

**Meeting of the Audit Committee**

**4pm\* on Thursday, 12 June 2014**  
**in 1B27, Technopark, London Road, London SE1**

\* Pre meeting with the Internal Auditors at 3.45pm in 1B27, Technopark

**Agenda**

<i>No.</i>	<i>Item</i>	<i>Paper No.</i>	<i>Presenter</i>
1.	Welcome and apologies		Chair
2.	Declarations of Interest		Chair
3.	Minutes of the last meeting (for publication)	AC.13(14)	Chair
4.	Matters arising		Chair
5.	<b>Projects</b>		
5.1	IBM and change programme projects update	AC.14(14)	PD
6.	<b>External Audit</b>		
6.1	External audit plan (to approve)	AC.15(14)	GT
6.2	Indicative pensions assumptions (to discuss)	AC.16(14)	CFO
7.	<b>Internal Audit</b>		
7.1	Progress Report (for monitoring)	AC.17(14)	PwC
7.2	Quarter 2 and Quarter 3 (2013/14) Continuous Auditing Report (for monitoring)	AC.18(14)	PwC
7.3	Internal Audit report – Business Continuity Management (for monitoring)	AC.19(14)	PwC
7.4	Internal Audit report – Phishing (for monitoring)	AC.20(14)	PwC
7.5	Internal Audit report – Payroll implementation report (for monitoring)	AC.21(14)	PwC
7.6	Internal Audit plan, 2014/15 (to approve)	AC.22(14)	PwC
7.7	Students Records review (for monitoring)	AC.23(14)	AR
7.8	Internal audit re-tender (for approval)	AC.24(14)	CFO

<b>8.</b>	<b>Risk and Control</b>		
8.1	Quarterly Risk Report (to consider)	AC.25(14)	CFO
8.2	Risk strategy and appetite (to approve)	AC.26(14)	CFO
8.3	HEFCE risk assessment (to note)	AC.27(14)	CFO
<b>9.</b>	<b>Other Matters</b>		
9.1	Home Office Higher Education Assurance Team (HEAT) audit (to note)	AC.28(14)	Dir of Int
9.2	TRAC(T) return (to ratify)	AC.29(14)	CFO
9.3	Anti-fraud policy (to review)	AC.30(14)	CFO
9.4	Anti-fraud, bribery and corruption report (to consider)	AC.31(14)	CFO
9.5	Speak up report (to review)	AC.32(14)	Sec
10.	Matters to report to the Board following this meeting		Chair
11.	Any other business		Chair
12.	Date of next meeting: Thursday 25 <sup>th</sup> September at 4pm		Chair

Members: Andrew Owen (Chair), Steve Balmont, Douglas Denham St Pinnock, Mee Ling Ng and Shachi Patel.

Internal Auditors: Charlotte Bilsland and David Wildey (PwC)

External Auditors: David Barnes (Grant Thornton)

With: Vice Chancellor, Chief Financial Officer, Pro Vice Chancellor (Academic), University Secretary, Financial Controller, Programme Director – Building for the Future (for item 5.1), Director of ICT (for item 7.4) Academic Registrar (for item 7.7), Director of Internationalisation and Governance Manager.

Minutes of a Meeting of the Audit Committee  
held at 4pm on Thursday, 12 June 2014  
in room 1B27, Technopark, London Road, London, SE1

**Present**

Andrew Owen	Chairman
Steve Balmont	
Douglas Denham St Pinnock	
Mee Ling Ng	
Shachi Patel	(Independent co-opted member)

**External Auditors**

David Barnes	Grant Thornton
Amanda Tilley	Grant Thornton

**Internal Auditors**

Charlotte Bilsland	PricewaterhouseCoopers
David Wildey	PricewaterhouseCoopers

**In attendance**

Prof Phil Cardew	Pro Vice Chancellor (Academic)
Natalie Ferer	Financial Controller
Dr Andrew Fisher	Academic Registrar ( <i>for minute 17</i> )
Richard Flatman	Chief Financial Officer
Jennifer Parsons	Director of Internationalisation ( <i>for minute 24</i> )
Prof David Phoenix	Vice Chancellor and Chief Executive
Amir Rashid	Programme Director – Building for the Future ( <i>for minutes 1-7</i> )
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Manager

**Welcome and apologies**

1. Apologies had been received from Justin Martin of PricewaterhouseCoopers.

**Declarations of Interest**

2. No interests were declared on any item on the agenda.

### **Minutes of the last meeting**

3. The minutes of the meeting held on 6 February 2014 were approved (paper **AC.13(14)**), subject to clarification that Steve Balmont had given apologies to the meeting. The minutes were approved for publication subject to the proposed redactions.

### **Matters arising**

4. There were no matters arising from the previous minutes which were not elsewhere on the agenda.

### **IBM and change programme projects update**

5. The committee noted an update on the IBM and change programme projects (paper **AC.14(14)**), which set out the reporting arrangements for the change programme. Scopes for the 15 projects which make up the change programme will be considered by the Executive at its meeting of 17 June 2014. The project scopes will include details on the timings, deliverables and cost of each project which would allow the Executive to closely monitor delivery of each project.
6. The committee noted the update and proposed format of reporting at each meeting of the Board. These reports would address delivery, achievement of milestones and key risks or issues. Further detail would be provided for projects rated at amber or red to allow the Board the opportunity to better understand the risks and challenges of the project.
7. The change programme would be key to the delivery of the new corporate strategy, 2015-2020 which would come to the Board for approval at its meeting of 8 July 2014. The annual delivery plan with benchmarks and deliverables would be considered by the Board at its meeting of 9 October 2014.
8. Governors requested clarity on the scope, scale and deliverables of each of the 15 projects as they are developed. The committee requested the Executive to consider the risks of each project, including the risk of the overall programme and its impact on ongoing business.
9. The committee noted that 15 days were included in the Internal Audit plan for 2014/15 to review the programme (minute 18 refers).



*Amir Rashid left the meeting*

### **External audit plan**

10. The committee discussed and approved the external audit plan proposed by Grant Thornton for the year ending 31 July 2014 (paper **AC.15(14)**).
11. The committee noted that from the year ended 31 July 2016, the University would be required to report under FRS102 and a new Statement of Recommended Practice (SORP) for the education sector, resulting in a number of changes to financial reporting for financial year 2015/16. The committee requested analysis on the implications for LSBU's accounting policies at its meeting of June 2015.

### **Indicative pensions assumptions**

12. The committee noted that the University expected to receive indicative assumptions to be used by the Local Government Pension Scheme actuaries in mid-June (paper **AC.18(14)**). The assumptions would be circulated to committee members via email for comment once received.

### **Internal Audit progress report**

13. The committee noted the internal audit progress report (paper **AC.17(14)**).

### **Quarter 2 and Quarter 3 continuous auditing report**

14. The committee noted the quarter 2 and quarter 3 continuous auditing reports (paper **AC.18(14)**). It was noted that for quarter 3 (1/2/14-30/4/14) all aspects of the control environment were performing well and rated green.

### **Internal Audit report – Business Continuity Management**

15. The committee noted the internal audit report on business continuity management (paper **AC.19(14)**), which had been given a medium risk rating.

### **Internal Audit report - Phishing**

16. The committee noted the draft internal audit report on phishing (paper **AC.20(14)**). The committee expressed disappointment over a deterioration in the level of awareness of staff to phishing attacks. This was being addressed by the Executive through training for the staff who had responded. The committee noted that ICT had acted promptly.

**Internal Audit report – Payroll implementation report**

17. The committee noted the payroll implementation report (paper **AC.21(14)**). The report followed up a previous review completed in 2013 and found an improved control environment.

**Internal Audit plan, 2014/15**

18. The committee discussed the internal audit plan for 2014/15 in detail (paper **AC.22(14)**). The majority of days in the plan was for continuous auditing which would be extended to include student data. The committee approved the internal audit plan and requested the number of days for risk management to be reviewed.

**Student Records Review**

*Dr Fisher entered the meeting*

19. The committee discussed the audit report of student records undertaken by Deloitte (paper **AC.23(14)**). The report was generally positive and an action plan had been developed to follow up on the recommendations. The committee noted that considerable progress had been made on the management of student data in recent years. Student data quality would now be monitored regularly through the continuous auditing programme.

*Dr Fisher left the meeting*

**Internal Audit retender**

20. The committee noted that PricewaterhouseCoopers' contract as internal auditors expired on 31 July 2015 and it was necessary to retender the contract (paper **AC.24(14)**). The committee approved the recommendation that the procurement for the new contract should be a mini competition between eight companies through the Advanced Procurement for Universities and Colleges (APUC) framework. The selection panel will be as set out in paper AC.24(14) and all members of the committee will be invited to join the panel.
21. A recommendation on the preferred supplier will be considered at the meeting in February 2015.

**Risk Register**

22. The committee noted the corporate risk register (paper **AC.25(14)**). The committee noted that steps were being taken to mitigate the risk of loss of NHS income following the resignation of the Dean of Health and Social Care.

**Risk strategy and appetite**

23. The committee recommended the amended risk strategy and appetite to the Board for approval (paper **AC.26(14)**). The risk strategy would be linked to the new annual corporate planning processes and embedded as part of the induction process for new staff.

**HEFCE risk assessment**

24. The committee noted the HEFCE risk assessment that LSBU is not at higher risk (paper **AC.27(14)**), which had been reviewed in detail by the Board at its meeting of 22 May 2014.

**Home Office Higher Education Assurance Team audit**

*Jennifer Parsons entered the meeting*

25. The committee noted the outcome of the Home Office Higher Education Assurance Team (HEAT) audit (paper **AC.28(14)**). A review of attendance monitoring of international students was underway.

*Jennifer Parsons left the meeting*

**TRAC(T) Return**

26. The committee noted the TRAC(T) return (paper **AC.29(14)**), which had been reviewed in detail by a member of the committee and submitted to HEFCE.
27. The committee ratified the return.

**Anti-fraud policy**

28. The committee approved the revised anti-fraud policy (paper **AC.30(14)**) which reiterated the University's zero tolerance approach to fraud.

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

- 29. The committee noted the anti-fraud, bribery and corruption report (paper **AC.31(14)**). The committee expressed concern over the avenues available to staff or students to escalate issues (see next minute).

**Speak up report**

- 30. The committee noted the speak up report (paper **AC.32(14)**). There had been one anonymous speak up matter recently raised with the Chairman which would be discussed with other committee members in private.  
*(Secretary's note: the Chairman subsequently confirmed that the committee was satisfied that due process had been followed by management).*
- 31. The committee expressed concern over the speak up process and whether it was operating effectively. The committee requested the executive to review the process.

**Matters to report to the Board**

- 32. The committee requested that a summary of the following items is reported to the Board meeting of 8 July 2014: external audit plan, 2013/14; internal audit report on phishing; internal audit plan, 2014/15; internal audit retender process; risk strategy and appetite; outcome of the HEAT audit; and the anti-fraud policy.

**Date of next meeting**

- 33. It was noted that the next meeting would be at 4pm on Thursday, 25 September 2014.

The Chairman closed the meeting.

Confirmed as a true record:

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Chairman

	PAPER NO: AC.13(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Minutes of the meeting of 6 February 2014	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Board sponsor:	Andrew Owen, Chairman of the Audit Committee	
<b>Recommendation:</b>	That the committee approves the minutes of its last meeting and approves publication subject to the proposed redactions.	
Matter previously considered by:	N/A	N/A
Further approval required?	N/A	N/A
Communications – who should be made aware of the decision?	Published on the University's website	

### **Executive Summary**

The Committee is asked to approve the minutes of its meeting of 6 February 2014 and the suggested redactions (in grey) for publication.

Minutes of a Meeting of the Audit Committee  
Held at 4pm on Thursday, 6 February 2014  
In room 1B27, Technopark, London Road, London, SE1

**Present**

Andrew Owen	Chairman
Steve Balmont	
Douglas Denham St Pinnock	
Mee Ling Ng	
Shachi Patel	(Independent co-opted member)

**External Auditors**

David Barnes	Grant Thornton
Amanda Tilley	Grant Thornton

**Internal Auditors**

Charlotte Bilsland	PricewaterhouseCoopers ( <i>except minutes 21-23</i> )
Justin Martin	PricewaterhouseCoopers ( <i>except minutes 21-23</i> )

**In attendance**

Prof Phil Cardew	Pro Vice Chancellor (Academic)
Natalie Ferer	Financial Controller ( <i>except minute 14</i> )
Dr Andrew Fisher	Academic Registrar ( <i>for minutes 11-12</i> )
Richard Flatman	Chief Financial Officer
Ian Mehrtens	Executive Director of Corporate Services ( <i>for minutes 1-6</i> )
Prof David Phoenix	Vice Chancellor and Chief Executive
James Stevenson	University Secretary and Clerk to the Board of Governors
David Swayne	Chief Information Officer ( <i>for minutes 1-6</i> )
Michael Broadway	Governance Officer

**Welcome and apologies**

1. Apologies had been received from Steve Balmont.

**Declarations of Interest**

2. No interests were declared on any item on the agenda.

**Minutes of the last meeting**

3. The minutes of the meeting held on 30 October 2013 were approved (paper **AC.01(14)**). The minutes were approved for publication subject to the proposed redactions.

**Matters arising**

4. There were no other matters arising from the previous minutes which were not covered elsewhere on the agenda.

**ICT security update**

5. The committee noted an update on ICT security from the Executive Director of Corporate Services and the Chief Information Officer following the internal audit report considered at their meeting of 13 June 2013 (minutes 13-14 refer) (paper **AC.02(14)**).
6. The committee noted that all actions from the internal audit report had been completed except the purchase of the new user administration solution and the agreement of a Logical Security Policy. The user administration solution was part of the proposed contract with IBM. The solution was expected to be complete by June 2014. Approval of the contract with IBM was being discussed by a sub-committee of the Board on Friday 7 February 2014.

*Ian Mehrtens and David Swayne left the meeting*

**Transparent Approach to Costing (TRAC) Return**

7. The committee discussed the TRAC return which had been submitted to HEFCE on time (paper **AC.03(14)**). The committee noted that the data had met all the validations tests. The committee ratified the return and its submission.

**Quarterly Risk Report**

8. The committee discussed the quarterly risk report (paper **AC.04(14)**). It was noted that two new risks around the impact of the current restructuring on service levels to students (residual risk high) and the risk of academic programmes not remaining engaged with technological and pedagogic developments (residual risk medium) had been added to the corporate risk register.

**Internal Audit Progress Report**

9. The committee noted the internal audit progress report (paper **AC.05(14)**). It was noted that the internal auditors were halfway through their plan for the year.

