 01/08/2016 to date.

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:

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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: Best practice and insight

Areas of Good Practice

Support from Procurement

All three Contract Managers interviewed stated that they felt the procurement team supported them in their role and they were able to identify their key procurement contact for the contract. From our interviews with staff we understand that the Head of Procurement has started work to introduce a new contract management framework tailored to individual contracts based on impact. We agree that this is a sensible approach to improving the quality and consistency of contract management across the University.

VSG contract: monitoring of supplier performance

The Contract Manager for Vision Security Group (VSG) hosts monthly meetings with the supplier to discuss key performance indicators (KPIs) and any issues identified. A score is provided to the supplier based on their performance against the KPIs. A record of all discussions with the supplier is held by the Contract Manager which means that the supplier is held to account on rectifying areas of poor performance. We suggest that the Procurement team refer to the VSG contract when preparing guidance and training materials.



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	CONFIDENTIAL
Paper title:	Internal Audit Report into Risk Management
Board/Committee	Audit Committee
Date of meeting:	3 rd October 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Information; to provide Committee with the report on the effectiveness and operation of Risk Strategy.
Which aspect of the Corporate Strategy will this help to deliver?	Risk Management relates to the entire organisation, and provides assurance against all of the risk types within the Corporate Risk Appetite statement.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the report and its findings

Matter previously considered by:		
Further approval required?		

Executive Summary

The report is rated as low risk, consistent with the 15/16 review, with 2 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 Committee is requested to note the report and the progress made.

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Internal Audit Report 2016/17

Risk Management

*London South Bank
University*

September 2017

Final

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- A. Basis of our classifications
- B. Terms of reference
- C. Limitations and responsibilities
- D. Managing risk in higher education

Distribution list

For action: John Baker (Corporate & Business Planning Manager)

For information: Richard Flatman (Chief Financial Officer)
Audit Committee



Executive summary

Report classification

Low Risk



Trend



Performance is consistent with the 2015/16 review.

Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	0	0	0	0	0
Operating effectiveness	0	0	0	2	0
Total	0	0	0	2	0



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 despite a low risk report in 2015/16, 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 two *low risk* finding:

- We reviewed a sample of five risk registers for Professional Service Groups (PSGs) / Schools and found that there were overdue actions, actions that weren't specific and incomplete columns. **See finding #1.**
- We reviewed the minutes of workforce planning meetings and local roadmaps for the same sample of PSGs/ Schools. We found:
 - The meeting minutes were not provided for 2/5 PSGs/ Schools in our sample.
 - The workforce planning meetings minutes do not explicitly address emerging risks. We recommend that the Terms of Reference for these meetings is expanded to incorporate the proactive identification of emerging risks.
 - Risks had not been identified for all strategic objectives in the Teaching Quality & Enhancement and International Office Local Roadmaps. **See finding #2**

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.

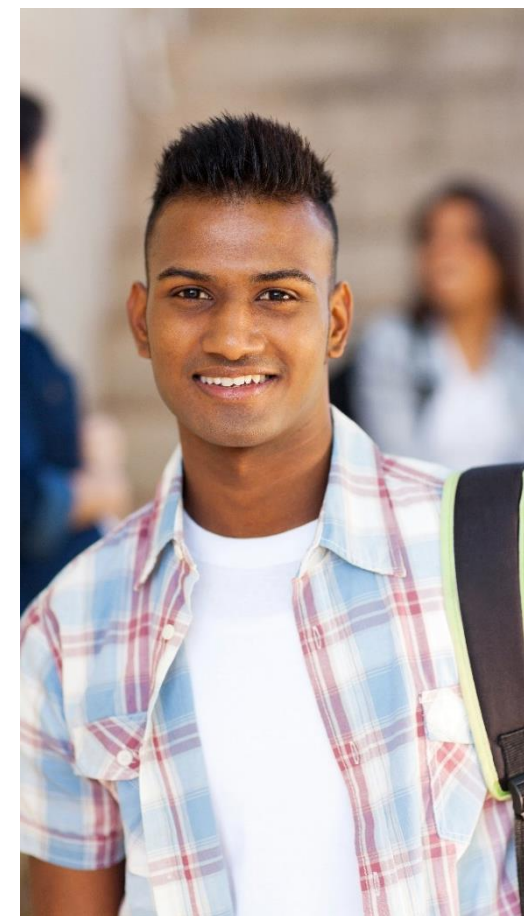
The ability of an organisation to successfully implement effective risk management arrangements in order to take advantage of these benefits is heavily dependent on staff and officers having an understanding of their responsibilities together with the principles and processes that underpin effective 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)



Scope and limitations of scope

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

<i>Sub-process</i>	<i>Key control objectives</i>
<i>Risk Strategy</i>	<ul style="list-style-type: none"> 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.
<i>Statement of Risk Appetite</i>	<ul style="list-style-type: none"> 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.
<i>Risk identification</i>	<ul style="list-style-type: none"> 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.
<i>Monitoring and reporting</i>	<ul style="list-style-type: none"> 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.

Organisational Risk Registers

Operating effectiveness

1

Page 168

Finding rating

Rating

Low

Findings

We reviewed the risk register's in place for five PSGs and Schools. We identified the following exceptions:

Timeliness

Two of the five PSGs and Schools had overdue actions in the risk register:

- Applied Sciences: 2/2 actions were overdue.
- Law and Social Sciences: 2/12 actions were overdue.

Agreed Action Identification

- We found for 1/3 actions in the Teaching and Quality Enhancement risk register was not sufficiently specific, the action point stated that there would be “regular monitoring” but did not mention the frequency or form of monitoring.

Completeness

For each risk in the PSG/ School risk register, the risk owner is required to detail both the cause and effect of the risk. We identified that the effect column had not been completed for all risks.

We raised this with management and understand that this is due to a change in the risk register template, which meant that the cause and effect were previously documented in one column, as opposed to two separate columns. We confirmed that both cause and effect had been captured in the risk register, however as a housekeeping point, management should refresh the existing risk register to distinguish the cause and effect in their respective columns to ensure that these details are not missed.

Organisational Risk Registers

Operating effectiveness

Continued

1

Implications

- If actions to address the risk are not appropriate or completed in a timely manner, this could result in the University being exposed to the risk.
- Incomplete risk registers could indicate that risks are not being proactively managed.

Action plan

These matters will be highlighted to all areas in the autumn planning meetings, and reviewed at the operational effectiveness review meetings during 17/18.

Responsible person/title:

John Baker, Corporate & Business Planning Manager

Target date:

30 May 2018

Reference number:

1

Finding rating

Rating

Low

Risk review

Operating effectiveness

2

Page 170

Finding rating

Rating

Low

Findings

During 2016/17, workforce planning meetings were held for each School and Professional Service Group. Risk registers were provided as part of the workforce related background information. Each PSG/ School is also required to prepare a “Local Roadmap” which outlines the risks which could prevent the function achieving their strategic objectives. We reviewed the workforce planning meeting minutes and local roadmaps for five PSG/ Schools and we found:

Workforce planning meetings

- For 2/5 PSGs/ Schools in our sample, we were unable to see evidence that the workforce planning meeting had been held. We understand that the meeting was not held for Applied Sciences due to the Dean not being in post until September 2017. The minutes for the Teaching Quality and Enhancement meeting were not available at the time of the audit.
- The minutes did not explicitly address the topic of emerging risks. We recommend that the Terms of Reference for these meetings is expanded to incorporate the proactive identification of emerging risks.
- **Local Roadmaps**
- Teaching Quality & Enhancement: for 1/8 (13%) of the strategic objectives, no risks had been identified.
- International Office: for 8/14 (57%) of the strategic objectives, no risks had been identified.

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.

Focusing workforce planning meetings on only discussing existing risks means there is a missed opportunity for identifying new risks which could prevent the PSG/ Schools achieving their strategic objectives.

Risk review

Operating effectiveness

Continued

2

Page 17

Finding rating

Rating

Low

Action plan

We will ensure that the terms of reference for the Operational Effectiveness Review Meetings during 2017/18 will incorporate consideration of both current and emergent operational risks

Responsible person/title:

John Baker, Corporate & Business Planning Manager

Cheryl King-McDowall, Director of Organisational Development

Target date:

31 July 2018

Reference number:

2



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

**Appendix D: Managing risk
in higher education**

Appendices

Page 172

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 – 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 2016/17 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

Audit scope and approach (1 of 2)



Scope

We will test the following sub-processes:

<i>Sub-process</i>	<i>Key control objectives</i>
<i>Risk Strategy</i>	<ul style="list-style-type: none"> <li data-bbox="828 630 2114 694">• Vision, commitment and ownership of risk management are defined within London South Bank University (LSBU). <li data-bbox="828 710 2114 742">• Roles and responsibilities are clearly defined. <li data-bbox="828 758 2114 790">• Risks – at a corporate and operational level - are aligned to the LSBU’s Strategic Plan.
<i>Statement of Risk Appetite</i>	<ul style="list-style-type: none"> <li data-bbox="828 837 2114 869">• The Risk Appetite is defined and is considered in the management of risk and resource allocation. <li data-bbox="828 885 2114 917">• Sufficient data is captured to allow the organisation to assess performance against Risk Appetite.
<i>Risk identification</i>	<ul style="list-style-type: none"> <li data-bbox="828 965 2114 1029">• 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. <li data-bbox="828 1045 2114 1077">• There is clear ownership and responsibility for managing key risks at an operational level.
<i>Monitoring and reporting</i>	<ul style="list-style-type: none"> <li data-bbox="828 1125 2114 1185">• 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.

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.

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
Lucy Gresswell	Engagement Manager	07718 098 321 lucy.j.gresswell@pwc.com
Josh Wilson	Internal Auditor	07808 797 502 joshua.j.wilson@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

Timetable



Timetable

Fieldwork start	17 July 2017
Fieldwork completed	28 July 2017
Draft report to client	11 August 2017
Response from client	25 August 2017
Final report to client	1 September 2017

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



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 Operations Board, the Strategic Risk Review Group, Audit and Risk Committee and the Board of Governors;
- Evidence of how risks are currently managed.

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

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>



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 15/05/2015. 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 Charter 2017 – 2018
Board/Committee	Audit Committee
Date of meeting:	3 rd October 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Information; to provide Committee with the Charter for the Internal Audit programme for the 17/18 Academic Year.
Which aspect of the Corporate Strategy will this help to deliver?	The internal audit charter provides a framework for conduct of the internal audit activity within the plan for 17/18 & the assurance this provides for the controls and processes that relate to the entire organisation.
Recommendation:	Committee is requested to note: the charter

Matter previously considered by:		
Further approval required?		

Executive Summary

The Internal Audit Charter sets out the framework within which the internal audit activity is conducted at LSBU.

It clarifies the purpose and scope of the activity, and outlines the authority, responsibility and independence of the process. There are no material changes from the 16/17 Charter.

The Charter is accompanied by the Internal Audit Plan in Final Version. This was approved in draft at the June Audit Committee meeting.

- The Committee is requested to approve the charter & note the Internal Audit Plan in Final.

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Internal Audit Charter

*London South Bank
University*

Draft

September 2017

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Distribution List:

Audit Committee Members

Richard Flatman – Chief Financial Officer

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

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. The specific job title of the Head of Internal Audit may vary across organisations.

This role is fulfilled by Justin Martin, PwC Partner

PwC Internal Audit Team



Internal Audit and the communication arrangements

The core team will be supported by a team of PwC auditors and technical specialists as needed. The core of this team who will be involved in the planning, delivery and management of the audit work are as follows:

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.
- Drive innovation and consistency.
- Performance of senior team members.
- Quality review all final draft/final reports.