**Continuous Auditing, Quarter 1 2013/14**

10. The committee noted the quarter 1 continuous auditing report for 2013/14 (paper **AC.06(14)**). There had been a slight decline in performance this quarter with payroll, accounts receivable and general ledger graded at amber (green for quarter 4 2012/13). The committee noted that while the control environment was still good there was sometimes a lack of consistency across different areas of the University which the proposed new schools and professional service groups hoped to improve.

**Internal Audit Report – Student Module Data**

*Dr Andrew Fisher joined the meeting*

11. The committee discussed an internal audit report on Student Module Data (paper **AC.07(14)**), which was rated as high risk. The committee noted that management were aware of the issues and that the report was helpful in determining the extent of the problem.
12. It was noted that some of the concerns of the report centred around inconsistent practices across the faculties and that this issue would be addressed by the appointment of a single line manager for the faculty offices as part of the move to Schools.

*Dr Andrew Fisher left the meeting*

**Internal Audit Report – HESA Finance Return**

13. The committee noted an internal audit report on HESA Finance Return (paper **AC.08(14)**), which was rated as low risk.

**Finance Department Structure/Succession Planning**

*Natalie Ferer left the meeting*

14. The committee noted an update on the finance department structure which had not fundamentally changed in the last year (paper **AC.09(14)**). It was



noted that with the current changes to professional service departments, aspects of the department may change.

*Natalie Ferer returned to the meeting*

### **Anti-fraud, bribery and corruption report**

15. The committee discussed the anti-fraud, bribery and corruption report (paper **AC.10(14)**). Three instances of suspected fraud were reported: a potential fraud in the Faculty of Engineering, Science and the Built Environment (ESBE) which had been reported to the Board in November 2013; an estates purchasing matter; and attempted amendment of supplier bank details.
16. It was reported that the academic misconduct process had begun against the students involved in the suspected fraud in ESBE.
17. It was reported that the estates purchasing matter involved a member of staff in the estates department authorising expenditure without the correct authorisation and without issuing a purchase order. The committee noted that the individual was subject to a disciplinary investigation and the committee requested clarity on whether the matter was a breach of regulations or an attempted fraud.
18. It was noted that the attempt to amend supplier bank details had been identified through routine checks.

### **Speak up review and report**

19. The committee reviewed the speak up policy (paper **AC.11(14)**), and agreed that no changes to the policy were necessary at present.
20. No speak up matters had been reported since the last committee meeting.

### **Internal Audit contract extension**

*Justin Martin and Charlotte Bilisland left the meeting*

21. The committee discussed the executive's recommendation to extend the contract of PricewaterhouseCoopers (PwC) as internal auditors for an additional year (paper **AC.12(14)**). It was noted that PwC were appointed in 2010 for an initial three year term with the opportunity to extend on an annual basis thereafter for a further two years.

# London South Bank University

22. On the basis that agreed performance standards had been met by PwC the Audit Committee approved extending PwC's contract as internal auditors for an additional year. The committee requested that this be reported to the Board at its meeting of 20 March 2014.
23. As this would be the final permitted extension to PwC's appointment, it would be necessary to re-tender for internal auditors during mid-2014.

*Justin Martin and Charlotte Bilslund returned to the meeting*

## **Matters to report to the Board**

24. The committee requested that the TRAC return, fraud update and the reappointment of PwC as internal auditors are reported to the Board meeting of 20 March 2014.

## **Any other business**

25. The Vice Chancellor reported that with the proposed development of the University's structures, all financial and non-financial data would be brought together under one manager which should improve consistency of data reporting.

## **Date of next meeting**

26. It was noted that the next meeting would be at 4pm on Thursday, 12 June 2014.

The Chairman closed the meeting.

Confirmed as a true record:

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Chairman



# Committee Action Points

02 June 2014

15:26:57

Committee	Date	Minute	Action	Person Res	Status
Audit	06/02/2014	3	Publication of minutes	Secretary	<input checked="" type="checkbox"/> Completed
Audit	06/02/2014	23	Report TRAC return, fraud update and reappointment of PwC to Board on 20 March	CFO	<input checked="" type="checkbox"/> Completed

	PAPER NO: AC.14(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Corporate Change Programme - overview	
Author:	Amir Rashid, Programme Director – Building for the Future	
Executive sponsor:	Prof David Phoenix, Vice Chancellor	
<b>Recommendation by the Executive:</b>	That the committee note the change programme governance arrangements and the format of future reporting	
Aspect of the Corporate Plan to which this will help deliver?		
Matter previously considered by:	Board of Governors	On: 22 May 2014
Further approval required?		On:
Communications – who should be made aware of the decision?		

### **Executive Summary**

This paper provides Audit Committee members visibility of the change programme reporting. The programme will deliver a range of projects – i.e. interventions outside our business as usual, defined by time and scope – to achieve those aspects of the corporate strategy that represent significant change. The corporate strategy will drive individual business plans (business as usual).

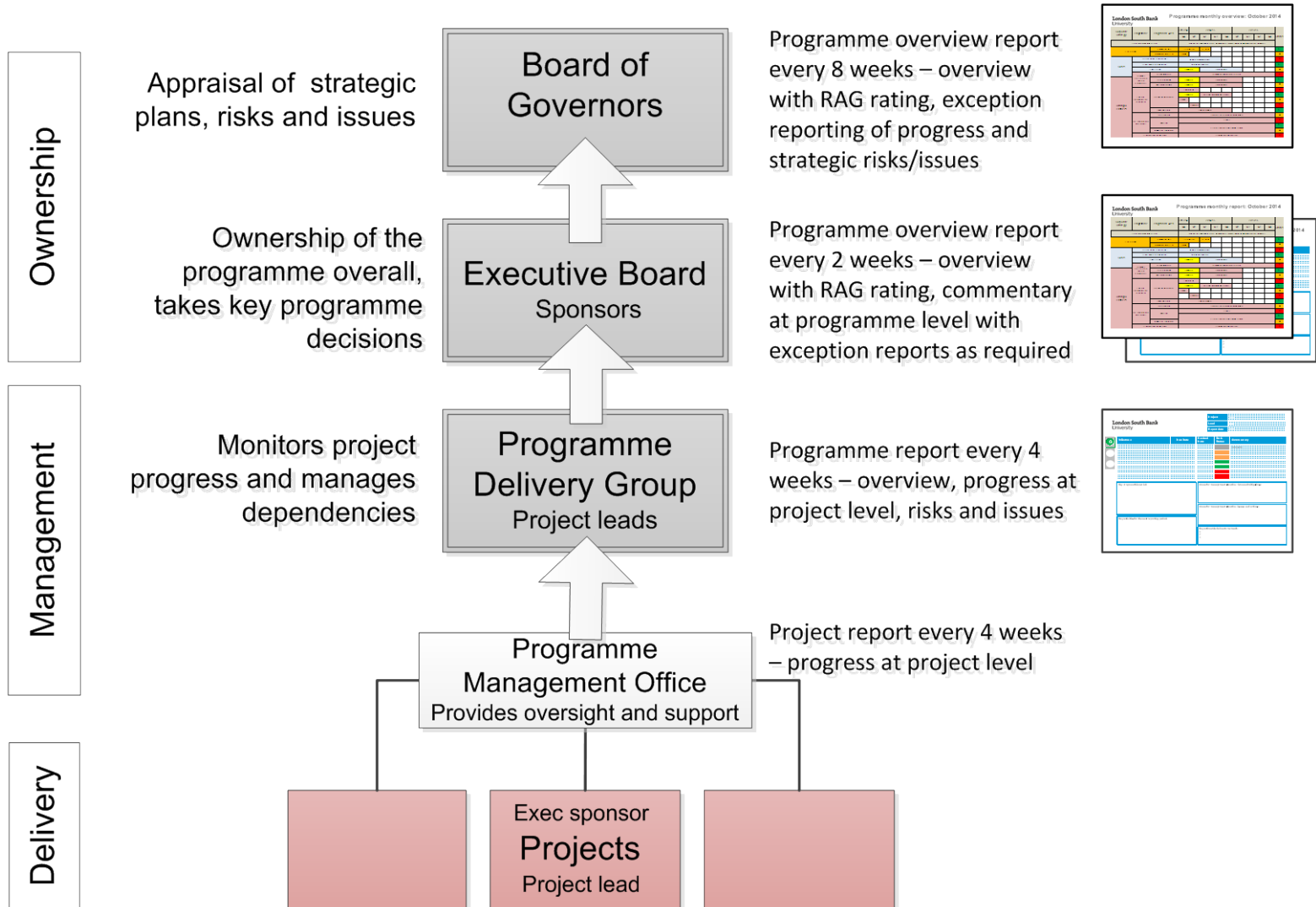
Projects are currently being scoped and set up. Initial scoping documents will be reported to the Executive on 17 June 2014. The definitive scope of each project, objectives, and resource requirements will be confirmed as project initiation documents are agreed by the programme board (comprising the Executive, who individually sponsor the various projects).

# **LSBU Change Programme**

Programme governance arrangements

Audit Committee, 12 June 2014

# Outline programme governance structure



## Programme roles, responsibilities and reports

Layer	Body	Composition	Frequency	Remit	Reports received
Strategic/ ownership	<b>Board of Governors</b>	Governors	8 weeks	<ul style="list-style-type: none"> <li>Appraisal of strategic plans, risks and issues</li> <li>Recommendations</li> </ul>	Programme highlight report: <ul style="list-style-type: none"> <li>Progress at programme level</li> <li>Strategic/ programme risks/issues – red rated</li> </ul>
	<b>Executive</b>	Executive	2 weeks	<ul style="list-style-type: none"> <li>Ownership of the programme overall</li> <li>Approve initiation and closure of projects, allocate funding</li> <li>Review progress against programme plan and corporate strategy</li> <li>Resolve strategic/programme risks/issues</li> </ul>	Monthly programme highlight report: <ul style="list-style-type: none"> <li>Progress at programme level</li> <li>Investment and benefits tracking</li> <li>Strategic/ programme risks/issues – red rated</li> </ul> Project-focussed updates as required
Management	<b>Programme Delivery Group</b>	Project managers	4 weeks	<ul style="list-style-type: none"> <li>Monitor project progress against programme plan</li> <li>Manage dependencies: projects, other enablers</li> <li>Resolve project risks/issues</li> <li>Forum for practice sharing and future project scoping/ planning</li> </ul>	Programme report: <ul style="list-style-type: none"> <li>Progress at project level</li> <li>Project risks/issues – red and amber rated</li> </ul>

Corporate Strategy		Project	Exec Lead	Project Lead	RAG status	Commentary	
Goals	Employability	Portfolio review (what we offer)	Mike Molan	TBD	G		
	Employability / Teaching and Learning / Access	Enhancement (how we deliver)	Phil Cardew	TBD	G		
	Student Experience	Student journey	Phil Cardew	Paul Grosart	G		
	International / Increased productivity and financial sustainability	Partnerships, collaboration and reputation	PVC	TBD	G		
Strategic Enablers	Effective management and governance	Delivery models		Mike Molan	Paul Grosart	G	
		Informed decision making	League table	James Stevenso	Hannah Le Vay	G	
			Governance review	James Stevensor	TBD	G	
			Performance management of data	Richard Flatman	Hannah Le Vay	G	
		Information Management	Ian Mehtens	Rob McGeechan	G		
	First class academic environment	Communications		Bev Jullien	Nic		
		ICT and infrastructure	Property	Ian Mehtens	Ca		
			ICT strategy / architecture		Rob M		
			IBM	Phil Cardew / Ian Mehtens	Davi		
		People	Mandy Eddolls				
Developing scholarship	TBD						

- Programme overview, reported regularly to Executive and Board of Governors
- Backed with programme risks/issues log and any project risks/issues that need to be escalated
- Specific project reports will be supplied as necessary – ie at critical project stages, or if ‘called in’ by Executive



	PAPER NO: AC.14a(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Update on IBM Programmes setting out the key milestones, finances, key areas of risk, upcoming decisions, measures and benefits.	
Author:	David Swayne, Chief Information Officer	
Executive sponsor:	Phil Cardew, Pro Vice Chancellor (Academic) and Ian Mehrtens, Chief Operating Officer	
<b>Recommendation by the Executive:</b>	<p>The Executive recommends that the Committee:</p> <ol style="list-style-type: none"> <li>i. notes progress made to-date;</li> <li>ii. notes the financial summary;</li> <li>iii. reviews the risks, issues and mitigating actions;</li> <li>iv. notes the summary benefits / measures of success;</li> </ol>	
Aspect of the Corporate Plan to which this will help deliver?	<ul style="list-style-type: none"> <li>• Student success must be the University's overriding aim. We want to give opportunity to all who can benefit and our success has to be measured by their success in graduating and finding employment.</li> <li>• It is unacceptable to recruit students who do not have a reasonably good chance of succeeding, either for them or the University.</li> <li>• Our competitive position rests strongly on the delivery of value for money education that enhances career success for our students.</li> <li>• Creating an environment in which excellence can thrive.</li> <li>• Financial sustainability.</li> </ul>	
Matter previously considered by:	<p>ICT Advisory Board</p> <p>Executive</p> <p>Policy and Resources Committee</p> <p>Board of Governors</p>	<p>On: 13<sup>th</sup> September 2013</p> <p>On: 17<sup>th</sup> September 2013 &amp; 5<sup>th</sup> November 2013</p> <p>On: 24<sup>th</sup> September 2013</p> <p>Strategy Day and meeting on 21<sup>st</sup> November 2013, 20<sup>th</sup> March 2014 and 22<sup>nd</sup> May</p>

	Board of Governors Sub Committee	2014 On 7 <sup>th</sup> February 2014
Further approval required?	No	N/A
Communications – who should be made aware of the decision?	Executive, ICT Advisory Board, ICT	