Lucy Gresswell

Engagement Manager



- Key contact for the Chief Financial officer and the Chair of the Audit Committee.
- Project manage overall engagement delivery and team members’ performance.
- Scope reviews in the Internal Audit plan and coordinate activities and delivery of the team to ensure value for money is achieved.
- Engage with key stakeholders and the audit team to bring insight on technical issues, sector development and share benchmarked information.
- Quality assurance of fieldwork and deliverables.
- Attend Audit Committee.

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.

In the event that, pursuant to a request which LSBU 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"), LSBU 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. LSBU 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, LSBU 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.

This document has been prepared only for LSBU and solely for the purpose and on the terms agreed with LSBU in our agreement dated 15 May 2015. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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	CONFIDENTIAL
Paper title:	PwC's GDPR Readiness Assessment Report (RAT)
Board/Committee	Audit Committee
Date of meeting:	3 October 2017
Author:	James Stevenson, Joanna Jennings
Executive/Operations sponsor:	James Stevenson, Richard Flatman
Purpose:	To inform the committee of the readiness assessment test for the general data protection regulations
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Processing personal data underpins all 8 goals of the Corporate Strategy 2015-2020
Recommendation:	To note PwC's recommendations

1. PwC was asked by LSBU to conduct a readiness assessment in order to measure compliance with the requirements of the forthcoming EU General Data Protection Regulation (GDPR), which comes into effect on 25 May 2018.
2. The GDPR imposes radical changes to the current data protection regulatory framework in Europe and contains a series of new rules that will require LSBU to, at a minimum, revisit and refresh its privacy practices and change the way in which those privacy practices are embedded throughout the fabric of the business.
3. The following LSBU functions were present during the Assessment: Marketing and Alumni, ICT, HR, Finance, Legal, Information Compliance, International, REI, Apprenticeships, PPA, Student Support & Employment, Estates, Admissions, Registry, DDS, School of Health, School, of Arts and Creative Industry (as representatives for all Schools).
4. In summary, PwC's high level findings / recommendations are:

4.1 Vision and strategy.

LSBU must document its vision for the GDPR, the strategy of how LSBU plans to work towards compliance with GDPR and how the programme

will be built. Lack of defined vision and strategy will severely hinder LSBU's compliance activity (see finding 1)

4.2 Buy-in from all management levels.

LSBU should also secure support for this compliance activity from all management levels within the University and ensure the strategic and operational elements of the compliance programme are adequately resourced to reduce the risk of programme failure (see finding 1)

4.3 Responsibilities

LSBU must officially define the role and appoint the Data Protection Officer required by the GDPR (see finding 2).

4.4 Adequacy of resourcing

Resourcing of data protection must be considered at an early stage to ensure there are sufficient individuals with data protection responsibility to govern and manage the change across the University (see finding 2).

4.5 Resilience to scrutiny

- LSBU lacks formalised policies and procedures relating to the handling of data subject rights, such as requests for erasure of data (see finding 3)
- The assurance process for Subject Access Requests has not been tested to ascertain if it could scale to a large increase in Subject Access Requests, or to additional rights requests in general (see finding 3)
- There are no operational controls or breach prevention measures in place (such as USB port blocking) to prevent large scale data assets being downloaded to portable media, uploaded to file share sites (e.g. Dropbox) or emailed or transferred out of the University (see finding 3)
- There is a lack of a formal personal data breach response team. PwC strongly recommends that LSBU formalises which roles (with associated responsibilities) would best support a data breach investigation and response.

4.6 International data transfers

LSBU lacks confidence over the basis of its data transfer. As a result LSBU will struggle to robustly respond were it to suffer a breach. This in turn will lead to reputational damage or greater regulatory scrutiny (see finding 3)

4.7 Paper-Shield

LSBU does not have adequate documentation that satisfies compliance with the GDPR's accountability principle, a comprehensive Data Protection Impact Assessment policy and procedure in place and a Data Protection by design/ Default policy and procedure in place (see finding 4)

4.8 Visibility of data flows

- LSBU does not have sufficient visibility of all its data flows; there is no complete register of personal data processing activities. Lack of this visibility means that there is no understanding of risks associated with personal data (see finding 5)

- An area of particular risk to the University is personal data being passed to third party organisations, such as suppliers without appropriate documentation that identifies the basis of the transfer, the data required and the data process(es) being undertaken by the third party (see finding 5)

The summary of the report is included in the pack. The full report is available on request.

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Introduction

PricewaterhouseCoopers LLP (“**PwC**”) was asked by London South Bank University (“**LSBU**”) to conduct a readiness assessment in order to measure compliance with the requirements of the forthcoming EU General Data Protection Regulation (“**GDPR**”), which comes into effect in May 2018. The GDPR imposes radical changes to the current data protection regulatory framework in Europe and contains a series of new rules that will require LSBU to, at a minimum, revisit and refresh its privacy practices and change the way in which those privacy practices are embedded throughout the fabric of the business.

Approach

PwC carried out a GDPR readiness assessment of LSBU on 22nd June 2017. The readiness assessment was conducted using a PwC proprietary GDPR Readiness Assessment Tool (the “**R.A.T**”). The R.A.T was used to measure how mature LSBU is against the GDPR’s requirements.

The assessment was based on oral evidence only and did not involve a substantive review of LSBU’s policies or procedures. The assessment reviewed two key privacy domains: (1) ‘Data protection architecture’ (the structures that are in place across the organisation to facilitate compliance); and (2) ‘Data protection principles’ (the compliance obligations in the GDPR around data quality, such as accuracy, retention and security).

The following LSBU business functions were present at the R.A.T workshop:

- Marketing and Alumni
- ICT
- Human Resources
- Finance
- Legal
- International
- Research Enterprise Innovation
- School of Arts and Creative Industry
- Apprenticeships
- Performance, Planning and Assurance
- Student Support and Employment
- Employability
- School of Health
- Estates
- Admissions
- Registry
- Dyslexia and Disability Services

The GDPR readiness assessment was specifically focused on LSBU’s UK operations and did not include all factors of the FE College’s operations.

High level findings

The assessment indicated that LSBU’s current data protection programme requires remediation in a number of areas in order to become fully compliant with the GDPR.

A summary of our key findings are set out below:

1. Need to document LSBU’s GDPR vision and strategy

Participants at the R.A.T. assessment highlighted that the R.A.T. report will be the starting point for LSBU’s GDPR journey. Although there is awareness of the GDPR and LSBU’s programme and preparatory work has commenced, LSBU’s vision for the GDPR – that is, where LSBU wants to be in May 2018 - has not been documented. Similarly, there is no documented strategy for how LSBU plans to work towards GDPR compliance or how the programme will be built. There is no involvement at the board level currently, in respect of the GDPR compliance programme.

The ability of the business to deliver the necessary improvement for GDPR compliance will be severely hindered if there is no developed vision and strategy underpinning its compliance activity. A well-developed vision and strategy will help LSBU understand what its prioritised

road map should look like, and allow for a meaningful and measurable change across business operations to be designed.

Resource and training from LSBU's management will also help overcome potential obstacles, in particular by reducing the reliance on a single point of contact as the source of GDPR knowledge, strategic planning and operation improvement or assurance. We therefore recommend that LSBU formalise its vision and strategy to inform its compliance activity. LSBU should also secure support for this compliance activity from all management levels within the University and ensure the strategic and operational elements of the compliance programme are adequately resourced to reduce the risk of programme failure.

Although the vision is not formally documented, the Information Compliance Officer articulated the Vision to touch on the three following points:

- 1) Accountability – the need to create a formal compliance structure by appointing a Data Protection Officer (“DPO”) as required by GDPR together with the formal network of Data Protection leads across the University.
- 2) Control –in terms of how personal data is consistently managed across the University, in particular consent.
- 3) Transparency – to students and staff as how their personal data is managed by the University, in terms of how the University upholds the rights of individuals, clear roles and responsibilities of staff and mandatory training in place to support them.

Trust of the employees was mentioned as being crucial to the University. LSBU students / partners and all University stakeholders need to be confident that the University will uphold their data protection rights and will manage, process and secure their data in the right way. This also formed part of the discussion of the data protection Vision for LSBU.

2. Governance and responsibilities

Data protection roles and responsibilities are ‘informally assigned’ to individuals at LSBU. Currently, the business involves the Legal department (specifically Information Compliance Officer) in data protection practices, where needed, however some areas appear to have well-developed data protection business practices. LSBU does not have a formal, top-down, structure governing how the University uses consent, or a structure for formalising data protection practices across the organisation. There is also no formal governance around employee training and awareness on retention and deletion practices, or on data retention, in terms of records management or testing adherence to the data retention schedule.

We also noted that the roles and responsibilities of a DPO have been discussed but are not yet defined by the University and as yet there has been nobody officially appointed to the role. The GDPR requirement for the DPO role, the DPO's duties and responsibilities are defined in Appendix 3

For an organisation of LSBU's size, it seems data protection roles are formally assigned to only a few individuals within the organisation. We would suggest the adequacy of resourcing of data protection be considered at an early stage to ensure there are sufficient individuals with data protection responsibility to govern and manage the change across the University. ‘Heads of’ employees could have data protection included in their responsibilities

3. Resilience to scrutiny

LSBU lacks formalised policies and procedures relating to the handling of data subject rights, such as requests for erasure of data. The assurance process for Subject Access Requests has not been tested to ascertain if it could scale to a large increase in Subject Access Requests, or to additional rights requests in general.

There are no operational controls or breach prevention measures in place (such as USB port blocking) to prevent large scale data assets being downloaded to portable media, uploaded to file share sites (e.g. Dropbox) or emailed or transferred out of the University.

Also, LSBU lacks confidence over the basis of its data transfers. These issues mean it is likely that LSBU would struggle to robustly respond were it to suffer a data breach, or be placed under scrutiny for data transfers outside of the EU. This in turn could lead to reputational damage or greater regulatory scrutiny.

A further gap that would likely impact the manner in which LSBU would be able to handle a breach is the lack of a formal personal data breach response team. We strongly recommend that LSBU consider and formalise which roles (with associated responsibilities) within the organisation would best support a data breach investigation and response. Additional resources may be required to ensure the effectiveness of this team, e.g. business leaders with data protection already embedded in their role, or data protection champions within business areas.

LSBU has a general student complaints procedure but this means there are no formal policies or procedures in place for individuals to:

- raise complaints about how their personal data is being processed;
- raise issues and complaints about direct marketing or profiling activity;
- request data portability
- request erasure of their personal data

However, the R.A.T. identified relatively high levels of maturity in terms of LSBU implementing a personal data breach regulatory reporting procedure by using the ICO's own framework and using the feedback to report back into the process. Our suggestion is that the process should be formally documented.

4. Paper-Shield

Adequate documentation that can be produced in a timely manner upon request is one of the key elements to complying with the GDPR's accountability principle, which requires organisations not only to comply with the GDPR, but also to be able to demonstrate that compliance.

LSBU does not have a comprehensive Data Protection Impact Assessment ("DPIA") procedure in place but have adopted step by step forms in certain functional areas such as IT, Legal and Procurement. However, if those functions are not relevant or impacted then it is likely that a DPIA will not be performed.

There is no comprehensive DPIA policy and procedure in place, nor is there a Data Protection by Design / Default ("DPbD") policy and procedure in place within LSBU.

The DPIA policy should include the means by which the assessment requires the review and approval of the DPO or notification to the Data Protection Authority.

Remedying these gaps would serve to improve LSBU's privacy maturity. It would go beyond the 'paper shield' to ensure that the real privacy risks, that could give rise to complaints, regulatory intervention or litigation, are identified and mitigated.