### **Executive Summary**

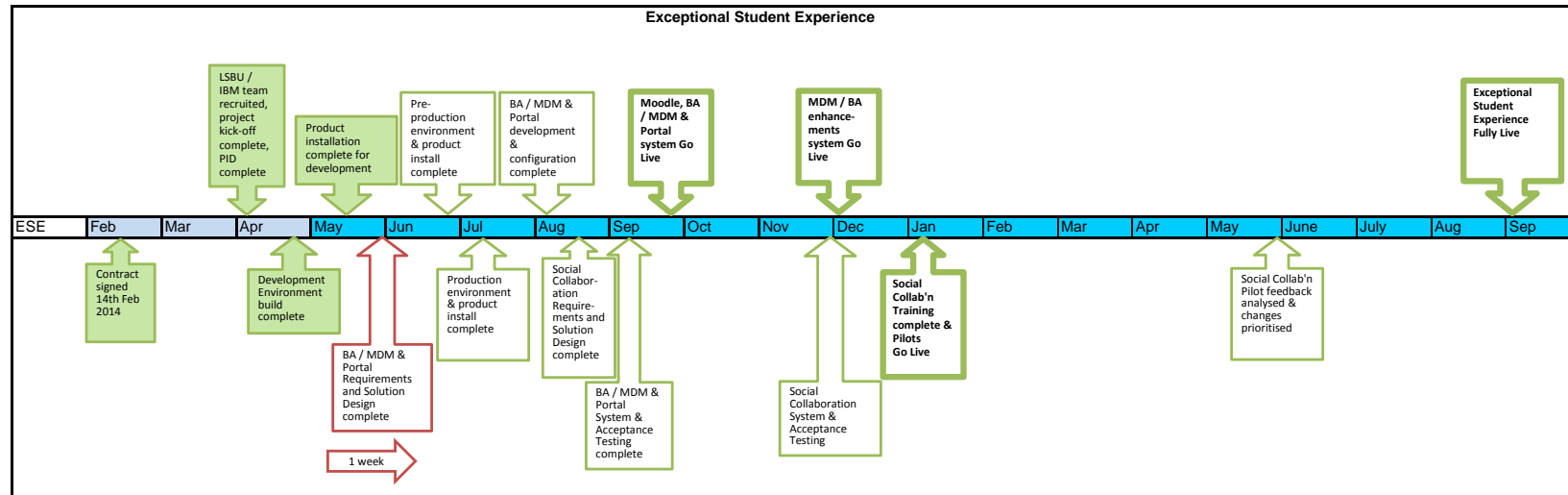
Good progress has been made on the IBM programmes. Work started 6 weeks later than planned (due to the procurement process) and we have recovered 4 weeks of this slippage to-date on the overall programme, however there is a slight delay in the agreement of specifications and the implementation of Identity Management is 1 month later than originally planned. The following should be noted:

- The programmes have £1.3m contingency and it is forecast releases will be needed to fund the salary of the Director ICT-Strand, legal fees and additional network equipment expenditure leaving £0.83m available contingency.
- The detailed requirements and associated solution / design documentation is now being reviewed and is planned to be complete during the first week of June. Once these are signed-off the costs for Exceptional Student Experience and Identity and Access Management build phases will be confirmed and capped. This will mitigate the risk associated with escalating costs.
- There have been no changes requested for the Data Centre Migration fixed price cost which currently remains unchanged. This situation is being monitored closely.
- The team have raised some questions in relation to resource availability and Governance. To ensure that the level of clarity over scope and requirements remains as per the original brief the VC is currently commissioning a review against the original business case.
- Space has now been made available in Techno Park to collocate the IBM and LSBU teams permanently allocated to Exceptional Student Experience and Identity and Access Management work. The Data Centre Migration team from IBM is housed within the existing ICT space in Borough Road. This mitigates the reported issue.

- Lack of knowledge regarding the in-house CAMS security system initially hampered the requirement and design activities for Identity Management however the requirements and design for this work is now agreed, the products have been installed and configuration is underway. The current forecast is for live implementation at the end of July.

# IBM Programme Report for April

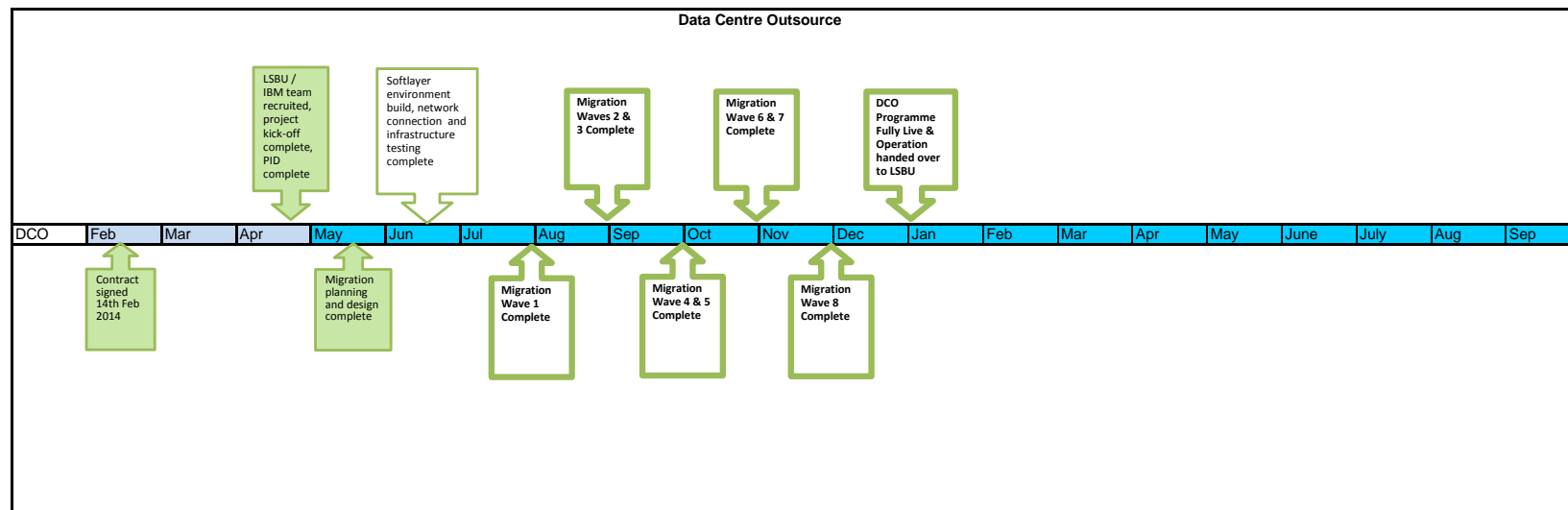
Report Author: David Swayne | Report Period: 8th May - 2nd June 2014 | Date report written: 2nd June 2014



Top 5 Risks			Likelihood	Impact	Change
1	There is a risk that expenditure could spiral out of control resulting in overspend	Medium	Very High	→	
2	Programme benefits are not achieved (33 leavers and 67 non progression saved)	Medium	High	→	
3	Poor quality data in underlying systems results in poor performance or reputation	High	Very High	→	
4	Loss of critical resource due to LSBU re-organisation / redundancy or uncertainty	High	Very High	→	
5	Revised services organisation will inhibit effective control of resource for project	Medium	Very High	→	

Top 5 Issues			Status	Impact	Change
1	Network connection between LSBU and Softlayer unavailable until 24th June	Green	Low	→	
2	Lack of permanent collocated space for IBM / LSBU is impacting upon programme	Green	High	→	
3	Infrastructure design for ESE differs from current design / expectation of DC Migration	Amber	Medium	→	
4	Lots of new people working on the project and it takes time to become productive	Green	High	→	
5	Loss of key resource on Portal / SC workstreams - needs to be replaced asap	Green	High	→	

£000's	Approved Budget	Spend	Committed	Forecast	Forecast Variance	Cost RAG
ESE Capital	£3,632	£1,552	£2,727	£4,279	£-647	Green
ESE Revenue	£1,397	£0	£393	£393	£1,004	Green
Total	£5,029	£1,552	£3,120	£4,672	£357	Green

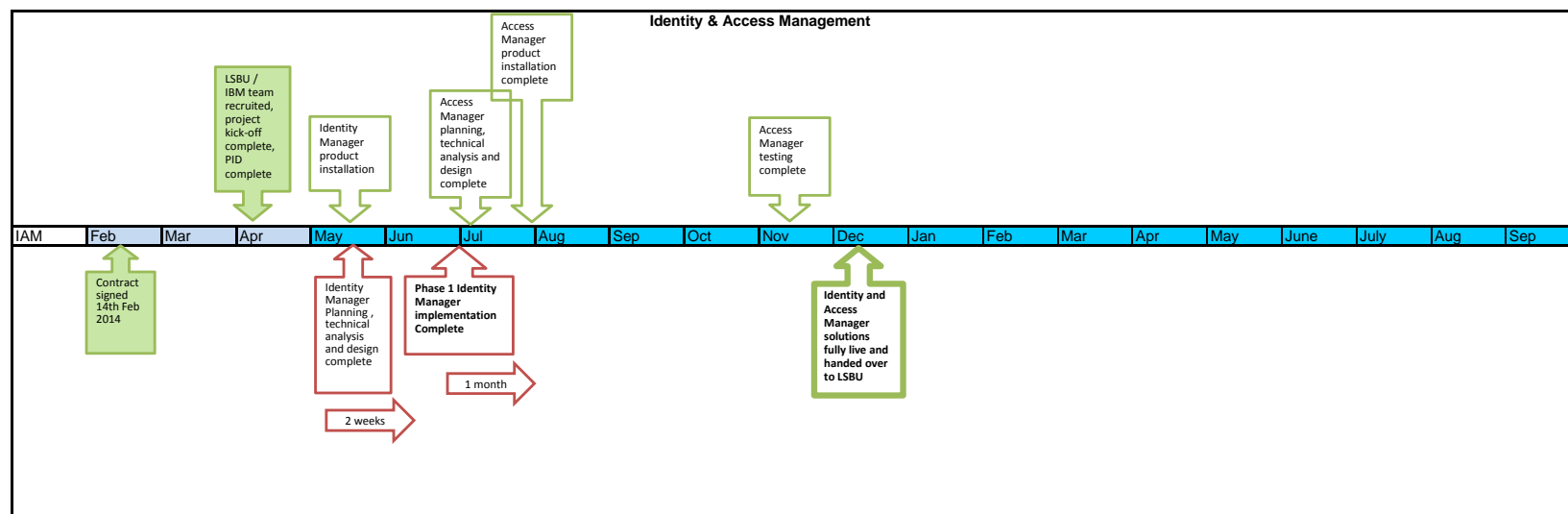


Top 5 Risks			Likelihood	Impact	Change
1	There is a risk that expenditure could spiral out of control resulting in overspend	Medium	Very High	→	
2	Programme benefits are not achieved (servers remain at LSBU and don't migrate)	Medium	High	→	
3	Suitably skilled and experienced resources unavailable or unaffordable - buoyant market	High	Very High	→	
4	IBM drives project and LSBU loses control	Low	Very High	→	
5	Network connection between LSBU and Softlayer is not available on time (24th June)	High	Very High	→	

Top 5 Issues			Status	Impact	Change
1	Infrastructure design for ESE differs from current design and expectations of DC Migration	Amber	High	→	
2	Lack of permanent collocated space for IBM / LSBU is impacting upon programme	Green	High	→	
3	Lots of new people working on the project and it takes time to become productive	Green	High	→	
4	Stricter governance processes required for Programme Success take time to 'bed in'	Amber	Very High	→	
5	Lack of dedicated ICT Technical Resources to work on projects	Amber	High	→	

£000's	Approved Budget	Spend	Committed	Forecast	Forecast Variance	Cost RAG
DCO Capital	£2,030	£358	£2,420	£2,778	£-748	Green
DCO Revenue	£616	£0	£673	£673	£-57	Green
Total	£2,646	£358	£3,093	£3,451	£-805	Green

NB The DCO Programme budget excludes £4.9m operational budget revenues payable for data centre and network costs payable after DCO project completion

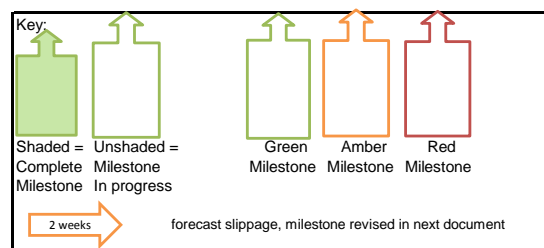


Top 5 Risks			Likelihood	Impact	Change
1	There is a risk that expenditure could spiral out of control resulting in overspend	Medium	Very High	→	
2	Current IM solution is complex and lack of understanding might result in issues	Medium	High	→	
3	Suitably skilled and experienced resources unavailable or unaffordable in buoyant market	High	Very High	→	
4	LSBU unable to explain requirement to IBM in sufficient detail and we pay for changes	Medium	Medium	→	
5	IBM doesn't have previously built adapters for systems LSBU needs to connect	Medium	High	→	

Top 5 Issues			Status	Impact	Change
1	LSBU requires an atypical IM implementation and IBM pushing for typical install	Green	Very High	→	
2	Lack of permanent collocated space for IBM / LSBU is impacting upon programme	Green	High	→	
3	Lots of new people working on the project and it takes time to become productive	Green	High	→	
4	Stricter governance processes required for Programme Success take time to 'bed in'	Amber	Very High	→	
5	Lack of understanding of CAMS is endangering Requirements and Solution milestones	Red	Medium	→	

£000's	Approved Budget	Spend	Committed	Forecast	Forecast Variance	Cost RAG
IAM Capital	£391	£0	£507	£507	£-116	Green
IAM Revenue					£0	Green
Total	£391	£0	£507	£507	£-116	Green

Management Summary											
Summary	Prog'me Overall	Sponsor-ship	Schedule	Scope	Budget	Quality	Risks / Issues	Resource	Comm's	Procure-ment	Legal
This Report	G	G	G	G	G	G	A	G	G	G	G
Last Report	G	G	G	G	G	G	A	G	G	G	G



£000's	Approved Budget	Spend	Committed	Forecast	Forecast Variance	Cost RAG
Contingency	£1,300	£0		£833	£0	Green

## IBM Programme Report for April

Report Author:	David Swayne	Report Period:	8th May - 2nd June 2014	Date report written:	2nd June 2014
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Summary of Programme Progress This Reporting Period	
<b>Programme Overall</b>	<ul style="list-style-type: none"> <li>• IBM and LSBU permanent team colocated in TP 1D26, DCM team colocated in Borough Road</li> <li>• ESE pre-production builds complete and ready for product installation</li> <li>• DCO wide-area-network connections and equipment ordered</li> <li>• Draft detailed requirements and solution documents received and under review for ESE and IAM</li> <li>• High level data centre design and data migration design complete and approved</li> <li>• Atos Consulting appointed to review programme using OGC Gateway method</li> </ul>
<b>Sponsorship Overview</b>	<ul style="list-style-type: none"> <li>• Extensive stakeholder engagement underway in detailed requirements gathering</li> <li>• Dr Phil Cardew will be the Executive sponsor for the Exceptional Student Experience Project</li> <li>• Ian Mehrrens will be the Executive sponsor for the Identity and Access Management Project</li> <li>• Ian Mehrrens will be the Executive sponsor for the Data Centre Outsource Project</li> <li>• David Swayne will be programme director for ICT programmes</li> <li>• Mike Watson will be replaced by Francois Cointreiras as programme manager for ESE and BUILT</li> <li>• Melanie Pitches will be the programme manager for the infrastructure projects</li> </ul>
<b>Schedule Overview</b>	<ul style="list-style-type: none"> <li>• The Portal requirements / technical solution documentation under review but milestone missed</li> <li>• MDM requirements / technical solution work progressing well but milestone underthreat</li> <li>• BA requirements / technical solution work progressing well but milestone underthreat</li> <li>• DCO solution design is complete on time</li> <li>• DCO network installation is critical path activity, current progress is good</li> <li>• IM requirements / technical solution work progressing well but milestone underthreat</li> <li>• IM implementation slipped to end of July due to issues with understanding LSBU CAMS system</li> </ul>
<b>Scope Overview</b>	<ul style="list-style-type: none"> <li>• No changes in ESE Scope have been requested or approved</li> <li>• The number of VMs to be hosted in SoftLayer has increased and Change Control will be prepared</li> </ul>
<b>Budget Overview</b>	<ul style="list-style-type: none"> <li>• No changes in the overall budget approved</li> <li>• No significant changes to report since last reporting period</li> <li>• Design documents finalised in June will confirm pricing for ESE and IAM delivery services</li> <li>• The IBM Project Financial Summary not updated because account updates not yet available</li> </ul>
<b>Quality Overview</b>	<ul style="list-style-type: none"> <li>• Quality reviews have been conducted on all artefacts delivered to-date with no major issues</li> <li>• ESE Requirements and Solution Design documentation currently being reviewed</li> <li>• DCO Design and Data Migration Design documents reviewed and approved</li> <li>• Wide Area Network design approved</li> </ul>
<b>Risk Overview</b>	<ul style="list-style-type: none"> <li>• Risks are being proactively managed</li> <li>• WAN costs at risk of taking some contingency amount to be confirmed in June</li> <li>• IBM and LSBU permanent teams now have colocated space in Techopark and Borough Road</li> <li>• Programme Governance being externally reviewed by Atos Consulting using OGC Gateway Review</li> </ul>
<b>Resource Overview</b>	<ul style="list-style-type: none"> <li>• Resignation of programme manager on ESE will have an impact, replacement on board for handover</li> <li>• Plan agreed for knowledge transfer / training of LSBU resource in IBM security tools agreed</li> <li>• Detailed resource plans firming up as solution designs are confirmed and project plans are agreed</li> </ul>
<b>Communications Overview</b>	<ul style="list-style-type: none"> <li>• Interview with David Swayne regarding IBM Programmes published in Universe</li> <li>• Change in ESE programme manager communicated to key stakeholders</li> <li>• Programme launch being prepared for discussion with all in ICT on 12th June</li> <li>• Communications plans embedded in each project and being co-ordinated with internal comm's</li> </ul>
<b>Legal &amp; Procurement Overview</b>	<ul style="list-style-type: none"> <li>• Equipment to provide 10Gb connection from LSBU through Janet to Softlayer ordered as CCN001</li> </ul>

Key Decisions			
Decision	Decision making body	Date Required	Progress Update
Location of Office facilities required for joint LSBU / IBM project team (to seat 45)	Estates	ASAP	Complete
Sign Off High Level Network Design document	ICT Design Authority	7th May 2014	Complete
Agree proposal for new network hardware managed service & costs to be funded	Director ICT-Strand	7th May 2014	Complete
Review and agree High Level Design documents for Portal / Social Collaboration	ESE Programme Board	6th June 2014	Draft documents are being reviewed but final sign-off 1 week late
Review and agree High Level Design documents for Predictive Analytics	ESE Programme Board	6th June 2014	Draft documents are being reviewed but final sign-off 1 week late
Review and agree High Level Design documents for Master Data Management	ESE Programme Board	6th June 2014	Draft documents are being reviewed but final sign-off 1 week late
Review and agree High Level Design documents for Identity Management	ESE Programme Board	6th June 2014	Draft documents are being reviewed but final sign-off 1 week late
Review and agree detailed design for Data Centre	Director ICT-Strand	6th June 2014	Draft documents being reviewed

IBM Project Financial Summary						
£000's	Approved Budget	Spend	Commit	Forecast	Forecast Variance	Cost RAG
Capital	£6,053	£1,910	£5,654	£7,564	£-1,511	
Revenue	£2,013	£0	£1,066	£1,066	£947	
Conting'cy	£1,300	£0	£0	£833	£467	
Sub Total	£9,366	£1,910	£6,720	£9,463	£-97	
Operational	£6,453			£6,356	£97	
<b>Total</b>	<b>£15,819</b>	<b>£1,910</b>	<b>£6,720</b>	<b>£15,819</b>	<b>£0</b>	

Benefit Realisation Summary			
Opportunity	Benefit	Benefit Realisation Plan	Realised
Use business analytics to identify students at risk of: a. Dropping out b. Failing to progress and needing to re-take early enough to intervene and help them to progress to the next level of study.	The entire IBM business case is predicated upon 100 additional students progressing from level 4 to 5 each year: - 33 who would have dropped out - 67 who would have done retakes	The plan is to enable LSBU staff to intervene more quickly: - 100 targeted interventions per month from Oct '14 - 200 targeted interventions per month from Mar '15 - 400 targeted interventions per month from Oct '15	
Make space available in Borough Road, reduce energy consumption and contribute to LSBU carbon reduction target by moving as many Servers and Storage off campus as is practicable.	- Reduce footprint of Borough Road DC by 67% - Reduce energy consumption of Borough Rd DC by 50% - Reduce capital expenditure for DC equipment by 80%. - Reduce running costs by only paying for what we use	- Decommission 91 Virtual Servers - Migrate 277 Virtual Servers to Softlayer - Decommission end of life storage array, do not replace - Move remaining equipment into smaller DC	
Improve information systems security by replacing the in-house CAMS systems with a commercial security product.	Prevent unauthorised persons from accessing LSBU network and data assets	- Decommission CAMS system and replace with ISIM - Provide single sign on for ESE with ISAM - Replace identity management processes with a solution based upon ISIM	

Deliverable	Primary function	Measurable description	Measure		
			Oct-14	Mar-15	Oct-15
<b>Business Analytics</b>					
Dashboard of students at risk by course	Reports available for course and school	Reports available for 200 courses	Y	N / A	N / A
		Reports available for 400 courses	N / A	Y	N / A
	Use of reports to target interventions	Reports available for all 832 courses	N / A	N / A	Y
		Targetted interventions / month	100	200	400
Reporting on factors affecting progression	Predictive Trend Reports by course	Reduction in re-takes	N / A	N / A	67
		Drop out prevented	N / A	N / A	33
		Reports available for 200 courses	N / A	Y	N / A
		Reports available for all courses	N / A	N / A	Y
<b>Master Data Management</b>					
Creation of student data golden records	Record created and data cleansed	No of students	500	2500	7500
<b>Portal</b>					
All learning resources accessible in the Portal	Campus based	No of students accessing	1000	4000	10000
	From anywhere via mobile devices	No of students accessing	N / A	4000	10000
All student related info. accessible	From anywhere via mobile devices	No of students accessing	N / A	N / A	10000
On line submission of assignments	Campus based	No of students submitting	6000	12000	18000
Blended Learning	On line classrooms using webinars	No of modules being taught using webinars	20	100	500
<b>Social Collaboration</b>					
Instant Messaging	IM for students and staff to use	No of students/staff using IM	1000	2000	4000
Communities	IBM Connections Community usage	% of full time students in communities	5%	10%	40%
<b>Integration</b>					
Moodle information displayed via Portal	Display key module information	No students using the portal for VLE info	500	2500	8000
IBM functions available from Moodle	Connections, Profile information selectable	No of students using functions	500	2500	8000

**London South Bank  
University**

	PAPER NO: AC.15(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Audit Plan for the year ending 31 <sup>st</sup> July 2014	
Author:	Grant Thornton, External Auditors	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Recommendation by the Executive:	The Executive recommends that the Audit Committee approves the audit plan for the year ending 31 <sup>st</sup> July 2014.	
Aspect of the Corporate Plan to which this will help deliver?	Reporting Financial Performance  Creating an environment in which excellence can thrive	
Matter previously considered by:	Audit Committee and Board of Governors	Annually
Further approval required?	n/a	
Communications – who should be made aware of the decision?	University Executive, Internal Audit, Finance Staff	

**Executive Summary**

Grant Thornton will be performing the audit of London South Bank University for the year ending 31<sup>st</sup> July 2014.

The attach memorandum sets out the key elements of their proposed audit plan.

The committee is requested to approve the plan.

*Attachments: Audit Plan*



# The Audit Plan for London South Bank University

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**Year ended 31 July 2014**

May 2014

**David Barnes**

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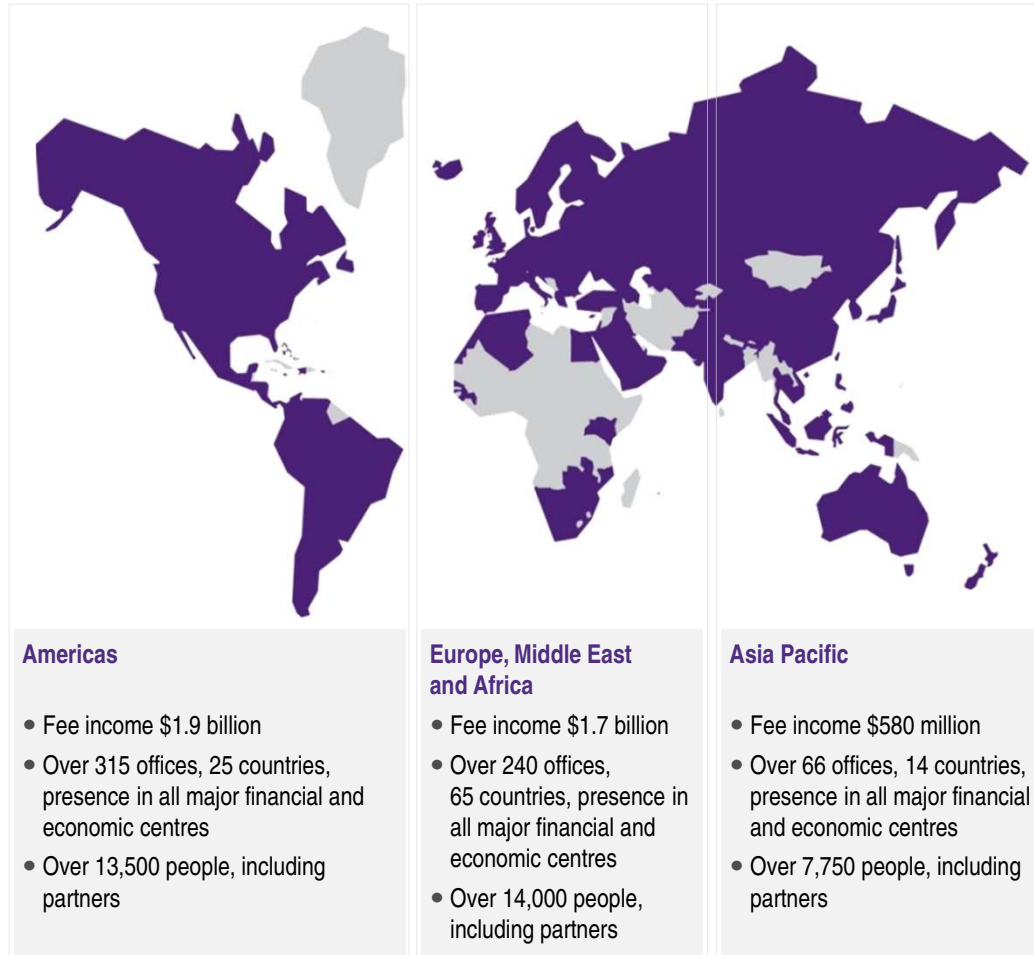
People worldwide

27+

UK offices (+ Cayman and British Virgin Islands)

100+

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The Audit Committee  
London South Bank University  
103 Borough Road  
London  
SE1 0AA

May 2014

Dear Sirs

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Melton Street  
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**Audit Plan for London South Bank University and its subsidiary for the year ended 31 July 2014**

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

This Audit Plan highlights the key elements of our proposed audit strategy for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. Its contents will be discussed with the Audit Committee. The Audit Findings report will be issued prior to approval of the financial statements and will present our significant findings and other matters arising from the audit. We will communicate any significant adverse or unexpected findings affecting the audit on a timely basis, either informally or through an interim memorandum.