5. LSBU does not have sufficient visibility of all its data flows

Although data flows have been mapped across some areas of the organisation (for example, in Student Records), there is currently no complete register detailing all of the personal data

processing activities that are currently conducted by the organisation. This lack of visibility of data means that there is a corresponding lack of visibility of risks associated with that data.

An area of particular risk to the University is personal data being passed to third party organisations, such as suppliers without appropriate documentation that identifies the basis of the transfer, the data required and the data process(es) being undertaken by the third party. This risk is further increased by the lack of visibility of personal data being transferred outside the EEA. LSBU should take steps to ensure they meet the documentation requirements of the GDPR with regards data processing activities. The starting point for this activity should be to consider transfers of personal data outside the EEA as it is considered to present a high degree of risk.

As there has typically been a history of organisational focus on the security of data processing activities (not limited here to LSBU, but including the vast range of organisations PwC has interacted with), it is likely that any existing data mapping documentation is confined to IT projects within the University. As a potential quick win, LSBU should assess the suitability of these documents and where required update them to documentation requirements of the GDPR.

The single data protection resource within LSBU may not have the capacity to map all of these flows – it is possible that the data mapping responsibility could be taken over by other parts of the organisation, most likely the IT Department or perhaps by being built into the procurement model. Each of these has its own benefits and drawbacks and should be assessed to determine which data mapping model will be most beneficial to the University.



	CONFIDENTIAL	
Board/Committee:	Audit Committee	
Date:	3 October 2017	
Paper title:	Pension assumptions at 31/7/17	
Author:	Natalie Ferer – Financial Controller	
Executive sponsor:	Richard Flatman – Chief Financial Officer	
Recommendation by the Executive:	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.	
Aspect of the Corporate Plan to which this will help deliver?	Statutory financial reporting.	
Matter previously considered by:	Audit Committee	Annually
Further approval required?	n/a	n/a
Communications – who should be made aware of the decision?	N/A	

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.

Indicative assumptions for the LSBU report at 31/7/17 have already been circulated to members of committee. The final assumptions and report on the position at 31/7/17 has now been received.

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:

	31/7/17	31/7/16	31/7/15	Notes
RPI increases	3.6%	3.0%	3.5%	Difference between conventional gilt yields and index linked gilt yields using data published by the Bank of England
CPI increases	2.7%	2.1%	2.6%	0.9% below RPI based on independent forecasts and different calculation methods
Salary increases	4.2%	3.9%	4.4%	In line with CPI until April 2020 then 1.5% above CPI in addition to a promotional scale.
Pension increases	2.7%	2.1%	2.6%	In line with CPI
Discount rate	2.7%	2.5%	3.8%	Annualised yield at the 20 year point on the Merrill Lynch AA rated corporate bond yield curve.

More detailed analysis of the assumptions is contained in the LPFA Final Assumptions document attached.

The assumptions are set with reference to market conditions at 31/7/17 with an estimate of the duration of employer liabilities of 20 years.

Results for LSBU

We have received the FRS102 valuation report from Baret Waddingham and the table below shows the overall deficit in the scheme and movement compared to the position at 31/7/16:

	31/7/17 £'000	31/7/16 £'000
Overall deficit in the scheme	(112,749)	(121,500)
Staff cost	(6,985)	(5,723)
Interest cost	3,099	3,428
Amounts recognised in Other Comprehensive Income	11,715	(29,219)

The most significant change is the movement in Other Comprehensive income which is broken down in more detailed below:

Analysis of the amount recognised in Other Comprehensive Income	31/7/17 £'000	31/7/16 £'000
Return on fund assets in excess of interest	14,351	1,473
Other actuarial gains on assets	2,164	-
Change in financial assumptions	(14,972)	(31,077)
Change in demographic assumptions	3,550	-
Experience gains and losses on defined benefit obligation	6,622	85
Total Amounts recognised in Other Comprehensive Income	11,715	(29,519)

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 advised rates compared to the LPFA rate are shown in the table below:

	31/7/17 LPFA	31/7/17 Mercers 9 year Yield	31/7/17 Mercers 14 year Yield
Discount rate	2.7%	1.85%	2.30%
USS deficit provision (£'000)	£951	£1,080	£1,045
Charge to I&E account (£'000)	£541	£671	£636

The single equivalent rate of 1.85% shown above assumes a deficit repayment period of 9 years with a 14 year rate of 2.30%. Mercer have taken data for 'high quality corporate bonds'. Both these are lower than the discount rate being used by Barnet Waddingham for the valuation of the LPFA scheme. 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.

This calculation, using a discount rate of 2.7%, results in a deficit in the University's share of the USS scheme of £951 and a £541k charged to the consolidated statement of income and expenditure.

Recommendation

The Committee is asked to note and approve the assumptions.



	CONFIDENTIAL
Paper title:	Corporate Risk Register
Board/Committee	Audit Committee
Date of meeting:	3 rd October 2017
Author:	John Baker - Corporate & Business Planning Manager
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Information; to provide Committee with the current corporate risk register.
Which aspect of the Corporate Strategy will this help to deliver?	All aspects as the risk entries on the register are aligned to the goals of the Corporate Strategy.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the risks and their ratings, • the allocation of risks to corporate objectives

Matter previously considered by:	Operations Board Strategic Risk Review Group	18 th July 20 th September
Further approval required?		

Executive Summary

The latest version of the Corporate Risk Register is attached for review.

Risks 2, 14 and 457 have been moved to high likelihood following review by the September meeting of the Strategic Risk Review Group.

An overview of the updates and changes is provided in the middle column of the summary table on pages 2 - 3, with notes on overdue actions on the right, and the risks are grouped by the goals of the Corporate Strategy.

The Committee is requested to note:

- the risks and their ratings
- the allocation of risks to corporate objectives

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LSBU Corporate Risk Register cover sheet: Risk overview matrix by impact & residual likelihood

Date: 22nd September 2017

Author: John Baker – Corporate & Business Planning Manager

Executive Lead: Richard Flatman – Chief Financial Officer

Page 2 of 9	4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty /</i>			2: Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL)
	3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>	6: Management Information perceived as unreliable, doesn't triangulate (RF) 37: Affordability of Capital Expenditure investment plans (RF) 305: Data not used / maintained / processed securely (IM) 494: Inconsistent delivery of Placement activity across the institution (SW) 495: Higher Apprenticeships (PB) 519: Negative Quality Assessment (SW)	362: Impact of Low staff engagement (ME) 3: Increasing pensions deficit reduces flexibility (RF) 467: Progression rates don't rise (SW)	14: Loss of NHS contract income (WT) 457: Anticipated international & EU student revenue unrealised (PI)
	2 Medium <i>failure to meet operational objectives of the University</i>	1: Capability to respond to change in policy or competitive landscape (DP) 517: Impact of EU Referendum result on regulation & market trends (DP)	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 (IM)	518: Failures in core student systems (SW)
	1 Low <i>little effect on operational objectives</i>	530: Impact on HE business of LSBU family acquisition projects (DP)		
		1 - Low	2 - Medium	3 - High
		<i>This risk is only likely in the long term</i>	<i>This risk may occur in the medium term.</i>	<i>The risk is likely to occur short term</i>
	Residual Likelihood			
Executive Risk Spread: VC – 3, DVC – 1, CFO – 3, PVC-S&E – 5, PVC-R&EE – 2, COO – 2, CMO -1, Dean Health – 1, ExD-HR – 1, US - 0				

Update Summary: Overview of changes since presentation at previous Audit Committee, 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	DEL Appointments action progress: Two educational developers have been recruited to join CRIT in October. The 2nd post to be redefined.	
467 (SW)	UG Progression rate doesn't rise		
Goal 2: Student Experience: Seeing students as learning participants & encouraging and listening to the student voice.			
518 (SW)	Failure in Core Student System operations	My LSBU staffing action completed: Resource allocated with portal being supported in the backend by the ICT applications team, and training and user support provided via CRIT. SRS discovery phase completed: Roadmap proposal reviewed at July Ops Board. Moodle upgrade completed: Moodle & Mahara updated as scheduled over the summer with fix implemented for 1718 to resolve the Jan start issues experienced by Moodle users.	Automated timetabling progress note: Responsibility being re-allocated following staff departure.
519 (SW)	Negative assessment of curriculum compliance		
Goal 3: Employability: Ensuring students develop skills, aspiration and confidence.			
494 (SW)	Inconsistent delivery of Placement activity across institution	Placements Steering Group Structured: HSC model established for on-boarding in 17/18. OurLSBU upload progress note: Documents now published.	
Goal 4: Research & Enterprise: Delivering outstanding economic, social and cultural benefits from our intellectual capital.			
402 (PI)	2020 £ growth through Research & Enterprise	New action – Health Professionals CPD:	
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 added Launch event action completed: A series of industry information events took place during the year and recruitment is on target.	
530 (DP)	Impact of LSBU family acquisition projects	New action added	
Goal 6: Internationalisation: Developing a multicultural community of students & staff through alliances & partnerships.			

457 (PI)	International & EU student £income unrealised		Financial model progress note: A working group is being established to involve all necessary parties in the development of this model.
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 Action around TEF 2 subject pilots	
362 (ME)	Poor Staff Engagement	Leadership visibility plan implemented. Additional actions now being identified. Employee Value strategy approved Reviewed by July Executive and now portal procurement underway.	
Goal 8: Resources & Infrastructure: Investing in first class facilities and outcome focused services, responsive to academic needs.			
2 (NL)	Home UG Recruitment income targets	Market insight informed validation cycle: 17/18 cycle approved to be managed by TOE. New actions regarding Brand positioning	
3 (RF)	Pensions deficit		Actuarial advice progress update: Mercers appointed to provide costed scenarios.
6 (RF)	Quality and availability of Management Information	New Actions for Applications dashboard and Performance Scorecards	
14 (WT)	Loss of NHS income		
37 (RF)	Affordability of Capital Investment plans	New Actions to test funding options Estates Business Case action completed: Case presented to MPIC on 21 st Sep.	Student Centre negotiations action progress update: Programming expert engaged to adjudicate on the decisions taken in respect of the refused extension of time claim. We await a meeting with the senior Director of Balfour Beatty early in 2016.
305 (IM)	Corporate & personal data security	Infrastructure vulnerability action completed: A security partner conducts weekly vulnerability scans of our external network perimeter and the infrastructure services team direct resource, prioritising significant vulnerabilities. Technical Roadmaps completed: Approved by July Operations Board and reviewed quarterly by ICT Technical Roadmap Board.	
584 (IM)	External incident compromises campus operations or access	New action	

Standard Risk Register



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	<p>Cause: Sustained underinvestment in expertise and dedicated human resource to support utilisation of learning technologies, comparative to new and existing competitors.</p> <p>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 such as apprenticeships Curriculum 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.</p>	I = 2 L = 2 Medium (4)	<p>CRIT (Centre for Research Informed Teaching) reports regularly to the Student Experience Committee & to the Quality & Standards Committee on the Achievements of work undertaken.</p> <hr/> <p>Delivery of the Technologically Enhanced Learning Strategy (TEL) through the Educational Framework and Quality Processes, monitored by Academic Board.</p>	I = 2 L = 2 Medium (4)	Complete activity to establish a baseline across all modules for core digital enhanced learning practice.	Saranne Weller	31 Jul 2018
							Increase organisational capability for utilising lecture capture technology, through champions in all divisions trained in appropriate technology.	Saranne Weller	31 Jul 2018
							Deliver professional development for course directors.	Saranne Weller	31 Jul 2018

Standard Risk Register



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	<p>Cause: Students admitted through clearing with lower tariff and less commitment to the course. High risk students are not identified in a timely way and supported sufficiently. Failures in timetabling, organisation and communication increase during periods of change, and 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.</p> <p>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. Considerable loss of income from UG non-progression to level 5 and 6.</p>	I = 3 L = 2 High (6)	Study Support & Skills Sessions provided by the Library & LRC	I = 3 L = 2 High (6)	Review current Job Description for Course Directors, ensuring fit with current priorities and Career Pathway structure.	Shan Wareing	22 Dec 2017
					Student Welfare advice and support provided by Student Life Centre		Implement a minimum specification for personal tutoring, ensuring consistent student support & increasing progression rates.	Shan Wareing	31 Jul 2018
						CRIT to work with Schools and course teams to embed learning development in targeted courses or high impact modules with pass rates less than 40%.	Saranne Weller	31 Jul 2018	

Standard Risk Register



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	Failures in core student systems negatively impact student experience	Shan Wareing	<p>Cause: Core business processes and systems - e.g. QL, timetabling, Moodle, MyLSBU – already requiring manual and emergency interventions to function, or fail completely due to increased activity, e.g. January starts.</p> <p>Effect: Confusion amongst students and staff, NSS impact and reputational damage. Students unable to attend teaching sessions, submit work on time or receive marks, so progression suffers Staff compensating for systems failures are distracted from other activity leading to failures elsewhere. Staff morale suffers and sickness rate and turnover rate increase.</p>	I = 2 L = 3 Medium (6)	SRS Replacement Project Updates scrutinised at Academic Board, to oversee progress and assess fit with strategy and existing practice.	I = 2 L = 3 Medium (6)	Review possibility of utilising the automated functions of timetabling system	Andrew Wignall	01 May 2017
							Amend QL to mitigate known problems with Sessions with January starts.	Lisa Upton	28 Jul 2017
							Implement a modern student enquiry management approach, to deliver a holistic approach to information provision and query management	Kirsteen Coupar	31 Jul 2018
							Oversee business impact modelling process and present SRS replacement project business case to Operations Board.	Shan Wareing	31 Oct 2017
							Conduct review of timetabling system issues.	Shan Wareing	30 Sep 2017

Standard Risk Register



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	<p>Cause: 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.</p> <p>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 HEFCE assurances, or on Annual Provider Review, and TEF outcome, impacting negatively on income through reputational impact on recruitment and through static fee levels, and University status. Negative judgement by Competition and Markets Authority and cost of legal challenge. Could act as barrier to recruitment of international students, affecting income and reputation.</p>	I = 3 L = 3 High (9)	Academic Audit process monitored by Academic Board via periodic reports from Quality & Standards Committee (QSC).	I = 3 L = 1 Medium (3)	Review approach to electronic document management, in conjunction with ARR and the Governance team, to seek to manage harmonisation of Curriculum details across the institution.	Janet Bohrer	30 Sep 2017

Standard Risk Register



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	<p>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.</p> <p>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.</p>	I = 3 L = 2 High (6)	Utilisation of new software platform 'InPlace' enables efficiencies in the Schools & the centre, and supports constancy of process and knowledge sharing.	I = 3 L = 1 Medium (3)	Complete onboarding of remaining Schools to InPlace Operational procedures and User Group.	Sukaina Jeraj	31 Jul 2018

Standard Risk Register



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 and encourage academic participation in activity. 6) Limitations of academic capacity and capability. 7) Internal competition for staff time over and 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 benefits for teaching and the student experience are reduced. 6) Proportion of staff resource diverted to winning new funding is significantly increased. 7) Reduced research 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)	Operation of Sharepoint Enterprise Approval Process for authorisation of new income opportunities.	I = 2 L = 2 Medium (4)	Complete 17/18 AURA Research Audit Process to review progress with Units of Assessment regarding REF2.	Karl Smith	22 Dec 2017
					R&E activity Pipeline Reports (Financial & Narrative) will be provided to each Operations Board Meeting to aid constant scrutiny and review of progress against 5 year income targets.		Gain approval for 17/18 Comms strategy focusing on Entrepreneurial University.	Gurpreet Jagpal	30 Sep 2017
					Bid writing workshops for academic staff delivered routinely		Establish a CPD offering for Health Professionals in collaboration with School of Health & Social Care.	Paul Ivey	30 Nov 2017
					Enterprise Business Plan & strategy submitted for approval annually to Operations Board.		Conduct student led audit of operation of London Doctoral Academy.	Graeme Maidment	30 Nov 2017
							Establish revised operating structure for new SBUEL+ enterprise subsidiary.	Paul Ivey	31 Jan 2018
							Oversee submission of bids for LURN partnerships.	Graeme Maidment	22 Dec 2017

Standard Risk Register



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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 degrees on existing recruitment markets	Pat Bailey	<p>Cause: The Introduction of Higher Apprenticeship degrees may present an opportunity for LSBU to grow student numbers in a new market. Offering and administrating apprentice schemes requires compliance with SFA funding regulations, with revised funding models depending on successful EPAs, and opens up new areas of the institution to scrutiny from Ofsted.</p> <p>Effect: These degrees could cannibalise existing employer sponsored students. This represents a risk to existing income and markets. LSBU currently has c.4,000 students on part-time courses, majority employer-sponsored & initial estimations are that income from 1,400 students (£3.3m of surplus) could be affected. SFA audit failure could lead to funding clawback, and Ofsted inspection failure could lead to reputational damage.</p>	I = 3 L = 1 Medium (3)	6 monthly progress report from Apprenticeships Steering Group scrutinised by Academic Board covers IPTE and Passmore Centre.	I = 3 L = 1 Medium (3)	Arrange launch of Passmore Centre following refurbishment programme.	Pat Bailey	31 Oct 2018		
					Monthly meetings of Apprenticeships Committee review all related operational matters.		Complete recommendations for internal improvement arising from Internal Audit review.			Heather Collins	30 Sep 2017
							Determine structure of IPTE when shape of LSBU family confirmed.			Pat Bailey	30 Sep 2018
							Ensure full appreciation of Ofsted issues relating to Apprenticeships, especially at Levels 2 and 3 (with guidance from Janet Bohrer).			Pat Bailey	31 Oct 2017
530	Impact on HE Business of LSBU Family Acquisition Projects	David Phoenix	<p>Cause: Executive and senior staff time taken up with exploration of project opportunities and negotiation and due diligence operations. Unforeseen impacts of inherited assets. Impact of third party decisions on project progress. New regulatory requirements.</p> <p>Effect: Management focus pulled away from core HE business and issues. Additional pressure on budgets & resources. Additional pension burdens, and governance support requirements. Impairment to positive industrial relations. Economies of scale and resource efficiency.</p>	I = 1 L = 2 Low (2)	Separate project team reviews progress monthly, with participation of only 50% of Executive team (DVC & PVCs focused on LSBU)	I = 1 L = 1 Low (1)	Revisit financial model and associated assumptions following External Advisory Panel meeting.	Richard Flatman	29 Dec 2017		
					Project inception dependent on Board approval of full business case, developed with external input and full due diligence process.		Alternative models for delivery of objectives relating to access and apprenticeships developed				

Standard Risk Register



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	<p>Cause: UK government process / policy changes. Restriction on current highly trusted sponsor status. Issues connected with english language test evidence. Anticipated TNE growth does not materialise. TNE partnerships are not approved, present quality risks, or break down due to absence of adequate support structures, or when contacts relocate.</p> <p>Effect: LSBU unable to organise visas for students who wish to study here. International students diverted to other markets. Expected income from overseas students unrealised. Conversion impact of LSBU TNE students doesn't materialise. TNE enterprise expectations unrealised.</p>	I = 3 L = 3 High (9)	Regular reporting of Visa refusal rates to Director of Internationalisation by Immigration Team.	I = 3 L = 3 High (9)	Oversee Internationalisation campaign across LSBU Schools.	Stuart Bannerman	31 Jul 2018
					International Office runs annual cycle of training events with staff to ensure knowledge of & compliance with UKVI processes.		Ensure financial model for partnerships recognises the costs of managing risks to quality and the student experience.	Paul Ivey	01 Aug 2017
					International & EU recruitment Reports presented to each meeting of Ops Board.		Establish up to 5 overseas offices, with common management oversight and reporting lines.	Stuart Bannerman	31 Jul 2018
					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		Develop new institutional partnerships with EU partners.	Stuart Bannerman	31 May 2018

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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	<p>Cause: Following the vote to 'Leave', the Government is working towards a plan to extract the UK from the European Union.</p> <p>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.</p>	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	I = 2 L = 1 Low (2)	Add 4 academic leads to Research Institutes, to build strategic relationships with UKRI, UK research Councils and UK (Russell Group) HEIs.	Gurpreet Jagpal	30 Apr 2018
							Develop strategic plan for marketing and support of EU student cohort, preparing for future removal of student loan funding mechanism.	Stuart Bannerman	30 Mar 2018
							Monitor situation with regard to employment law and right to work, and ensure that appointments are made in compliance with any changes to regulation.	Mandy Eddolls	31 Jul 2018

Standard Risk Register



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	<p>Cause:</p> <ul style="list-style-type: none"> - Changes to fees and funding models - 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) <p>Effect:</p> <ul style="list-style-type: none"> - Reduced student recruitment - Failure to differentiate provision - Workforce out of alignment with portfolio - Impaired external recognition through subject level tef 	I = 2 L = 3 Medium (6)	<p>Chief Marketing Officer appointed to Executive to advise LSBU on opportunities for strategic development of brand and portfolio.</p> <hr/> <p>Financial controls (inc. forecasting & restructure) enable achievement of forward operating surplus target communicated to Hefce in July Forecast.</p> <hr/> <p>PPA team provide Senior Managers with trend analysis & benchmarking against KPIs, and access to MIKE platform for information analysis.</p> <hr/> <p>Local Roadmap alignment with Corporate Roadmaps ensures linked strategic focus across operational areas, with 6 monthly Executive performance review meetings.</p> <hr/> <p>Horizon scanning report produced weekly by the Corporate Affairs Unit</p> <hr/> <p>Corporate Affairs unit maintain relationships with key politicians and influencers, in local boroughs and amongst FE providers.</p> <hr/> <p>Annual review of corporate strategy by Executive and Board of Governors through Corporate Roadmaps document.</p>	I = 2 L = 1 Low (2)	<p>Review brand development mechanisms & supply chain for core UG & PG activity.</p> <hr/> <p>Oversee launch of new portfolio developments relating to Institute of Professional & Technical education.</p> <hr/> <p>Submit application to Hefce for participation in TEF subject level pilots.</p> <hr/> <p>Oversee introduction of new portfolio relating to new division of Creative Industries, including fashion promotion.</p> <hr/> <p>Engage with Subject level TEF panels to inform LSBU approach (with Shan Wareing).</p>	Nicole Louis Pat Bailey Shan Wareing Janet Jones Pat Bailey	30 Nov 2017 30 Nov 2017 30 Sep 2017 30 Apr 2018 30 Apr 2018