The contents of this report relate only to the matters which have come to our attention which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours faithfully

David Barnes

For Grant Thornton UK LLP

**Chartered Accountants**

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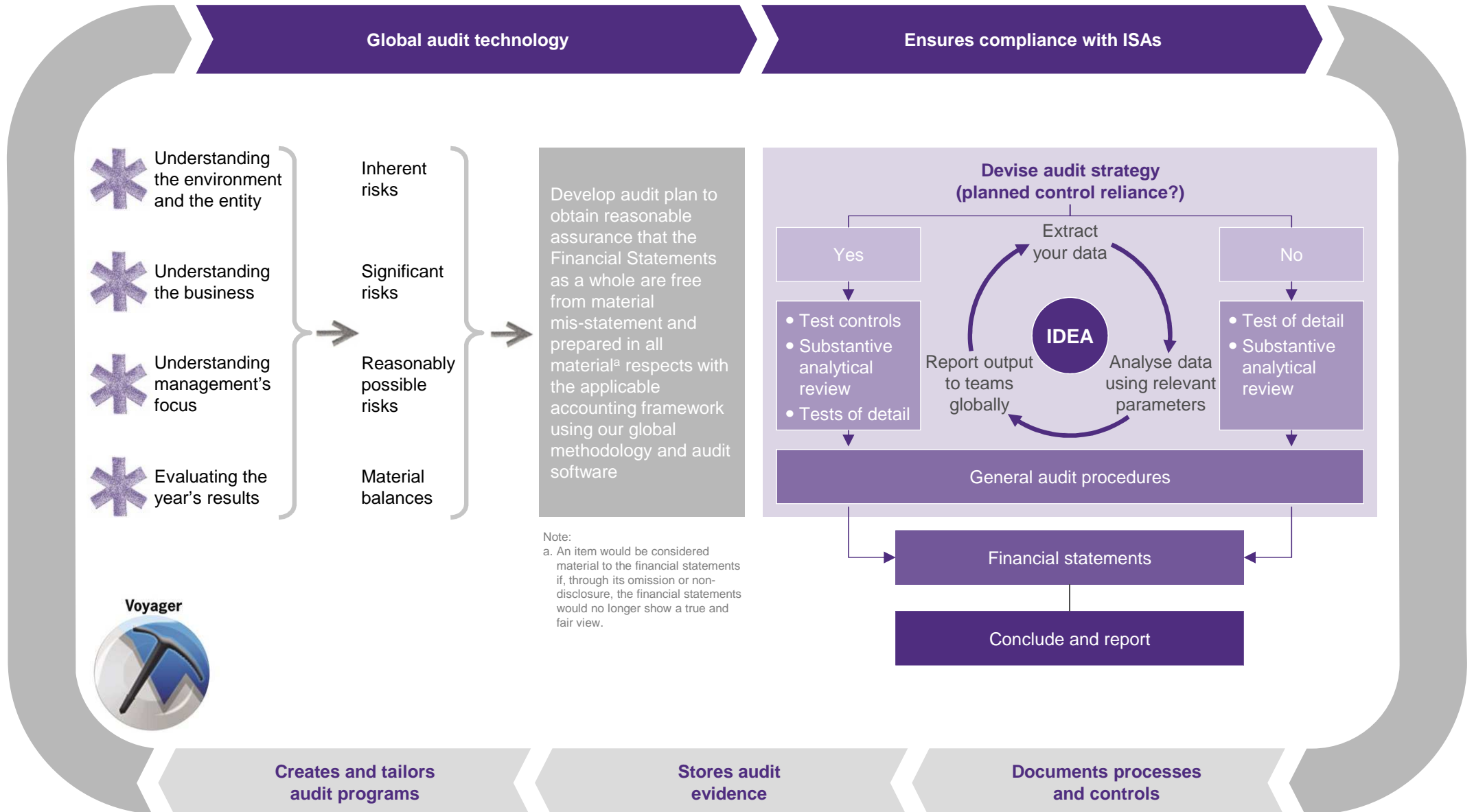
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# Understanding your business

<p><b>Governance</b></p> <ul style="list-style-type: none"> <li>• The Board of Governors</li> <li>• Vice-Chancellor</li> <li>• Chair of the Audit Committee</li> <li>• Executive Director of Finance</li> </ul>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Re-focus on financial and strategic plans with a new Vice Chancellor</li> <li>• Key employment focus of courses</li> <li>• Received the highest possible rating in the most recent Quality Assurance Assessment (QAA)</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Pension fund deficit and potential for further 'top up' funding</li> <li>• Dependence on student recruitment for income, with some slow recruitment in core undergraduate courses</li> <li>• Continuing working capital pressure as a consequence of the payment profile of student fees by the SLC</li> </ul>	<p><b>Capital investment</b></p> <ul style="list-style-type: none"> <li>• New Enterprise Centre brought into use in this financial year,</li> </ul>
<p><b>London South Bank University</b></p>			
<p><b>Assurance framework</b></p> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Internal Audit</li> <li>• Management review</li> <li>• Internal control framework</li> </ul>	<ul style="list-style-type: none"> <li>• International referrals and relationships</li> <li>• Potential for growth in enterprise income</li> <li>• Collaboration with commercial organisations, other universities and FE colleges.</li> <li>• Increase in retention rate through enhanced student experience with the IBM project.</li> </ul>	<ul style="list-style-type: none"> <li>• Government policies in relation to HE funding and UKBA</li> <li>• National and global competition from other leading HE institutions</li> <li>• Access to grant funding due to continuing difficult economy, that may also impact on student recruitment.</li> </ul>	<p><b>Key technical issues</b></p> <ul style="list-style-type: none"> <li>• Impact planning for FRS102 ahead of transition date of 1 August 2014</li> <li>• Actuarial valuation of the defined benefit pension fund</li> <li>• Valuation of the Enterprise Centre (in this first year of use, a full impairment review will need to be performed).</li> </ul>
<p><b>Information systems</b></p> <ul style="list-style-type: none"> <li>• There are established and integrated systems for financial reporting</li> <li>• Subsidiaries use the same systems as the University</li> </ul>	<p><b>Opportunities</b></p> <p><b>Key Stakeholders - University</b></p> <ul style="list-style-type: none"> <li>• The Board of Governors</li> <li>• Over 1,750 staff</li> <li>• Over 25,000 students</li> <li>• Local residents and business community</li> </ul>	<p><b>Threats</b></p> <p><b>Key stakeholders</b></p> <ul style="list-style-type: none"> <li>• Regulators</li> <li>• Funders, including research bodies and banks</li> <li>• Students</li> <li>• Alumni</li> <li>• Donors</li> </ul>	<p><b>Trading entities</b></p> <ul style="list-style-type: none"> <li>• The University</li> <li>• South Bank University Enterprises Limited ("SBUEL")</li> </ul>
<p><b>Our response</b></p> <ul style="list-style-type: none"> <li>• In developing our understanding of the University we have identified a number of key audit risks and issues. In the following pages we assess the significance of the risks on our audit opinion, and detail our approach to addressing them.</li> <li>• We will also ensure that wherever possible we utilise the wider assurance framework operating across the University, including the work of your internal auditors.</li> </ul>			

# Our risk-based audit approach



# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Substantive audit procedures
<b>The revenue cycle includes improper transactions</b>	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Our work in this area will include: <ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of key controls on the significant tuition fee revenue stream</li> <li>• sample testing the key attributes of material revenue streams</li> </ul>
<b>Management over-ride of controls</b>	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	We will: <ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of the controls in place over the accounting system and other key IT software applications by the IT members of our audit team</li> <li>• testing of journals entries for unusual and significant transactions using our IDEA data interrogation software</li> <li>• identification of the related parties of the University and a review of the procedures in place to ensure that any related party transactions are approved, captured and correctly presented within the financial statements</li> <li>• review of unusual significant transactions.</li> </ul>

# Other risks identified

Other risks are, in the auditor's judgement, other risk areas which they have identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement is lower than that for a Significant Risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day to day activities of the business.

Other risks	Description	Planned audit procedures
<b>Operating expenses and creditors</b>	Due to the nature of the University's activities, creditors and accruals are significant and therefore there is a high risk that liabilities relating to the year could be missed, giving rise to a material impact on the reported results.	We will: <ul style="list-style-type: none"> <li>• enquire of accounting staff as to the possibility of unrecorded liabilities and examine any unprocessed invoices for unrecorded creditors</li> <li>• search for unrecorded liabilities by scanning the payments journal to the start of fieldwork, for large or unusual entries</li> <li>• select creditor balances, (based on large purchase activity and/or large balances) and test to supporting evidence. We will investigate reconciling items and ensure that accruals have been made for missing liabilities</li> <li>• review all significant balance sheet creditors and compare to prior year and expectations and investigate any differences</li> <li>• review expenditure streams for the year and verify significant items to supporting documentation.</li> </ul>
<b>Employee costs</b>	Employee costs represent the University's largest item of expenditure.	We will: <ul style="list-style-type: none"> <li>• update our understanding of the systems and controls in place surrounding the management of staff changes and the calculation and processing of the payroll</li> <li>• analytically review payroll expenses in comparison to prior years and budgets and investigate any significant or unexpected variances and review the reconciliation of payroll reports to the ledger</li> <li>• test a sample of staff members to supporting documentation (including contracts) to gain assurance over the correct calculation of remuneration and processing of staff changes, including salary changes, new joiners and leavers</li> <li>• perform data interrogation tests (using IDEA software) to identify exceptions such as duplicate employee names, NI numbers or bank accounts and investigate the results</li> <li>• review the relevant disclosures relating to staff costs within the financial statements.</li> </ul>
<b>Valuation of property</b>	The Enterprise Centre was brought into use during this financial year. A full impairment review will therefore be carried out by management to confirm the carrying valuation for this property.	We will: <ul style="list-style-type: none"> <li>• perform testing on the impairment review, including testing the assumptions used and reviewing the information surrounding the performance of the centre as a whole.</li> </ul>

## Other risks identified (continued)

Other risks	Description	Planned audit procedures
<b>Pension liability</b>	The University's financial statements will include a significant long term liability in respect of the defined benefit pension liability.	As part of our work in this area we will: <ul style="list-style-type: none"> <li>• contact your actuary to confirm the report is prepared under the correct accounting standards and using the correct data</li> <li>• review the key assumptions used by your actuary, on behalf of the University's trustees, and compare these to our expectation based on the advice of our Grant Thornton actuaries</li> <li>• check the pension disclosures between the actuarial report and the financial statements.</li> </ul>
<b>Recognition, recoverability and existence of tuition fees and other fees</b>	<p>Tuition fees and other fee income recognised in the financial statements continues to be a focus for the audit, especially this year with the changes in the funding regime.</p> <p>Recoverability of such income is an area of significant risk for the University.</p>	Our work in this area will include: <ul style="list-style-type: none"> <li>• perform substantive analytical procedures to gain assurance over the existence of the income stream</li> <li>• test a sample of students to supporting student record documentation to ensure the validity and correct calculation of the fee income recognised</li> <li>• undertake a review of debts for recoverability by evaluating management's estimate of recoverability of overdue fees</li> <li>• compare aged balances with prior years aged balances</li> <li>• calculate ageing as a percentage of total fees debtors and if unusual percentages or relationships are noted, investigate and determine if an adjustment is necessary.</li> </ul>
<b>Appropriate application of funds in accordance with relevant legislation</b>	Funds provided by HEFCE may not have been applied in accordance with the terms and conditions attached to them and in compliance with the specific requirements of the Financial Memorandum.	To address this, we will ascertain procedures adopted by the university to ensure that funds have been applied for the proper purposes and in accordance with the Financial Memorandum.

### Materiality

An item would be considered to be material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Materiality is set at the outset of planning to ensure that an appropriate level of audit work is planned. It is then used throughout the audit process to assess the impact of any item on the financial statements. Any identified errors or differences greater than 5% of materiality will be recorded on a schedule of potential misstatements.

### Internal audit

We review the work performed by internal audit during the year to assess whether the outcome of this work highlights any additional risk areas for our audit.

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# Group audit scope and risk assessment

In line with professional standards, as Group auditors we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the Group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

	Company name	Auditor	Audit scope	Statutory audit
<b>London South Bank University</b>		GT UK		Yes
	South Bank University Enterprises Limited	GTUK	Targeted	Yes

## **Audit scope:**

**Comprehensive** – the component is of such significance to the group as a whole that an audit of the components financial statements is required

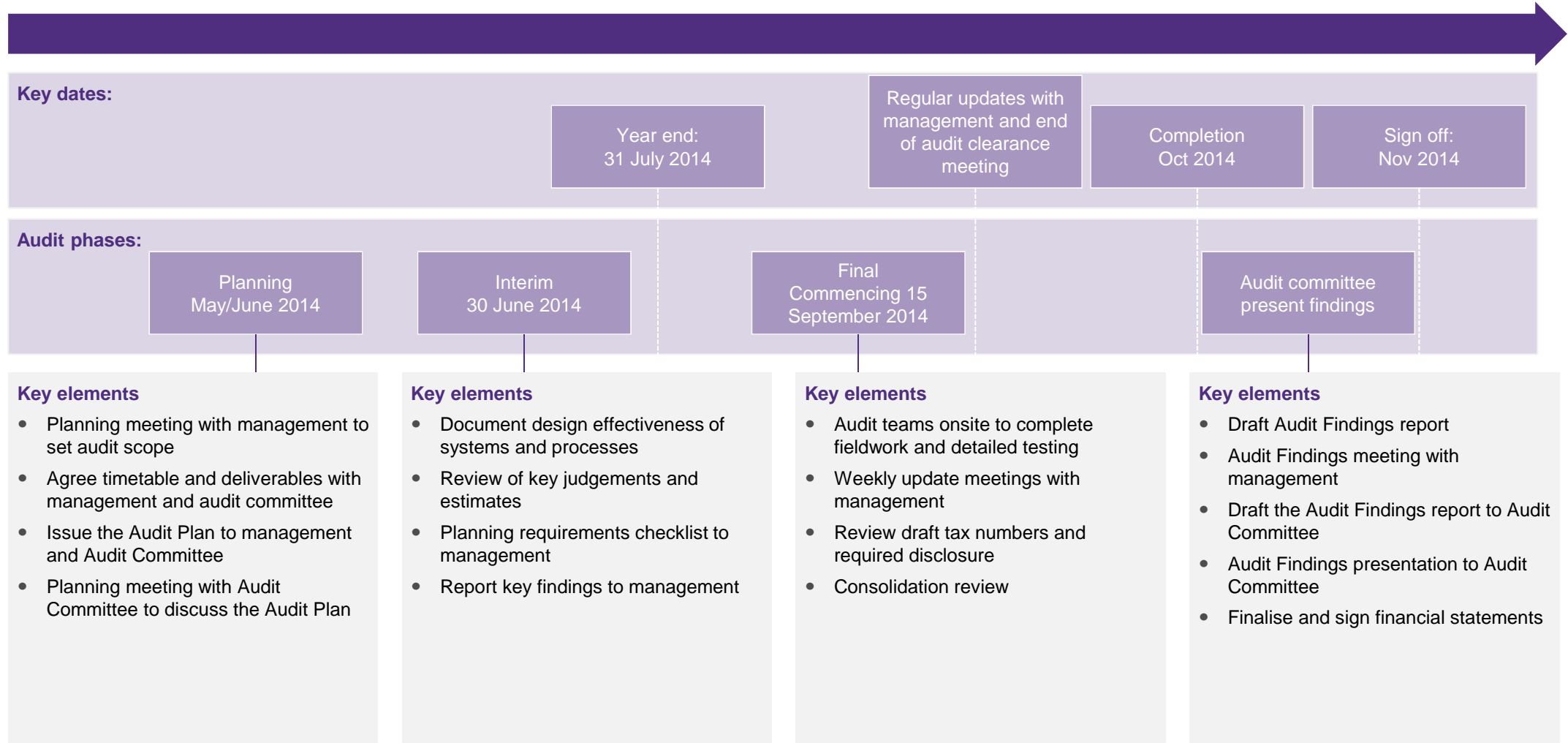
**Targeted** – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

**Analytical** – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level



# Logistics

## The audit timeline



# Fees

## Fees

Company	£	Prior year
London South Bank University statutory audit*	40,975	39,780
Taxation compliance for SBUEL	2,525	2,460
iXBRL tagging for SBUEL accounts	850	850
<b>Total</b>	<b>44,350</b>	<b>43,090</b>
<b>Payment profile:</b>		
May 2014		4,000
June 2014		8,000
September 2014		20,500
October 2014 – audit		8,475
October 2014 – taxation		2,000
Finalisation of the tax computations		1,375

\*increase in line with inflation

## Our fee assumptions include:

- Our fees are exclusive of VAT and out of pocket expenses
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The Group structure has not changed
- You will make available management and accounting staff to help us locate information and to provide explanations

## What is included within our fees

- A reliable and risk-focused audit appropriate for your University
- Feed back on your systems and processes, and identifying potential risks, opportunities and saving
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Constructive feedback on your people, your processes and your business plan
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency across the group

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# Independence

Ethical standards and ISA UK 260 require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton teams providing services to the University. The following non audit services were identified.