Standard Risk Register



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 impacts performance negatively	Mandy Eddolls	<p>Cause:</p> <ul style="list-style-type: none"> •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 <p>Effect:</p> <ul style="list-style-type: none"> •Decreased customer (student) satisfaction •Overall University performance decreases •Low staff satisfaction results •Increased staff turnover •Quality of service delivered decreases 	I = 3 L = 3 High (9)	<p>Cascade messages from Ops Board circulated for Cascade / Congress / Town Hall Meetings within each School & PSG.</p> <hr/> <p>New social spaces and forums for staff established.</p> <hr/> <p>RAG progress reports from 3 themed institutional plans, and School & PSG action plans, are monitored at every other Operations Board meeting.</p> <hr/> <p>Planning process promotes golden thread connection from Corporate Strategy, through Roadmaps to Staff Appraisal.</p> <hr/> <p>Direct staff feedback is encouraged through the Continuing the Conversation VC events, & through discussions on Yammer.</p> <hr/> <p>Internal Comms campaign to promote Employee engagement using #wevalueyourvoice.</p> <hr/> <p>Employee engagement champions established for each Shools & PSG with regular network meetings to actively support engagement initiatives.</p>	I = 3 L = 2 High (6)	Oversee procurement of 3rd party web portal to deliver benefit packages to staff.	Mandy Eddolls	28 Feb 2018

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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	<p>Cause:</p> <ul style="list-style-type: none"> - 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 <p>Effect:</p> <ul style="list-style-type: none"> - Under recruitment against targets - Related loss of income, and impact on corporate ambitions - Undermining of course profitability 	I = 4 L = 3 Critical (12)	Report on student applications is presented to every monthly meeting of Operations Board & reviewed by Board of Governors	I = 4 L = 3 Critical (12)	Redeveloping brand proposition for Board review.	Nicole Louis	18 Oct 2017
					Annual QSC approval of validation cycle informed by market insight		Appoint to new Brand Director role.	Nicole Louis	31 Jan 2018
					Weekly Report linking student numbers to anticipated income levels circulated to Ops Board.		Plan for corporate comms shared with Executive.	Jo Sutcliffe	30 Nov 2017
					Advance predictions of student recruitment numbers informs the Annual five year forecast submitted to Hefce each July		Present outputs of Market Insight Research Project to Executive Workshop and take recommendations to Deans.	Nicole Louis	31 Oct 2017
					Differentiated marketing campaigns are run for FTUG, PTUG and PG students on a semesterised basis.		Develop revised School & College Outreach Strategy, with broader footprint outside local boroughs, and which includes LSBU Family institutions.	Seth Stromboli	30 Sep 2017
							Executive review of proposal for LSBU Brand Architecture.	Nicole Louis	31 Jan 2018
							Provide analysis of UCAS conversion data.	Richard Duke	31 Oct 2017
							Gain approval for creative institutional brand campaign.	Nicole Louis	31 Oct 2017



Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
3	Staff pension scheme deficit increases	Richard Flatman	<p>Cause:</p> <ul style="list-style-type: none"> - 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 <p>Effect:</p> <ul style="list-style-type: none"> - 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 	<p>I = 3 L = 3 High (9)</p> <p>[Redacted]</p>	<p>Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars by FMI Management team.</p> <hr/> <p>Annual FRS 102 valuation of pension scheme</p> <hr/> <p>Regular participation in sector review activity through attendance at LPFA HE forum, BUFDG events & UCEA pensions group by CFO or deputy.</p> <hr/> <p>Reporting to every Board of Governors meeting via CFO Report</p> <hr/> <p>DC pension scheme for SBUEL staff.</p> <hr/> <p>Tight Executive control of all staff costs through monthly scrutiny of management accounts</p> <hr/> <p>Strict control on early access to pension at redundancy/restructure</p>	<p>I = 3 L = 2 High (6)</p> <p>[Redacted]</p>	<p>Review future options from wider HR perspective</p>	Mandy Eddolls	30 Nov 2017
							<p>Obtain actuarial advise on costed options.</p>	Richard Flatman	31 Jul 2017

Standard Risk Register



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 strategic vision for ICT - 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 clearing & over-recruitment penalties - League table position impaired by wrong data - Failure to satisfy requirements of Professional, Statutory and Regulatory bodies (NHS, course accreditation etc)	I = 3 L = 3 High (9) 	Data Assurance Group meets every 6 months to review matters of data quality and provides reports to Operations Board.	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
					Internal Auditors Continuous Audit programme provides regular assurance on student and finance information, including UKVI compliance.		MIKE dashboard established for monitoring applications & associated income flows for 2018/19 entrants.	Richard Duke	30 Dec 2017
					Systematic data quality checks and review of external data returns prior to submission to HESA by PPA team.		Develop a specification for a new Student Record system, underpinned by configuration requirements and workflows.	Shan Wareing	29 Jul 2017
					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		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

Standard Risk Register



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	<p>Cause: NHS financial challenges/ structural change is resulting in a total review of educational commissioning by Health Education England with an expected overall reduction in available funding (affecting CPPD).</p> <p>Plus London Educational Contracts (pre-registration) are running out from Sept 2017 with students paying their own fees via the student loan system. Recruitment to contracted programmes could dip following shift from bursaries to tuition fees. Applications numbers are down 22% overall, but quality of applications are generally higher.</p> <p>Effect: Reduction in income Reduced staff numbers Reduced student numbers</p>	I = 3 L = 3 High (9)	<p>Named Customer Manager roles with NHS Trusts, CCGs and HEE.</p> <hr/> <p>Monitor quality of courses (QCPM and NMC) annually in autumn (QCPM) and winter (NMC)</p> <hr/> <p>Support with numeracy and literacy test preparation.</p> <hr/> <p>Complete review in 2016/17 of all post-registration/ PG and CPPD courses and modules to ensure these remain leading edge and fit for the future. Review programmed to involve all stakeholders and to be employer driven.</p>	I = 3 L = 3 High (9)	<p>FE progression agreements - we are discussing with FE colleges in central, south and north-east London additional progression agreements and partnerships to encourage FE students into pre-reg/ UG health courses. We are also leading a project with Guy's & St Thomas's Hospitals NHS Foundation Trust to develop a 16-18 cadetship apprenticeship which will also provide links to FE providers locally and to health careers/ courses at LSBU</p> <hr/> <p>Having lease - EAF dealing with negotiations with NHS Properties - extension of lease to 2023 had been offered. Potential for further/ alternative location at either Care City site (Barking) or Purfleet New Town site.</p> <hr/> <p>Grow into new markets for medical and private sector CPPD provision - include as part of Ipsos Mori bi-annual survey to identify workforce/ education requirements. Include these in CPPD course review</p>	Anthony Mcgrath	25 Sep 2017
								Warren Turner	27 Sep 2021
								Warren Turner	25 Sep 2017

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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 of Capital Expenditure investment plans	Richard Flatman	Cause: - Poor project controls - Lack of capacity to manage/deliver projects - Reduction in agreed/assumed capital funding - Reduction in other government funding Effect: - Adverse financial impact - Reputational damage - Reduced surplus - Planned improvement to student experience not delivered - Inability to attract new students	I = 3 L = 3 High (9)	Full Business Cases prepared; using Executive approved process - including clarity on cost and funding, for each element of Estates Strategy. Financial regulations require all major (>£2m) capital expenditure to receive Board approval Major Projects & Investments Committee (MPIC) reviews all property related capital decisions, and is empowered to approve all unplanned capital expenditure > £500K but <£1M. 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.	I = 3 L = 1 Medium (3)	Test Sinocampus options for Technopark building.	Paul Ivey	30 Nov 2017
							Complete report on the final Student Centre negotiations. Update: the 12 month defects liability period concluded & working through the final defect list. POE was due by Feb 14.	Ian Mehrtens	30 Apr 2013
							Evaluate funding options in context of 17/18 recruitment cycle.	Richard Flatman	30 Nov 2017
							Work with Finalysis to develop loan funding proposals.	Richard Flatman	31 Jan 2018
							Test market opportunity for disposal of Perry Library site.	Ian Mehrtens	31 Jan 2018
305	Corporate & personal data not accessed or stored securely, or processed appropriately	Ian Mehrtens	Cause: 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:	I = 3 L = 2 High (6)	Logical security protocols relating to passwords require change every 6 months, and multiple character combinations. Robust breach notification process to close down & contain any breach.	I = 3 L = 1 Medium (3)	Oversee complete upgrade of all remaining Windows XP and Windows 2003 machines.	Craig Girvan	22 Dec 2017
							Oversee PWC led risk assessment tool (RAT) review, with Special Characteristics and Game of Threats workshops, to develop GDPR options appraisal.	James Stevenson	30 Sep 2017

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Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Action Required	Person Responsible	To be implemented by
			<p>Financial penalty under General Data Protection Regulations.</p> <p>Cost and impact of staff resource diverted to deal with issues, Staff downtime when systems unavailable</p> <p>Reputational damage, undermining academic credibility.</p> <p>Compromise of competitive advantage.</p>		<p>IT access permissions linked directly with live iTrent HR system records through Active Directory account synchronisation.</p> <hr/> <p>A privacy impact assessment is a required stage of the ICT project initiation process.</p> <hr/> <p>Quarterly Mandatory Training Compliance reports are circulated to all Level 2 managers, which includes information on staff compliance with training on data protection and data security.</p> <hr/> <p>All changes to digital infrastructure reviewed quarterly by ICT Technical Roadmap Board.</p> <hr/> <p>Weekly running of infrastructure vulnerability management software test results reviewed by Head of Digital Security</p> <hr/> <p>Weekly Change Control Board chaired by Director of ICT Services reviews all proposed technical changes to infrastructure prior to implementation.</p>				

Standard Risk Register



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	Ian Mehrtens	<p>Cause: Incident in South London area requires emergency response and restricts freedom of movement</p> <p>Effect: Staff & students unable to reach / leave the campus Interruption to key activities or processes Requirements for alternative accommodation / provision for halls residents</p>	I = 2 L = 2 Medium (4)	<p>Major incident response mechanisms – tested annually.</p> <hr/> <p>Business continuity plans for critical activity reviewed annually by resilience team.</p>	I = 2 L = 2 Medium (4)			

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	CONFIDENTIAL
Paper title:	Risk Appetite & Strategy
Board/Committee	Audit Committee
Date of meeting:	3 October 2017
Author:	John Baker - Corporate & Business Planning Manager
Executive sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Review; to provide Committee with the proposed Risk Strategy and Appetite statement for 2017/18, – for recommendation to the Board of Governors.
Which aspect of the Corporate Strategy will this help to deliver?	This Risk Strategy relates to the management of risks or uncertainties across the institution and which could impair the ability of the University to achieve the goals of the Corporate Strategy.
Recommendation:	The Committee is requested to: <ul style="list-style-type: none"> • Agree and recommend the risk appetite statement to the Board for approval; • Note the revised risk strategy

Matter previously considered by:	Strategic Risk Review Group Executive	20 th September 27 th September
	Board of Governors	18 th October
Further approval required?		

Risk appetite

The Executive recommends that there is no change to the agreed risk appetite:

- Financial – open;
- Legal and compliance – cautious;
- Academic delivery – seek; and
- Reputational - open

Risk strategy

Limited changes from the approved risk strategy are recommended, as follows:

- The terminology has been updated to reflect the current structures and management review processes within the organisation.
- The strategy has been revised to accommodate the additional review functionality of the updated risk management software.

The Committee is requested to:

- Agree and recommend the risk appetite statement to the Board for approval;
- Note the revised risk strategy

London South Bank University Risk Appetite: Agreed Statement – October 2016

The agreed risk appetite statements were as follows for each risk type:

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

These are displayed against the original framework overleaf.

Avoid / Averse

Avoidance of risk and uncertainty is a Key Organisational objective

Avoidance of financial loss is a key objective.

Play safe; avoid anything which could be challenged, even unsuccessfully.

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.

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.

Minimal

(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

Only prepared to accept the possibility of very limited financial loss if essential.

Want to be very sure we would win any challenge.

Similar situations elsewhere have not breached Innovations always avoided unless essential or commonplace elsewhere.

Decision making authority held by senior management.

Only essential systems / technology developments to protect current operations.

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.

Cautious

Preference for safe delivery options that have a low degree of inherent risk & may only have limited potential for reward

Prepared to accept possibility of some limited financial loss.

Resources generally restricted to existing commitments.

Limited tolerance for sticking our neck out. Want to be reasonably sure we would win any challenge.

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.

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.

Open

Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VfM)

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.

Challenge would be problematic but we are likely to win it and the gain will outweigh the adverse consequences.

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.

Appetite to take decisions with potential to expose the organisation to additional scrutiny/interest.

Prospective management of organisation's reputation.

Seek

Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)

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

Chances of losing any challenge are real and consequences would be significant. A win would be a great coup.

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.

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.

Mature

Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust

Consistently focused on the best possible return for stakeholders. Resources allocated in 'social capital' with confidence that process is a return in itself.

Consistently pushing back on regulatory burden. Front foot approach informs better regulation.

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.

Risk Strategy

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 5
Last Approved:	Version 4 was approved in October 2016
Subsequent approval:	October 2018
Document Type:	Strategy
Mandatory Target Audience:	Risk Champions (University Executive), School Management Teams, Professional Service Group Directors & Leads
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 5

(draft for approval)

Risk Strategy sections

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Appendix 3: Risk Hierarchy Diagram & table 14

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 must operate.
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 and staff by the OSDT team, and included on the agenda of the

biannual 'Welcome to the University' conference events organised for new starters.

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. *Operations Board:*
The Operations Board is responsible for ensuring that the risk management procedures are carried out effectively, and that key corporate risks are identified, and managed effectively. Corporate Risk management will be a standing agenda item at quarterly Operations Performance Review meetings, and members also have a responsibility to escalate matters from operational registers as appropriate.
16. *Strategic Risk Review Group:*
In addition to the regular reviews of the Corporate Register by Operations Board, 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, and the operation of this strategy.

17. *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 Delivery Plans 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 Operations Board as appropriate

18. *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

19. *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.

20. *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.
21. *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 changing conditions in the operational environment.

E: Risk Management - Software

22. 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.
23. 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.
24. Any requests for training in the use of 4-Risk, should be directed to the Corporate & Business Planning Manager (on extension 6360).
25. 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

26. 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. Each corporate risk is 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. Corporate Risks must be owned by a member of the Executive, and each risk 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 continuously by Executive leads, and will be reviewed at all meetings of the Operations Board.
30. The current Corporate Risk register should be reported to each meeting of the Audit Committee and the Board of Governors.
31. Any corporate risk that is rated 'Low' should be considered for downgrading to the appropriate Operational Risk Register. The Operations Board are responsible for downgrading corporate risks through the normal cycle of meetings.
32. 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.
33. 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.
34. 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, and 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.

G: Operational Risk

35. Operational risks could prevent achievement of School and Professional Service Group objectives, as identified in Local Delivery Plans for these areas.
36. An operational risk register is maintained by each School and by each Professional Service Group. 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.
37. 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.
38. The impact and likelihood of each operational risk is rated using the same methodology as that applied to corporate risks.
39. All operational risks with a 'critical' risk priority should be referred to the Operations Board for consideration, and potential escalation to the corporate risk register.
40. Risk Champions are responsible for escalating operational risks. Escalation is through the normal cycle of Operations Board meetings although matters of a more fundamental nature should be reported immediately.
41. 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.
42. More formal review of Operational risk registers will take place through the Executive Review Meetings, which will take place at two points during each academic year.

Risk Management and Business Planning

43. 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.

44. 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 actions in section 4.

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

45. 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.
46. Risk management will be included within the terms of reference for the Organisational Effectiveness Review Meetings, where Risk Registers, with details of risks and mitigating actions, will be considered alongside progress against the delivery of Local Roadmap, KPIs and other performance measures.
47. The Risk Review Functionality of the 4-Risk platform will be 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.
48. 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.
49. 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.
50. 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: 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 delivery plans.
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 prevent or hinder the achievement of the corporate plan and/or operational business plan objectives. This should be done on a continual basis and reviewed regularly.
 - **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

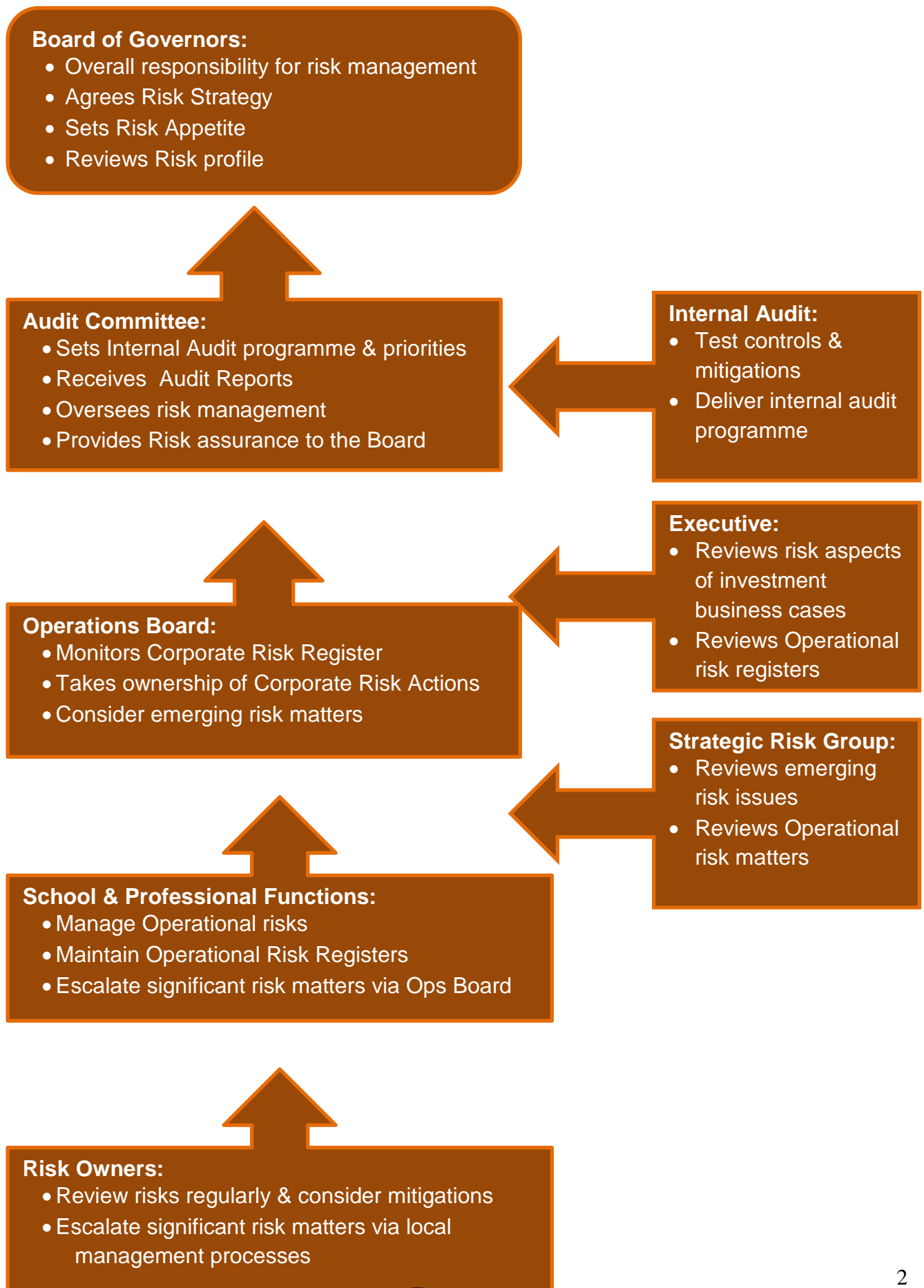
Table 1: Total Risk Values based on assessment of impact and likelihood

Impact	4 - Critical	High	Critical	Critical
	3 - High	Medium	High	High
	2 - Medium	Low	Medium	Medium
	1 - Low	Low	Low	Low
		1 - Low	2 - Medium	3 - High
		Inherent Likelihood		

LSBU Risk Management Assurance Overview: 3 lines of Defence, including Risk Appetite risk categories

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 (every 4 months, by Risk Owners) Structural Review: School and Professional Function Management meetings (occasional)	Corporate Risk: Operations Board & Strategic Risk Review Group: (3 times a year) Operational Risk: Executive Review Meetings (Each February)	Internal Audit Programme: Risk Management Report (Each July – as per Hefce Memorandum)	Risk Strategy – see Risk Framework Document
Risk Types:				
Financial	Financial Regulations Procure2Payment invoice process automation Procurement checks	Financial Controller Head of Procurement Capital Investment approval process	Internal Audit: Continuous Audit programme External Audit Procurement maturity assessment	Key component of annual internal programme.
Legal / Compliance	Staff compliance with policies and procedures Mandatory training programme within ODT	Legal Support from Legal & Governance team	3 rd Party Expertise on specific matters <ul style="list-style-type: none"> • Shakespeare Martineau LLP • Veale Wasborough Vizards LLP • Shoosmiths LLP • Eversheds LLP 	Mandatory staff training programme includes: <ul style="list-style-type: none"> • 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	Internal Audit: Specific Audits QAA Review	Planned through yearly risk review process by AQDO.
Reputation	PR & Internal Comms Teams Incident Response Team Town Hall Cascades	League table working group Leadership Forum	Hefce 5 year institutional review	Ketchum contract works to develop contacts and insight. Policy Unit leads institutional stakeholder engagement.

LSBU Risk Framework: Diagrammatic Overview of Risk Strategy Elements



LSBU Risk Overview – Risk Framework: Levels of Review Table

<i>Level of Review</i>	<i>Activity</i>	<i>Format of Review</i>	<i>Frequency</i>	<i>Details / notes</i>
Hefce	Institutional Risk Assessment	Risk Letter in March	Yearly	Utilises data from Dec 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 Register	Paper at Meetings	5 per year	Papers on Governors Drive
Audit Committee	Risk Review	Paper at Meetings	4 per year	Papers on Governors Drive
	Business Case Review	Business Cases above defined thresholds	When submitted	Risk section within template
Operations Board:	Corporate Risk Review	Register noted at Meetings	Monthly	Papers on Modern Gov
Strategic Risk Review Group:	Review of Corporate Risks & strategy	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	Registers at Organisational Effectiveness Review Meetings	Twice yearly	Papers stored
	Risk Owner Review	Online Risk platform review process	Twice a year	http://kepler/
	New Risk Consideration	Section of Local Roadmap template	Yearly	OurLSBU 'OurValue' section
Members of Staff:	Issue raising	local management meetings	Ad hoc	Local minutes



	CONFIDENTIAL
Paper title:	Annual Review of effectiveness of system of internal controls
Board/Committee	Audit Committee
Date of meeting:	3 rd October 2017
Author:	John Baker - Corporate & Business Planning Manager
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To set out the full compliance statement on internal control for approval and inclusion in the year-end financial accounts and to set out the assurance sources in support of the full compliance statement.
Which aspect of the Corporate Strategy will this help to deliver?	This statement relates to controls and processes that relate to the entire organisation, and its operating effectiveness.
Recommendation:	<p>The Executive recommends that Committee:</p> <ul style="list-style-type: none"> • Notes this report • Approves the annual compliance statement (subject to final review immediately before approval of accounts).

Matter previously considered by:	Executive	27 th September
Further approval required?		