## Fees for other services

Service	Fees £
Corporation tax compliance for SBUEL	2,460
iXRBL tagging for SBUEL	850

The amounts detailed are fees agreed to-date for non-audit services undertaken by Grant Thornton UK LLP (and Grant Thornton International network member Firms) in the current financial year.

Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International network member Firms will be included in our Audit Findings report at the conclusion of the audit.

We understand that the above non-audit services are consistent with the University's policy on the allotment of non-audit work to your auditors.

# Communication of audit matters with those charged with governance

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the Group's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence		✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to Going Concern		✓
Matters in relation to the Group audit, including: Scope of work on components, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISA's (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

# Developments relevant to your business and the audit

In planning our audit we consider the impact of the key changes which have come into effect since the last year end.



## Developments

### 1. Financial reporting

- Recent changes to the Companies Act 2006 has resulted in a new requirement to prepare a strategic report. This is applicable for any company unless it meets the small company definition

### 2. Accounts Direction Handbook

- A new Accounts Direction Handbook is due for publication incorporating the new requirements for the financial statements.

### 3. Corporate governance

- Auditing standards (ISA 700) have been revised, introducing new enhanced reporting requirements for entities that state that they comply with the UK Code of Governance, including universities who adopt the UK Code voluntarily.

### 4. Other

- Implementation of auto-enrolment and compulsory employer contributions to employee pensions. This took effect from 1 October 2012 and is applied in stages.

## Risk or opportunity

- Risk of non-compliance with new framework .
- A strategic report will need to be prepared for the 31 July 2014 year ends.

- Some minor changes have been proposed to the document. Risk of non-compliance with the new handbook.

- The Accounts Direction will provide universities with example wording to ensure that the enhanced reporting requirements are not triggered for those universities who choose to adopt the UK Code.

- Risk of non-compliance with new regulations.

This document is prepared solely for London South Bank University **and should be read in its entirety**. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

# Alignment of UK and International Financial Reporting

From the year ended 31 July 2016, the University will be required to report under FRS 102 and a new SORP for the education sector. Although the first reporting period covered is not until the year ended 31 July 2016, the University will be required to restate its 2014 and 2015 balance sheets as part of the transition. Therefore it is not too soon to start considering how you will address the transition. A summary of the key impact of this impact is shown below:

## Impact

The new SORP 2015 has been through consultation and the final version was published in March 2014. The SORP has resulted in a number of changes to financial reporting which will require some additional work to be completed by the finance team. From our experience in helping other entities transition between frameworks we note that the key to managing the process successfully is thorough planning and understanding of the new requirements. We have already started to discuss the transition plan with management and will invite key members of the finance team to technical seminars and workshops held by Grant Thornton to expand their knowledge.

The key areas of focus for London South Bank University are as follows:

**Loans-** Management will need to review loan agreements to determine their complexity and whether there are any financial instruments within the agreement which require measurement at their fair value.

**Intra-group loans-** Intra-group loans that are not currently on open market terms, being financing transactions, will be recognised initially at fair value. Fair value means estimating the expected cash flows and discounting at a market rate. This includes any long-standing 'trading' balances.

**Capital Grants-** Following much debate during consultation, the final SORP has retained a policy choice for the treatment of government grants. Universities will be able to account for government grants using the accruals model or the performance model. Under the accruals model, the grant is held on the balance sheet, within creditors, and recognised (amortised) as income over the expected useful economic life of the structure of the capital asset. Any non-government grants will be recognised directly in income as soon as the conditions attaching to the grant are met under the performance model. Management should complete an exercise to determine whether grants received to date are government or non-government grants to ensure that they are appropriately treated under the new SORP.

**Tangible Fixed assets-** The new SORP requires more assets to be classified as investment properties than under current accounting standards. Unlike tangible fixed assets, investment properties are held at their fair value and are not depreciated. Management will need to review all asset classifications to determine whether they meet the definition of a tangible fixed asset or an investment property. We will provide technical guidance to you in this area to aid management with their assessment.

**Designated reserves-** The new SORP does not allow designated reserves to be presented in the financial statements. These reserves can still be used for internal purposes, but should not be shown on the face of the balance sheet.

**Pensions-** the University is a member of a multi-employer pension scheme. As with current UK GAAP, the university will continue to not recognise the pension liability on the balance sheet as the assets and liabilities of the scheme cannot be separately identified. However, the financial statements will need to provide for any contractual obligation they may have to fund the deficit position.

**Holiday pay accrual-** At each year end there will be a requirement to accrue for any unutilised staff holiday entitlements. Management will need to review the current process for capturing holiday entitlement to ensure that an estimate of the accrual can be made at the year end.

We will continue to work with management as they embark on their transition plan and provide technical support, as required, throughout the process. We will perform a formal review of the restated opening balances once this exercise is complete, to ensure that policies and disclosures have been agreed in advance of preparing the first set of financial statements under the new SORP.

Specific  
impact  
on the  
University



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# London South Bank University

	PAPER NO: AC.16(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Indicative pensions assumptions used for the LPFA FRS17 report at 31/7/14	
Author:	Natalie Ferer, Financial Controller	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Recommendation by the Executive:	The Executive recommends that the Audit Committee notes that indicative assumptions to be used by the LPFA scheme actuaries at 31/7/14 will be available in mid-June.	
Aspect of the Corporate Plan to which this will help deliver?	Statutory Financial Reporting	
Matter previously considered by:	Audit Committee	Annually
Further approval required?	Audit committee	Late June (via email)
Communications – who should be made aware of the decision?	n/a	

## Executive Summary

The Local Government Pension Scheme have advised us that Indicative assumptions to be used by the scheme actuaries at 31 July 2014 for FRS17 purposes are due to be circulated to member organisations in the middle of June. Following receipt of these indicative assumptions, the University will have a discussion with our external auditors, Grant Thornton, as to their suitability for LSBU. The University must tell LPFA by 1 July 2014 which assumptions it wishes to be used for LSBU.

Following discussion with Grant Thornton, the assumptions to be used will be circulated to members of Audit Committee for consideration.



# London South Bank University

	PAPER NO: AC.17(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Internal Audit Progress Report	
Author:	PricewaterhouseCoopers, Internal Auditors	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends that the Audit Committee note the attached report.	
Corporate Plan aspect which this will impact?	<ul style="list-style-type: none"> <li>• Creating an environment in which excellence can thrive.</li> </ul>	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – decision information?	n/a	

## Executive summary

The attached internal audit progress report is provided to update the Committee on progress against the programme for 2013/14.

The report provides an overview of the findings in the other reports being presented to this meeting of the Audit Committee, and presents details on the follow up of recommendations falling due in this period from previous pieces of work. The majority of these have been implemented.

The Executive recommends that the Audit Committee note the attached progress report.

**Attachment:** Progress Report

# London South Bank University

## Internal Audit Progress Report 2013/2014

**Progress Report to  
Audit Committee**

May 2014

# Overview

## Progress Summary

This report presents a high level summary of the audit activity that has taken place in 2013/14 since our last progress report to the February 2014 Audit Committee. A detailed timeline of audit activity for the year is set out at Appendix 1.

### Reports presented at the June 2014 Audit Committee

#### Business Continuity (Medium Risk)

Business continuity at London South Bank University (LSBU) is overseen by the Business Continuity Management Steering Group (BCSG). Each department/ faculty is responsible for creating their own business continuity plan, with support from the central business continuity team within Corporate Services. The purpose of this review was to review the controls surrounding business continuity management to ensure that they are designed and operate effectively.

Four *medium risk* findings were identified:



- A Business Continuity Management (BCM) Framework has been developed which provides guidance on the implementation of Business Continuity, however a BCM Policy has yet to be fully established. Without an approved BCM policy, planning activities are either unlikely to be delivered or align to the requirements of top management;
- A BCM programme plan to support the delivery of the BCM Framework has yet to be developed. Without a programme plan, the BCM policy and strategy is unlikely to deliver a BCM planning or response capability that meets the expectations of top management or LSBU’s needs;
- LSBU has not defined their strategic recovery objectives; this activity provides direction for the business continuity programme, allowing investment to be targeted towards critical processes or services and their dependencies. Management has yet to communicate the critical activities that support LSBU’s business objectives; and
- An IT Disaster Recovery (IT DR) capability and plan is in place; for an IT DR capability to reflect organisational need, IT needs an understanding of the recovery requirements of users. The Business Impact Analysis (BIA) captures the recovery time objectives for critical systems, however, a BIA has yet to be completed by all critical services and the BIA lacks information on the recovery point objective which identifies how much data management are willing to lose in the event of a system or application failure. Without complete data, the IT DR capability is unlikely to meet the needs of critical functions or support the strategic recovery objectives. This can lead to a recovery time that exceeds expectations, resulting in increased impact of disruption and inability to manage stakeholder expectations.







We also raised three *low risk* issues surrounding the content of departmental and service plans and LSBU’s ‘Emergency Incident Response and Emergency Management Procedure’ framework, and BCM exercising and training.

#### Payroll Implementation 2014 (No risk rating)

The objective of this review was to assess whether appropriate controls have been implemented to ensure the complete and accurate migration of balances and to follow up the findings from our previous audits performed in March and May 2013.































LSBU has made good progress in implementing our recommendations and at the time of audit fieldwork, the latest sets of parallel run results (February 2014) showed an improvement in the accuracy of data (98.87% accuracy). The table below uses a traffic light system to provide a summary of LSBU’s performance against the areas outlined in our Terms of Reference.

Review area	Summary	Direction of travel	Updated RAG status
Data Migration	There was a reduction in the number of discrepancies noted between net pay on the old payroll system (Logica) and i-Trent but further work is needed to confirm the accuracy of other payroll elements, for example, National Insurance (NI) numbers, bank details and addresses. Further data cleansing is needed prior to migration to the new environment.		 <b>Amber</b>

Go-Live	Policies and procedure notes have been developed and a training plan for Payroll, Finance and other stakeholders has been devised. System and business process mapping has been completed and a service level agreement (SLA) between Finance and IT has been finalised.		 <b>Green</b>
Post implementation review and ongoing availability	There is a process in place to identify lessons learnt and ensure the ongoing accuracy and completeness of data. LSBU need to ensure this data continues to be captured throughout the project. A system change document is required to document changes to the system post-implementation.		 <b>Amber/ Green</b>
System security	There is appropriate segregation of duties within the system and management have confirmed that the level of access granted to individuals is appropriate but further work is needed to ensure that there is regular periodic review of user activity and access rights and that there are clear and communicated procedures in times of staff absence, both authorised and unauthorised / anticipated and unexpected. The controls surrounding user set up/removal and password requirements could also be improved.	N/a	 <b>Amber</b>
Exception reporting and management information	LSBU will run the following reports as part of month-end procedures before the payment run is authorised: <ul style="list-style-type: none"> <li>• Errors and warnings reports (i.e. processing issues encountered);</li> <li>• Payroll differences (difference between each element between two periods, with tolerances of between 5% and 10%);</li> <li>• Gross pay over £5,000;</li> <li>• Number of staff paid in comparison to previous month with subsequent reconciliation;</li> <li>• Starters and leavers for the period;</li> <li>• Element differences between two periods for overtime, bonuses, back pay, tax refunds; and</li> <li>• HMRC payments.</li> </ul>	N/a	 <b>Green</b>

### Continuous Auditing (No risk rating)

We are pleased to note that there has been an improvement in performance across 2013/14; all systems have received a green rating for the final period of testing. The table below provides a summary for each systems performance across 2013/14.

System / Rating	2013/14 Internal Audit Programme				Trend
	Q3 2013/14	Q2 2013/14	Q1 2013/14	Q4 2012/13	
Payroll	 <b>Green</b>	 Amber	 Amber	 Green	
Accounts payable	 <b>Green</b>	 Amber	 Green	 Green	
Accounts receivable	 <b>Green</b>	 Green	 Amber	 Green	
Cash	 <b>Green</b>	 Green	 Green	 Green	
General Ledger	 <b>Green</b>	 Green	 Amber	 Green	
Student Financial Data	 <b>Green</b>	 Green	 Green	 Green	

### Phishing Exercise (Draft)

Phishing is the act of attempting to acquire sensitive information e.g. usernames, passwords, and credit card details by masquerading as a trustworthy entity. One of the most common forms of phishing is via e-mail where users are requested to perform an action, such as log onto a portal.

We conducted a simulated phishing attack in 2013. To understand how the level of awareness to phishing attacks has changed over the last year LSBU requested PwC conduct a similar test; this area of testing was designed to replicate the position of an externally located malicious threat, with the intention of compromising user credentials.

The table below outlines the results of the 2013 and 2014 phishing tests, as well as the client average results from all the phishing tests PwC has conducted.

	<i>Client Average from PwC Phishing Tests (Total %)</i>	<i>2013 Test (Total %)</i>	<i>2014 Test (Total %)</i>
Followed the link on the phishing e-mail	21%	15%	20%
Submitted credentials	15%	11%	16%

The major concern is that the level of awareness has dropped significantly from last year with a 5% increase in both the employees who followed the malicious link and those that entered their username and password.

We were informed that the LSBU IT department was quickly alerted to the phishing emails and were ready to block the phishing portal within an hour of the first email being sent. This level of response is excellent and the IT department should be commended for their quick response. This would have reduced the overall exposure to LSBU employees to a real phishing attack. Had this restriction been put into place, this would have reduced the percentage of employees who clicked the link and entered credentials to 4% and 3% respectively.

Several of the LSBU employees directly replied to the phishing email, many of which were requesting advice on how to comply with the request within the email. Others also sent information such as screenshots of their desktop or the new address that they had moved to. There is a risk that in this situation an attacker would be able to continue the attack and reply to the employees requesting that they perform malicious actions in order to gain information or to facilitate an initial compromise of LSBU's internal infrastructure.