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 9th 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 Committee is requested to note this 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 2017

CONTENTS

1. Executive Summary
2. Annual review process
3. Changes in the nature and extent of significant risks
4. Scope and quality of management's ongoing monitoring of risks and the system of internal control
5. Results of internal audit work
6. Extent and frequency of communication to the board (and other committees)
7. Incidence of significant control failings or weaknesses during the year
8. Effectiveness of the University's external reporting processes

Appendix

1. Draft Statement on Internal Control
2. Corporate Risk Register Residual Likelihood Matrix Overview, as at 12th September 2017

1. Executive Summary

This report documents the progress that has been made 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 2017 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 a full compliance statement for the period under review (for the year ended 31 July 2017 and up to the date of approval of the financial statements) the following assurance sources have been taken into account:

HEFCE

- The most recent risk assessment, as reported by HEFCE in its letter to LSBU dated 2nd May 2017, 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 carried out an Assurance Review visit to LSBU in January 2017, which are currently conducted every 5 years. 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 2017 was aligned to the corporate risk framework to provide assurance on the effectiveness of controls in key risk areas.
- The 2016/17 internal audit programme included a review of risk management. Based on the results, our risk processes were categorised as low risk. Corporate Risk was reported on a monthly basis to the University Operations Board and to every meeting of the Board of Governors and to 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 those weaknesses and to implement agreed actions.
- The annual internal audit report outlines one report with a high risk rating - which relates to the administration of Apprenticeships.
- The overall number of findings has increased to 25, but should be considered in the context of the fact that different reviews take place each year, with different risk profiles, this total is consistent with that during 14/15 (26) and the growth in findings has been in the low risk category. There were 13 medium risk findings, only 1 at high risk and 11 at low risk (from 4 in 15/16).
- The overall internal audit action implementation rate for 16/17 was 97 % of all recommendations falling due. This is an improvement on the 88% reported last year, and well above the benchmark target of 75%.

Internal Governance

- The Corporate Risk Register is aligned to the Corporate Strategy and is reviewed by Operations Board on a monthly basis and updated regularly. It has been re-structured to align to the new corporate strategy 2015/2020.

- The Corporate Risk Register has been submitted to every meeting of the Board of Governors and Audit Committee.
- 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.
- 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 Operations Board); 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.

3. Changes in the nature and extent of significant risks

The Corporate Risk Register has been subject to monthly review by the Operations Board and has been updated as appropriate. The Risk Register has been aligned with the goals of the University's Corporate Strategy for 2020. The current Corporate Risk Register residual likelihood matrix is attached at Appendix 2.

The main changes to the corporate risk register have been the addition of new risks relating to the potential impact of the EU Referendum result, and the impact of LSBU Family projects across the institution.

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 every Operations Board agenda, 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, and this is embedded into formal letters of delegated authority issued for every financial period.

All matters relating to internal control are reported to Operations Board 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 2016/17

The University's Internal Auditors for the period under review were PricewaterhouseCoopers LLP (PwC) and their opinion for 2016/17 is set out in their internal audit annual report.

The PwC opinion for 2016/17 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 2016/17.

They have completed the program of internal audit work for the financial year ended 31 July 2017, and their opinion is:

Extract from PwC's 2016/17 Internal Audit Annual Report for LSBU

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.
- Any significant recommendations not accepted by management and the resulting risks.
- 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.

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. The findings from these reports are not considered significant in aggregate to the system of internal control. None of the individual assignments completed in 2016/17 have an overall classification of critical risk.

- We identified one high risk report this year, the Apprenticeships review. This area was selected for review due to the University's objective to expand the current apprenticeship training provision. We identified one high risk finding as we found that there were issues in regards to LSBU's compliance with the funding rules set by the Education & Skills Fundraising Agency. In particular, we found that apprenticeship agreements had not been signed by all parties ahead of the apprenticeship start date, employer incentive payments had not been transferred to the employer within the deadline and attendance records had not maintained for 6/20 students in our sample. 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 remained robust during the year with no significant exceptions or control recommendations raised. There have been some exceptions identified through our substantive controls testing of Accounts Payable processes and we have noted another incidence of deterioration in performance in payroll control, see details in section 3, however the findings identified are not considered to be significant in aggregate to the key 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 improved in 2016/17; 93% of agreed actions have been implemented compared to 88% in the 2015/16.

- LSBU's risk management arrangements continue to be strong as evidenced by our low risk report. In particular, LSBU has a clear risk governance structure and consistent approach to identifying and managing risk at all levels. The University's approach integrates risk management with the strategic and business planning process which is in line with good practice and has an established risk appetite which is aligned with strategic objectives.

- 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.

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
13 th July 2017	Key performance indicators	To note a progress report from the Vice Chancellor
	Corporate risk register	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.
18 th May 2017	Key Performance Indicators & Corporate Strategy Progress Report	To consider the Vice Chancellor's report and note developments and progress against strategy
	Corporate risk register	To note a report from the Chief Financial Officer
16 th March 2017	Corporate risk register	To note a report from the Chief Financial Officer
	Key performance indicators	To consider the Vice Chancellor's report and note developments
24 th November 2016	Corporate risk register	To note a report from the Chief Financial Officer
	Key performance indicators & 15/16 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	To approve report from the Chief

	financial statements for year ended 31 July 2016	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
20 th October 2016	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
8 th June 2017	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 2016/17
	Internal Audit Reviews:	To note reports completed from 2016/17 internal audit plan
	<ul style="list-style-type: none"> • Continuous Audit into Key Financial Systems – 16/17 period 2 • Continuous Audit into Student Data – 16/17 period 2 • Apprenticeships Internal Audit Report 	
	Internal Audit plan 2017/18	To preview plan from internal auditors for activity in 2017/18
	External audit plan for 2017/18	To approve plan from external auditors
7 th February	Corporate risk report	To consider the report on corporate risks from the Chief Financial Officer

2017	Internal Audit progress report	To note report from internal auditors on audit progress for 2016/17
	Internal Audit Reviews:	To note reports completed from 2016/17 internal audit plan
	<ul style="list-style-type: none"> • Hefce Assurance Review preparedness • Placements Internal Audit Report • Continuous Audit into Student Data – 16/17 period 1 	
10 th November 2016	Corporate risk report	To consider the report on corporate risks from the Chief Financial Officer
	Draft report and accounts for year ended 31 July 2015	To consider the report from the Chief Financial Officer
	Internal audit annual report	To note report from internal auditors
	Internal Audit Reports	To note reports completed from 2016/17 internal audit plan
	<ul style="list-style-type: none"> • Data Security Internal Audit Report • HR System pre-implementation Internal Audit review 	
	Internal audit progress report	To note report from internal auditors on audit progress for 2016/17
	Audit Committee Annual Report	To approve the Audit Committee Annual Report
	HEFCE assurance report on Quality Matters	To note a report from the PVC (Education & Student Experience) regarding Quality & Standards matters
22 nd September 2016	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 2015/16
	Annual report on effectiveness of internal controls	To consider this report for 15/16 from the Chief Financial Officer
	Internal Audit Reports	To note reports completed as part of the 2015/16 audit plan
	<ul style="list-style-type: none"> • Continuous Audit into Key Financial Systems – 15/16 period 2 	

	<ul style="list-style-type: none"> • Prevent Duties • Risk Management
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Finance Planning & Resources	Report	Purpose
27 th June 2017	Key performance indicators update	To consider the corporate plan KPIs progress report
9 th May 2017	Key performance indicators update	To consider the corporate plan KPIs progress report
28 th Feb 2017	Key performance indicators update	To consider the corporate plan KPIs progress report
8 th November 2016	Key performance indicators update	To consider the corporate plan KPIs progress report
4 th October 2016	Key performance indicators update	To consider the corporate plan KPIs progress report

In addition:

The Audit Committee will have reviewed the following reports at meetings in September 2017 and October 2017 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 2017
- External auditor's Key Issues memorandum (KIM).

The Board will conduct a detailed review of the corporate risk register at its meeting in October 2017.

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 Apprenticeships 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.

DRAFT

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 2017 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 Operations Board 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 HEFCE 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: 10th July 2017 **Author:** John Baker – Corporate & Business Planning Manager **Executive Lead:** Richard Flatman – Chief Financial Officer

Page 267 Impact

4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty /</i>			2: Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL)
3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>	6: Management Information perceived as unreliable, doesn't triangulate (RF) 37: Affordability of Capital Expenditure investment plans (RF) 305: Data not used / maintained / processed securely (IM) 494: Inconsistent delivery of Placement activity across the institution (SW) 495: Higher Apprenticeships (PB) 519: Negative Quality Assessment (SW)	362: Impact of Low staff engagement (ME) 3: Increasing pensions deficit reduces flexibility (RF) 467: Progression rates don't rise (SW)	14: Loss of NHS contract income (WT) 457: Anticipated international & EU student revenue unrealised (PI)
2 Medium <i>failure to meet operational objectives of the University</i>	1: Capability to respond to change in policy or competitive landscape (DP) 517: Impact of EU Referendum result on regulation & market trends (DP)	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 (IM)	518: Failures in core student systems (SW)
1 Low <i>little effect on operational objectives</i>	530: Impact on HE business of LSBU family acquisition projects (DP)		

1 - Low

2 - Medium

3 - High

This risk is only likely in the long term

This risk may occur in the medium term.

The risk is likely to occur short term

Residual Likelihood

Risk Spread: VC – 3, DVC – 1, CFO – 3, PVC-S&E – 5, PVC-R&EE – 2, COO – 2, CMO -1, Dean Health – 1, ExD-HR – 1, US - 0

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	CONFIDENTIAL
Paper title:	Draft Corporate Governance statement
Board/Committee	Audit Committee
Date of meeting:	3 October 2017
Author:	Michael Broadway, Deputy University Secretary
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	Approval
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	N/A
Recommendation:	The committee is requested to approve the draft Corporate Governance statement for inclusion in the financial statements.

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).

The committee is requested to approve the draft Corporate Governance Statement for inclusion in the annual report.

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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 has regard to:

- The CUC Higher Education Code of Governance
- The UK Corporate Governance Code (where applicable)
- The seven principles of standards in public life
- The HEFCE Memorandum of Assurance and Accountability and the Audit Code of Practice
- The Directors' duties as set out in sections 170 – 177 of the Companies Act 2006
- The Charity Commission's Guidance on Public Benefit and its duties as charity trustees of compliance, prudence and care
- Other legislative requirements of corporate and Higher Education bodies
- The University's Articles of Association and standing orders

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.

During the year, the Board met five times (five times in 2015/16) plus once for an extraordinary meeting. In addition, the Board held two strategy days (two in 2015/16) 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 84% (2015/16: 93%) 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.) It receives assurance that the institution meets the requirements of the Memorandum of Assurance and Accountability 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. The Chair of the Board of Governors and the chairs of the Audit Committee and the Finance, Planning and Resources committee were interviewed along with members of the Executive team as part of this process. HEFCE 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 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 2017*].

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, twice yearly meeting with the Academic Board to discuss strategy. [The Board has reviewed the quality process and agreed an assurance statement during the year under review – to confirm at the November 2017 board.]

The Board has regard to the principle of academic freedom (4.1, 4.2, 4.3).

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).

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).

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).

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 have 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

There is a Nomination committee to recruit 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 and experience currently on the Board. The balance of skills and experience of independent governors is kept continually under review by the Nomination Committee.

The Audit Committee has a majority of independent governors (3.12), including a co-opted external member. The Audit Committee produces an annual report for the Board, following HEFCE 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). The committee includes the Chair of the Board and has a majority of independent governors (3.14.) No individual is present for discussions that directly affect them. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16.).

The Board completed an interim effectiveness review in July 2017. Following this review no major changes to the Board's structure have been proposed.

Key Individuals

Position	Name
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Andrew Owen (retired 30 July 2017)
Head of Institution (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Audit Committee	Steve Balmont
Chair of Finance, Planning and Resources Committee	Andrew Owen (retired 30 July 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

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.