This report is still in draft; management are in the process of agreeing an action plan with our Threat and Vulnerability Management team.

### Findings of our follow up work

- We have undertaken follow up work on the recommendations on the 4Action system with a target date for action of 30/04/2014 or sooner. We have discussed with management the progress made in implementing recommendations falling due in this period. Where the recommendations had a priority of low, we have accepted management's assurances of their implementation; otherwise, we have sought evidence to support their response.
- A total of 14 recommendations have been followed up this quarter. Nine (64%) of these have been fully implemented. Progress has been made against all of the remaining recommendations and revised implementation deadlines have been agreed.
- Our detailed findings in respect of each recommendation considered this quarter are included in Appendix 2.

### Other matters

- Our Risk Management audit is due to commence 16/06/2014. We plan to bring this report to the next Audit Committee.

### Recommendations

- That the Audit Committee **notes** the progress made against our 2013/14 Internal Audit Operational Plan.
- That the Audit Committee **comments** on our reports of Business Continuity, Payroll Implementation 2014, Continuous Auditing and Phishing.
- That the Audit Committee **comments and approves** our Internal Audit Plan for 2014/15.

## Appendix 1 - Progress against the 2013/14 operational plan

Included below is a summary of the current progress against the reviews in our 2013/14 operational plan. For each review, the days per the plan are shown, together with the actual days spent to date (shown in brackets).

Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
<b>Quarter 1: August 2013 – October 2013</b>											
<b>Continuous Auditing of Key Financial Systems (May 2013 to July 2013)</b>											
12 (12)	02/08/2013	12/08/2013	23/08/2013	11/09/2013	N/A	-	-	-	-	-	-
<b>Extenuating Circumstances, Academic Appeals &amp; other processes that could result in a student complaint to the OIA</b>											
16 (16)	13/08/2013	19/08/2013	22/09/2013	17/10/2013	N/A	5	-	-	-	-	5
<b>Student Data</b>											
5 (5)	30/09/2013	11/11/2013	15/11/2013	16/01/2014	High Risk	4	-	2	1	-	1
<b>Quarter 2: November 2013 – January 2014</b>											
<b>HESA Finance Return</b>											
10 (10)	21/11/2013	02/12/2013	06/12/2013	08/01/2014	Low Risk	3	-	-	-	2	1
<b>Continuous Auditing of Key Financial Systems (August 2013 to October 2013)</b>											
12 (12)	01/11/2013	04/11/2013	21/01/2014	23/01/2014	N/A	-	-	-	-	-	-
<b>Business Continuity</b>											
10 (10)	15/11/2013	19/11/2013	23/01/2014	19/02/2014	Medium Risk	7	-	-	4	3	-
<b>Quarter 3: February 2014 – April 2014</b>											
<b>Continuous Auditing of Key Financial Systems (November 2013 – January 2014)</b>											
13 (13)	01/11/2013	03/02/2014	14/02/2014	02/05/2014	N/A	-	-	-	-	-	-
<b>Payroll Implementation 2014</b>											
12 (12)	04/02/2014	10/03/2014	24/03/2014	10/04/2014	N/A	9	-	-	-	-	9
<b>Quarter 4: May 2014 – July 2014</b>											
<b>Continuous Auditing of Key Financial Systems (February 2014 – April 2014)</b>											
13 (13)	01/11/2013	02/04/2014	22/05/2014	22/05/2014	N/A	-	-	-	-	-	-
<b>Value for Money</b>											
5					TBC	-	-	-	-	-	-
<b>Risk Management Follow Up</b>											
5					TBC	-	-	-	-	-	-
<b>Other</b>											
15 (12)	Planning, contract management, reporting, value for money and Follow up										
<b>Total</b>	<b>128 (115)</b>										

## Appendix 2 - Results of Follow Up of Recommendations

Summary of finding and agreed action	Progress	Risk Rating	Status
<b>1. Classification of expenditure – HESA Finance Return 2013/14</b>			
<p>Table 8 of the HESA Finance Return requires that capital expenditure is allocated between 'Residences and Catering Operations' and 'Other Operations'. LSBU classified all expenditure within 'Other Operations'.</p> <p>We identified some major capital projects undertaken during the year - the LSBU Enterprise Centre and the Student Centre – included catering facilities which could be classified within the 'Residences and Catering Operations' category. Management agreed that they would consider whether this expenditure should be reallocated.</p>	<p>Management decided that they would not reallocate the expenditure for 2012/13 but would look to reallocate expenditure of this nature in 2013/14.</p>	<p><b>Advisory</b></p> <p>●</p>	<p>Implemented</p>
<b>2. Policy and procedure notes - Student Module Data 2013/14</b>			
<p>Management agreed to implement an overarching procedure for processing amendments to student data, module changes and monitoring of module data. It was agreed that this would include the minimum procedures to be followed by all faculties.</p> <p>It was also agreed the following reports would be updated to include version control:</p> <ul style="list-style-type: none"> <li>• Crystal Report Request online form;</li> <li>• Administration of Student Records.</li> </ul>	<p>Procedure notes have been updated and include version control.</p>	<p><b>Medium</b></p> <p>●</p>	<p>Implemented</p>
<b>3. Retention and review of documentation - Student Module Data 2013/14</b>			
<p>It was agreed with management that:</p> <ul style="list-style-type: none"> <li>• Spot checks will be performed to confirm that procedures are being complied with;</li> <li>• Faculties and course administrators will be required to confirm that changes have been made as highlighted by exception reports and document work performed</li> <li>• A periodic report would be generated which to highlight changes made in a given period and investigate these where appropriate.</li> </ul>	<p>Spot checks are not being performed however a mitigating control is in place: management have regular exception report meetings where all matters are investigated which could have been selected for spot checks.</p> <p>Faculties and course administrators are required to confirm that changes are made as part of this process.</p>	<p><b>High</b></p> <p>●</p>	<p>Implemented</p>
<b>4. Accuracy of module data - Student Module Data 2013/14</b>			
<p>It was agreed with management that:</p> <ul style="list-style-type: none"> <li>• Training for course administrators would be strengthened around identification and resolution of curriculum issues</li> <li>• The findings noted in the audit would be investigated and resolved. Further work would be performed to establish if there are more errors</li> <li>• Reports would continue to be generated to highlight errors. Faculties and course</li> </ul>	<p>Training sessions have been put in place and the findings from the audit have been investigated.</p> <p>Spot checks are not being performed however a mitigating control is in place: management have regular exception report meetings where all matters are investigated which could have been selected for spot checks.</p> <p>Faculties and course administrators are required to confirm that changes are made as part of this process.</p>	<p><b>High</b></p> <p>●</p>	<p>Implemented</p>



administrators would be required to confirm that changes have been made and spot checks will be performed to confirm that procedures are being complied with.

#### 5. Authorisation of system changes – Payroll Implementation 2013/14

A system change document will be developed and any changes made to i-Trent post-implementation will be authorised appropriately and recorded for future reference.	System changes are recorded on the Blueprint documents which have a change control section. Management are in the process of updating the Blueprints for some changes that were made before the new Payroll system went live.	<b>Advisory</b> ●	In progress  Revised date of 31/07/2014
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#### 6. New user set up and user removal – Payroll Implementation 2013/14

The 'new user form' would be amended so that it clearly specifies the access level to be awarded and reason for granting access. This should be authorised by either the Payroll Manager or Financial Controller.	The new user form has been updated to specify the access level awarded and reason for access.	<b>Advisory</b> ●	Implemented
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#### 7. Roles and responsibilities - Payroll Implementation 2013/14

Existing procedure and process notes will be updated to include defined roles for duties to be performed. These will also detail any changes in the event of staff absence.	A number of procedure notes have been re-written but the roles and responsibilities sections are still in process.	<b>Advisory</b> ●	In progress  Revised date of 30/06/2014
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#### 8. Password Controls – Payroll Implementation 2013/14

Passwords will be made alphanumeric and include capitalisation. Passwords will be changed every 90 days.	Password restrictions have been updated so that they are alphanumeric and include capitalisation. There is a requirement to change passwords every 90 days.	<b>Advisory</b> ●	Implemented
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#### 9. Payroll data is inaccurate and requires cleansing before system Go Live – Payroll Implementation 2013/14

Variations between parallel runs will be investigated before system go-live.	Parallel runs took place in February and March 2014 with all variances investigated. Where the difference would impact on post go-live payrolls these were corrected before rolling over to the next parallel run or before go live.	<b>Advisory</b> ●	Implemented
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#### 10. Timely performance of parallel runs- Payroll Implementation 2013/14

We noted that the February 2014 parallel run was the first parallel run since May 2013 and that there were still some discrepancies between the two systems which required investigation by management.	Parallel runs took place in February and March 14 with all variances investigated. Data on pay and deductions was compared along with standing data such as names, addresses, NI numbers and bank details.	<b>Advisory</b> ●	Implemented
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#### 11. The interface between i-Trent and Agresso has not been tested – Payroll Implementation 2013/14

At the time of fieldwork, the interfaces between i-Trent and Agresso had not been tested.	Testing of the Agresso file was completed during parallel running. Individual staff records were checked prior to go live to make sure they are being costed correctly. We posted supplementary journals to rectify any discrepancies that could not be fixed prior to go-live. I-Trent has been updated so that the costing would be correct in the future.	<b>Advisory</b> ●	Implemented
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#### 12. Policies and procedure notes - Extenuating Circumstances, Academic Appeals & other processes that could result in a student complaint to the OIA 2013/14

We identified that although policies and procedures are in place, Faculties operate different policies on an operational basis.	The action has been delayed due to the changes to faculties set in hand after the report was delivered. LSBU is currently working with the supplier (iCasework) to implement their appeals solution,	<b>Advisory</b> ●	In progress  Revised date of
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This was already recognised by LSBU who were working with faculties to iron out inconsistencies of approach. It was agreed that this would be further facilitated through the Student Records Development Team, who would ensure a follow-up review of process at the end of semester 1, to monitor progress and further eliminate inconsistency.

but extenuating circumstances have been identified as a phase 2 element to be delivered during 2014/15. This was necessary in order to reduce risk to the appeals component of the work.

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*13. Compliance with policies and procedures: Assessment of applicants with need for special adjustments under the terms of the Equality Act 2010 - Extenuating Circumstances, Academic Appeals & other processes that could result in a student complaint to the OIA 2013/14*

Our testing identified that an occupational health check had not been completed for one of 20 students tested.

It was identified by management that this is not a requirement for the particular course being completed by the student. This is not consistent with LSBU's procedure notes which state that an occupational health check should be completed for all students within the Faculty of Health and Social Care. Management agreed a forthcoming review of the procedure will change the wording to reflect the fact that a few courses do not require the check.

Disability and Dyslexia Support (DDS) has sought clarity from the Faculty of Health and Social Care (HSC) on which courses require an occupational health check. The requirement for occupational health checks is co-ordinated and controlled by HSC. DDS and HSC have clear lines of communication so that any students disclosing a disability during an occupational health check can be referred to DDS for support.

DDS continues to communicate with students who declare a disability on application, to advise them on available support and to encourage them to make early contact with us to get their support in place and apply for a Disabled Student's Allowance (DSA) where applicable. DDS also promotes its service through attending course induction and fresher's events, and displaying promotional material throughout LSBU buildings. Students declaring a disability are not obliged to see DDS.

Once a student is registered with DDS a Disability Advisor will co-ordinate their support and help them apply for DSA funding. It is the student's responsibility to apply for the DSA; and DDS is not responsible for the decision on a student's eligibility for DSA funding, for the timescale of the application, nor for the support recommended through the DSA: these are decided and controlled by the funding bodies themselves. However, DDS plays a key advisory and facilitative role and can provide advice and guidance to students to assist them through each step of the process, thus ensuring that the students receive support from the DSA.

DDS procedures are being reviewed because it is not always necessary to have a course director attend an initial meeting with students with more complex needs. DDS continues to communicate students' support needs to colleagues appropriately. Meetings with course directors can be arranged by the Disability Advisor managing the student's case, if and when they consider it necessary.

Feedback appointments are routinely booked for 3 weeks after a student is booked in for a full dyslexia assessment. If the student does not attend their full assessment or the initial feedback appointment the feedback cannot take place and has to be rebooked, which will take this part of the process over the normal 3-week timescale. DDS is continuing to explore how LSBU can reduce the waiting time for dyslexia assessments.

The content of the Data Protection Act form has been reviewed and Disability Advisors reminded that all students registering with DDS must complete the form. LSBU are looking into having a

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In progress

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general confidentiality form for Student Services, and exploring the most appropriate time for students to sign the form.

*14. Complaints - Extenuating Circumstances, Academic Appeals & other processes that could result in a student complaint to the OIA 2013/14*

We tested a sample of complaints to confirm compliance with procedures and identified the following exceptions:

- In three of 20 cases tested, the case had not been investigated a member of staff of appropriate seniority as required under stage one procedures. This case was subject to referral by the OIA.
- In one of 20 cases the complaint has been investigated despite not being received within the specified time lines in accordance with University procedure.
- In one of 20 cases the outcome of the investigation had not been provided in writing to the student.
- In one of 20 cases, a decision on the outcome of the Stage 1 complaint was not reached within 20 days of the complaint being lodged

Management agreed to take the following actions:

1. The complaints procedure requires the complaint to be handled by a senior manager within the relevant faculty. The complaints team will provide a refresher session for the four Pro Deans responsible for student complaints (plus their nominees) to cover best practice.
2. Under the complaints procedure, it is best practice for decisions affecting students to be made at the level of Pro Dean or above. The refresher session will address this point.
3. The complaints team will review the time limits and deadlines in the complaints procedure and make a recommendation to Academic Board as to whether they are fit for purpose or otherwise.

1. The Student Complaints Officer has had meetings with each Faculty to discuss all issues. The Pro Deans, Heads of Department, Faculty Managers and administrative support staff of each Faculty now understand that LSBU aims to resolve all internal complaints informally at Stage 1 and that a sufficiently senior member of staff is to lead on these resolutions. In the light of the restructuring scheduled for 2014 – moving from four Faculties to nine Schools – it was agreed that Pro Deans, Heads of Department and Faculty Managers designated by the Pro Deans were all suitable for this role.