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	CONFIDENTIAL
Paper title:	Draft Public Benefit statement 2017/18
Board/Committee	Audit Committee
Date of meeting:	3 October 2017
Author:	Michael Broadway, Deputy University Secretary
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	Information
Recommendation:	The meeting is requested to note the first 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 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 first draft Public Benefit Statement for inclusion in the annual report.

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Public Benefit statement – 2016/17

The University is an exempt charity within the meaning of the Charities Act 2011 and is regulated by HEFCE on behalf of the Charity Commission.

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 – CHECK];
- providing funds to London South Bank University Students' Union.

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 – CHECK].

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 2016/17 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 - CHECK].

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 7746LSBU 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 2015, with the majority of its research graded as internationally excellent and recognised internationally.

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	CONFIDENTIAL
Paper title:	Speak up report
Board/Committee	Audit Committee
Date of meeting:	3 October 2017
Author:	Michael Broadway, Deputy University Secretary
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To update the Audit Committee on recent speak up matters
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	N/A - The speak up policy enables workers and students to report any concerns about malpractice, helping to create an open and ethical culture in the workplace.
Recommendation:	To note

Executive Summary

Since the last audit committee meeting, one speak up matter has been raised.

1. SBUEL employees

A matter has been raised through the speak up policy relating to SBUEL employees. The allegation is that SBUEL employees within the Research, Enterprise & Innovation (REI) team are treated unfairly because their work spans the whole of REI (i.e. within both LSBU and SBUEL) but their contractual terms are less favourable than REI colleagues who are employed by LSBU and whose work also spans the whole of REI.

This topic had been previously discussed by the Board of SBUEL at its 13 October 2016 meeting with a proposal to be brought back to the SBUEL Board, which is outstanding.

The LSBU executive has agreed that the speak-up matter raised a wider, strategic question about LSBU's functional relationship with SBUEL (and with other group entities). This question is being considered by the LSBU sub-committee on group structure.

The Executive Director of HR and the Pro Vice Chancellor (Research and External Engagement) are reviewing staffing aspects of SBUEL and will make a recommendation to the executive and the SBUEL board by December 2017.

An update will be provided to the committee on the outcome of this process.

2. Update on case from last meeting

At its last meeting the committee was informed about an internal matter that relates to an allegation of unfairness in a university process. Following a formal HR investigation the case has been concluded. No deliberate malpractice had been found in the investigation of the issue, but some areas for improvement had been recommended. The Chair of the committee has approved the final report.

	CONFIDENTIAL	
Paper title:	Anti – Fraud, bribery and corruption report	
Board/Committee	Audit Committee	
Date of meeting:	3 October 2017	
Author:	Natalie Ferer – Financial Controller	
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer	
Purpose:	To alert Audit Committee to any instances of fraud, bribery or corruption arising in the period since the committee last met	
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?		
Recommendation:	That the Committee notes this report	
Matter previously considered by:	Audit Committee	At each meeting
Further approval required?	n/a	n/a

Summary

Since the last report there is nothing to report

Recommendation:

The Committee is requested to note this report

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	STRICTLY CONFIDENTIAL
Paper title:	Committee business plan, 2016/17
Board/Committee	Audit Committee
Date of meeting:	3 October 2017
Author:	Michael Broadway, Deputy University Secretary
Board sponsor:	Steve Balmont, Chair of the Committee
Purpose:	To inform the committee of its annual business plan
Recommendation:	To approve the committee's annual business plan

Matter previously considered by:	Audit Committee	At each meeting
Further approval required?	No	Date: N/A

Audit Committee Business Plan

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.

In addition to the items listed in the plan, the University is having the following audits:

- CLA
- UKVI by Penningtons

Audit by copyright licensing agency (CLA) – October 2017

LSBU holds a blanket higher education copyright licence issued by the CLA. The licence is renewed and paid for annually.

The licence provides annual blanket permissions to copy and reuse content from print and digital publications, including to:

- make copies from digital and print books, magazines, journals and websites;
- share copies with students and staff;
- store copies on LSBU's intranet;
- copy up to one article, chapter or 10% of the total, whichever is greater; and
- copy publications from the UK plus 38 international territories.

The key benefit of holding the licence is that it enables an efficient copyright operation within LSBU because there is one annual licence, so it is not necessary to seek permissions every time a copy is made.

In the last few days the CLA has notified LSBU that it has been randomly selected for an audit of compliance with the terms of the licence.

The audit will take place in mid-October 2017 with a one day visit from the CLA. The purpose of the audit is to understand how LSBU supports compliance with the terms of the licence, including photocopying, scanning and textbook substitution. In addition, there will be a review of the virtual learning environment sites for named courses.

Preparation for the audit is currently taking place. The audit results will be provided to the audit committee, once known.

UKVI audit by Penningtons

It is a requirement for the immigration status of international students that they may only work a maximum of 20 hours per week during term time, but this is relaxed during 'vacation' time and a full working week may be worked. The terminology 'term time' and 'vacation' is not helpful because some students are not on vacation outside of term time. We have found two students, both Masters students who have completed the taught elements of their course, who have worked more than 20 hours outside of term time but while not on vacation. This may be a breach of the conditions of their student visa and the University may have employed individuals without the correct permission. The advice to the University from Penningtons is to self-declare to the Home Office, to conduct a rigorous self-audit of all University employees subject to immigration control and to prepare for a Home office audit which can look at all visa areas i.e. including Tier 4 for international students. The audit report will be provided to the audit committee when ready.

The Audit Committee is requested to note its annual business plan.

Audit committee annual work plan, 2017/18

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
3 October 2017					
Internal audit charter			Audit Committee	3 Oct 2017	Richard Flatman
Public benefit statement			Audit Committee	3 Oct 2017	James Stevenson
Corporate governance statement			Audit Committee	3 Oct 2017	James Stevenson
Corporate Risk register			Audit Committee	3 Oct 2017	Richard Flatman
Speak up report			Audit Committee	3 Oct 2017	James Stevenson
Pensions assumptions			Audit Committee	3 Oct 2017	Richard Flatman
Membership and terms of reference			Audit Committee	3 Oct 2017	Michael Broadway
Internal controls - annual review of effectiveness	Executive	27 Sep 2017	Audit Committee	3 Oct 2017	Richard Flatman
Internal audit progress report	Executive	27 Sep 2017	Audit Committee	3 Oct 2017	Richard Flatman

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
Draft internal audit annual report	Executive	27 Sep 2017	Audit Committee	3 Oct 2017	Richard Flatman
Audit Committee business plan			Audit Committee	3 Oct 2017	Michael Broadway
Anti-fraud, bribery and corruption report			Audit Committee	3 Oct 2017	Richard Flatman
Risk strategy and appetite	Executive Audit Committee	27 Sep 2017 3 Oct 2017	Board of Governors	12 Oct 2017	Richard Flatman
10 November 2017					
Corporate risk register	Operations Board	17 Oct 2017	Audit Committee	9 Nov 2017	Richard Flatman
Speak up report			Audit Committee	9 Nov 2017	James Stevenson
Internal audit progress report	Executive	25 Oct 2017	Audit Committee	9 Nov 2017	Richard Flatman
Final internal audit annual report			Audit Committee	9 Nov 2017	Richard Flatman
External audit performance against KPIs			Audit Committee	9 Nov 2017	Richard Flatman

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
External audit - review of non-audit services			Audit Committee	9 Nov 2017	Michael Broadway
Audit Committee business plan			Audit Committee	9 Nov 2017	Michael Broadway
Audit Committee annual report	Executive	25 Oct 2017	Audit Committee	9 Nov 2017	James Stevenson
Anti-fraud, bribery and corruption report	Executive	25 Oct 2017	Audit Committee	9 Nov 2017	Richard Flatman
Anti-bribery policy review			Audit Committee	17 Oct 2017	Richard Flatman
Annual value for money report	Executive	25 Oct 2017	Audit Committee	9 Nov 2017	Richard Flatman
External audit letter of representation	Executive Audit Committee	25 Oct 2017 9 Nov 2017	Board of Governors	23 Nov 2017	Richard Flatman
External audit findings	Executive Audit Committee	25 Oct 2017 9 Nov 2017	Board of Governors	23 Nov 2017	Richard Flatman
Annual report and accounts	Executive Audit Committee Finance, Planning and Resources Committee	25 Oct 2017 9 Nov 2017 14 Nov 2017	Board of Governors	23 Nov 2017	Richard Flatman

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
Quality Assurance return to HEFCE	Quality and Standards Committee Academic Board Audit Committee	4 Oct 2017 1 Nov 2017 9 Nov 2017	Board of Governors	23 Nov 2017	Shân Wareing
Modern Slavery Act statement	Audit Committee	9 Nov 2017	Board of Governors	23 Nov 2017	
8 February 2018					
Corporate risk register	Executive	24 Jan 2018	Audit Committee	8 Feb 2018	Richard Flatman
TRAC return to HEFCE to be ratified			Audit Committee	8 Feb 2018	Richard Flatman
Speak up report			Audit Committee	8 Feb 2018	James Stevenson
Internal audit progress report	Executive	24 Jan 2018	Audit Committee	8 Feb 2018	Richard Flatman
FMI structure and leadership team			Audit Committee	8 Feb 2018	Richard Flatman
Data assurance report	Executive	24 Jan 2018	Audit Committee	8 Feb 2018	Richard Flatman

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
Audit Committee business plan			Audit Committee	8 Feb 2018	Michael Broadway
Anti-fraud, bribery and corruption report	Executive	24 Jan 2018	Audit Committee	8 Feb 2018	Richard Flatman
7 June 2018					
Corporate risk register			Audit Committee	7 Jun 2018	Richard Flatman
TRAC return to HEFCE			Audit Committee	7 Jun 2018	Richard Flatman
Speak up report			Audit Committee	7 Jun 2018	James Stevenson
Internal audit progress report	Executive	23 May 2018	Audit Committee	7 Jun 2018	Richard Flatman
Internal audit plan	Executive	23 May 2018	Audit Committee	7 Jun 2018	Michael Broadway
Indicative pensions assumptions			Audit Committee	7 Jun 2018	Richard Flatman
External audit plan	Executive	23 May 2018	Audit Committee	7 Jun 2018	Richard Flatman

Agenda Item	Consider By	Date	Decision By	Date	Lead Officer
Audit Committee business plan			Audit Committee	7 Jun 2018	Michael Broadway
Anti-fraud, bribery and corruption report	Executive	27 Jun 2018	Audit Committee	7 Jun 2018	Richard Flatman
Anti-fraud policy review			Audit Committee	7 Jun 2018	Michael Broadway
Annual debt write off			Audit Committee	7 Jun 2018	Richard Flatman
Non-regular items					
Apprenticeships update			Audit Committee	3 Oct 2017	Shân Wareing

Paper title:	Terms of Reference and membership
Board/Committee	Audit Committee
Date of meeting:	3 October 2016
Author:	Michael Broadway, Deputy University Secretary and Clerk to the Board of Governors
Board sponsor:	Steve Balmont, Chair of the Committee
Purpose:	To review the committee's terms of reference
Recommendation:	To note the committee's terms of reference

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 2017/18

Chairman

Steve Balmont (Chair)

Independent governor members:

Duncan Brown

Mee Ling Ng

Shachi Blakemore

Independent co-opted member:

Roy Waight

In attendance:

External auditors KPMG

Internal auditors PricewaterhouseCoopers

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 debt write offs above £50,000. To receive a report on any debt written off below this threshold and approved by the Chief Financial Officer.
- 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, 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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