Each Faculty was enthusiastic about the variety of refresher courses scheduled for 2014/15. These courses will address best practice in complaint handling, the university's obligations under the Equality Act 2010, and advise on procedures to be followed in the complaints process (disciplinary versus fitness to practise procedures, for example). The resources identified for these courses are the OIA's *Good practice framework for handling complaints and academic appeals* (published in draft form in April 2014), as well as PowerPoint presentations and other guidance publications that are readily available on the OIA and QAA websites (prior to the recent publication of their *Good Practice framework*, the OIA used the Quality Assurance Agency's *The UK Quality Code for Higher Education* as the standard in determining the outcomes of their investigations). LSBU presentations and refresher courses in complaint handling will be augmented also by best practice frameworks published by the Office of the Parliamentary and Health Service Ombudsman, which will cover the principles of good administration, of good complaint handling, and of remedying upheld complaints.

2. See above.
3. None of the Faculties thought the current deadlines for the internal complaints system to be unworkable; the 20-working-day turnaround for Stage 1 complaints was considered more than adequate, and within this system provision is already in place to allow for extra time during busy exam periods or holidays. Nonetheless, LSBU is revising and updating its student complaints procedure to be in line with the OIA's new *Good Practice framework* (all universities have to be compliant by September 2015); this will be in place for the start of academic year 2014/15.

**Advisory**



In progress

Revised date of  
31/10/2014



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.

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 01 August 2013. 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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	PAPER NO: AC.18(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Quarter 2 and Quarter 3 (2013/14) Continuous Auditing Report	
Author:	PricewaterhouseCoopers, Internal Auditors	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends that the Audit Committee note the attached report.	
Corporate Plan aspect which this will impact?	<ul style="list-style-type: none"> <li>• Creating an environment in which excellence can thrive.</li> </ul>	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – decision information?	n/a	

### **Executive summary**

The attached reports provide the results of the Continuous Audit results for Q 2 and Q 3 of the 2013/14 financial year (and the last two instalments of the Continuous Audit aspects of the 13/14 internal audit plan).


The Q2 report showed partial improvement, but the Q3 report found the rating to be green across all areas, with the exception issues from Q2 having been addressed.

The Executive recommends that the Audit Committee note the attached progress report.

### **Attachments:**

*Continuous Auditing Q2 1314 - Final Report*

*Continuous Auditing Q3 1314 - Final Report*



*Internal Audit  
Report 2013/2014  
Continuous Auditing*

*Quarter two (1<sup>st</sup> November 2013 – 31<sup>st</sup> January 2014)*

May 2014

London South Bank  
University

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## Distribution List

For action:	Natalie Ferer (Financial Controller)
For information:	Richard Flatman (Director of Finance)
	John Baker (Corporate & Business Planning Manager)
	Audit Committee

This report has been prepared by PwC in accordance with our contract dated 01/08/2013.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Financial Memorandum. 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.

# 1. Executive summary

## Background and approach:

Effective financial controls are essential to ensure that funds are used efficiently and effectively and that the reporting and forecasting of management information is complete and accurate. In recognition of this, our internal audit programme includes a rolling programme of audit work which focuses upon the design and operation of the organisation's core financial controls. The systems included within the scope of our work in 2013/14 are:

- Payroll;
- Accounts Payable;
- Accounts Receivable;
- Cash;
- General Ledger; and
- Student Financial Data.































In developing our work programme for 2013/14, we met with management to refresh our understanding of London South Bank University's controls to ensure that our work remained targeted to the key risks facing the institution. The controls included within the scope of our work are set out within our Terms of Reference included at Appendix 2.

Our detailed findings are set out in Section 2 of this report; a summary of our findings and the matters arising in the course of our work this quarter is set out below.

## System summaries

O Our summary below is determined with reference to the extent or monetary impact of the exceptions we identified in the course of our work (our rating criteria are set out at Appendix 1).

Note: our ratings are based on the number and severity of findings noted for controls tested as part of the programme. This does not consider control design issues – these are individually risk rated.

System / Rating	2013/14 Internal Audit Programme			2012/13 Internal Audit Programme	Trend
	Q2 2013/14	Q1 2013/14	Q4 2012/13	Q3 2012/13	
Payroll	 <b>Amber</b>	 Amber	 Green	 Amber	
Accounts Payable	 <b>Amber</b>	 Green	 Green	 Green	
Accounts Receivable	 <b>Green</b>	 Amber	 Green	 Green	
Cash	 <b>Green</b>	 Green	 Green	 Green	
General Ledger	 <b>Green</b>	 Amber	 Green	 Amber	
Student Financial Data	 <b>Green</b>	 Green	 Green	 Green	

## ***Findings and recommendations***

### ***Payroll***

- We tested a sample of 25 starters to ensure that an authorised and accurate new starter form had been received prior to an individual being entered on to the Payroll system. In 1 instance, the starter had been placed on the incorrect spine point, resulting in an overpayment of £228.60; the individual had been paid for 45 hours at spine point 35 rather than 31.
- During testing of a sample of 25 overtime and timesheet submissions we identified 1 instance where an employee had been overpaid by £18.93.

### ***Accounts Payable***

- We tested a sample of 25 new suppliers to ensure that authorised documentation had been received prior to creation. We identified six exceptions:
  - In 3 instances no checks had been performed to confirm the existence of the supplier;
  - In 3 other instances the new supplier set up form had not been authorised.
- We tested a sample of 20 daily reconciliations between Agresso and the AP control account; 1 reconciliation had not been authorised.

### ***Accounts Receivable***

- No exceptions have been noted this period.

### ***Cash***

- No exceptions have been noted this period.

### ***General Ledger***

- 3/25 journals tested did not have supporting documentation attached to the journal on Agresso.

























### ***Student Financial Data***

- No exceptions have been noted this period.



## 2. Detailed findings

### Payroll

	Key control	Exceptions (Current quarter)	Details on exceptions (Where applicable)	Exceptions (Q1 2013/14)	Exceptions (Q4 2012/13)	Exceptions (Q3 2012/13)
P1	Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.		1/20 new starters tested had been set up on the system at the incorrect spine point. This resulted in an overpayment of £228.60. <b>Responsibility for action:</b> Felicity Clarke, Payroll Team Leader <b>Management response:</b> This was caused by an input error. Additional checks on spine point input will be carried out to minimise the risk of this type of error occurring.			
P2	Leaver forms are received from HR upon notification of resignation or redundancy.					
P3	The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.					
P4	Exception reports are reviewed on a monthly basis.		<b>Control design issue</b> No exceptions have been found, however a control design issue has been raised below.			
P5	Variation forms, with supporting documentation, are received prior to any changes being made to standing data.					
P6	Access to the Payroll system is restricted to appropriate personnel.					









P7	Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	●	<p>1/25 individuals tested had been overpaid by £18.93.</p> <p><b>Responsibility for action:</b> Departmental line managers Felicity Clarke, Payroll Team Leader</p> <p><b>Management response:</b> The overtime claim was recorded correctly on the payroll system. The calculated payroll showed the correct number of hours but the resulting pay was incorrect. We have logged this with our software suppliers and are awaiting their response.</p>	●	●	●
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 and reconciling items are investigated on a timely basis.	●		●	●	●
P9	Expenses are supported by appropriately authorised claim forms.	●		●	●	●

**P4 – Exception reports**

<i>Finding</i>		
<p>Monthly exception reports are produced prior to authorising the payroll payment run. This includes a checklist which summarises all the reports which should be run, which is signed and dated. This is the control which we have validated at P4. During testing, we noted that although the checklist is signed by both of the required authorisers, the individual exception reports are not signed and dated by both the Financial Controller and the payroll team leader.</p>		
<i>Risk</i>		
<p>Although the checklist is signed, if individual exception reports are not marked as reviewed there is a risk that they are not actually checked before the pay run is performed. This could mean that differences raised by the exceptions reports may not be investigated before being sent off.</p>		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
<b>Low Risk</b>	Going forward, the exception reports will be signed and dated by the Natalie Ferrer as well as signing off the checklist for the payroll run.	Natalie Ferrer, Financial Controller
●		<i>Target date:</i>
		With immediate effect
		<i>Reference number:</i> P1

## Accounts Payable

	<b>Key control</b>	<b>Exceptions</b> <i>(Current quarter)</i>	<b>Details on exceptions</b> <i>(Where applicable)</i>	<b>Exceptions</b> <i>(Q1 2013/14)</i>	<b>Exceptions</b> <i>(Q4 2012/13)</i>	<b>Exceptions</b> <i>(Q3 2012/13)</i>
AP1	Authorised documentation must be received prior to the creating a new or amending a supplier record.	●	<p>6 exceptions noted:</p> <ul style="list-style-type: none"> <li>In 3 instances no checks had been performed to confirm the existence of the supplier;</li> <li>In 3 other instances the new supplier set up form did not have approval evidence. It was however evidenced as being signed off on the system</li> </ul> <p><b>Responsibility for action:</b> Rob Ager, Category Manager</p> <p><b>Management response:</b> The suppliers had no company registration number and we had just stated N/A on the system. This has now been changed to record exactly why this happened and we are developing a list of approved exemptions e.g. schools. The paper record did not show procurement approval due to a glitch in the system. ICT have been informed of this.</p>	●	●	●
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	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 and reconciling items are investigated on a timely basis.		1/20 reconciliations had not been authorised. <b>Responsibility for action:</b> Maureen Stanislaus, Accounts Payable Manager <b>Management response:</b> Although the reconciliation had been prepared, it was not signed as evidenced. Going forward the Accounts payable supervisor will conduct a monthly review to ensure that all daily reconciliations are signed.			

## Accounts Receivable

	<b>Key control</b>	<b>Exceptions</b> <i>(Current quarter)</i>	<b>Details on exceptions</b> <i>(Where applicable)</i>	<b>Exceptions</b> <i>(Q1 2013/14)</i>	<b>Exceptions</b> <i>(Q4 2012/13)</i>	<b>Exceptions</b> <i>(Q3 2012/13)</i>
AR1	Credit checks are performed on new customer accounts upon request, prior to the issue of sales invoices.	●		●	●	●
AR2	Invoices are only raised upon receipt of an authorised request form which includes an order requisition reference.	●		●	●	●
AR3	Reminder letters are sent to corporate debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	●		●	●	●
AR4	Reminder letters are sent to individuals in respect of overdue fees on a monthly basis in line with policy.	●		●	●	●
AR5	Debts are written off only following review and authorisation.	●		●	●	●
AR6	Monthly reconciliations are performed between the debtors balance on the General Ledger and QLX.	●		●	●	●
AR7	Monthly reconciliations are performed between the debtors balance per QLX to QLS.	●		●	●	●

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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 and reconciling items are investigated on a timely basis.

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## Cash

	<b>Key control</b>	<b>Exceptions</b> <i>(Current quarter)</i>	<b>Details on exceptions</b> <i>(Where applicable)</i>	<b>Exceptions</b> <i>(Q1 2013/14)</i>	<b>Exceptions</b> <i>(Q4 2012/13)</i>	<b>Exceptions</b> <i>(Q3 2012/13)</i>
C1	Cash takings in respect of tuition fees and student residences as recorded on QLX 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.	●		●	●	●
C3	Cash receipts per the general ledger are reconciled to QLX on a monthly basis. Cash receipts per the general ledger are reconciled to KX on a monthly basis.	●		●	●	●
C4	Cash receipting responsibility within the QLX system is restricted to appropriate individuals. Cash receipting within the KS system are restricted to appropriate individuals.	●		●	●	●
C5	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 and reconciling items are investigated on a timely basis.	●		●	●	●

## General Ledger

	Key control	Exceptions (Current quarter)	Details on exceptions (Where applicable)	Exceptions (Q1 2013/14)	Exceptions (Q4 2012/13)	Exceptions (Q3 2012/13)
GL1	Journals must be authorised, with supporting documentation, prior to being posted on the system.	●	<p>3/ 25 journals tested did not have supporting documentation attached to Agresso.</p> <p><b>Responsibility for action:</b> Natalie Ferer, Financial Controller</p> <p><b>Management response:</b> Although documentation for these journals was available, at the time of the audit it had not yet been loaded onto Agresso. We will remind finance staff that documentation needs to be uploaded to Agresso at the time that the journal is processed.</p>	●	●	N/A
GL2	On a monthly basis management accounts are prepared and significant variances against budget are investigated.	●		●	●	●
GL3	Suspense accounts and balance sheet control accounts are cleared or reconciled on a quarterly basis.	●		●	●	N/A
GL4	Access to the general ledger is restricted.	●		●	●	●
GL5	No single individual has access to make changes to both the QLX and QLS systems.	●		●	●	●



## Student Financial Data

	<b>Key control</b>	<b>Exceptions</b> <i>(Current quarter)</i>	<b>Details on exceptions</b> <i>(Where applicable)</i>	<b>Exceptions</b> <i>(Q1 2013/14)</i>	<b>Exceptions</b> <i>(Q4 2012/13)</i>	<b>Exceptions</b> <i>(Q3 2012/13)</i>
S1	Enrolment or re-enrolment paperwork has been completed for each new and re-enrolled student prior to the creation of records within QLS.	●		●	●	●
S2	Course changes are only actioned on QLS after completion of the Course Changes Log.	●		●	●	●
S3	Faculty Managers are notified of updates to QLS records and check to confirm these are accurate and appropriate.	●		●	●	●
S4	Access rights within QLX are restricted to appropriate personnel.	●		●	●	●

# Appendix 1. Assessment Criteria

## 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
<p>●</p> <b>Red</b>	<p>A high proportion of exceptions identified across a number of the control activities included within the scope of our work; or</p> <p>Control failures which, individually or in aggregate, have resulted in the significant misstatement of the University's financial records.</p>
<p>●</p> <b>Amber</b>	<p>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</p> <p>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</p>
<p>●</p> <b>Green</b>	<p>Limited exceptions identified in the course of our work</p> <p>Control failures which, individually or in aggregate, do not appear to have resulted in the misstatement of the organisations financial records.</p>

## Control design improvement classifications

The finding ratings in respect of any control design improvements identified in the course of our work are determined with reference to the following criteria.

Rating	Assessment rationale
<p>●</p> <b>Critical</b>	<p><b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</p> <p><b>Critical</b> monetary or financial statement impact of £5m; or</p> <p><b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</p> <p><b>Critical</b> 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.</p>
<p>●</p> <b>High</b>	<p><b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</p> <p><b>Significant</b> monetary or financial statement impact of £2m; or</p> <p><b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</p> <p><b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavorable national media coverage.</p>
<p>●</p> <b>Medium</b>	<p><b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</p> <p><b>Moderate</b> monetary or financial statement impact of £1m; or</p> <p><b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</p> <p><b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavorable media coverage.</p>
<p>●</p> <b>Low</b>	<p><b>Minor</b> impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</p> <p><b>Minor</b> monetary or financial statement impact £500k; or</p> <p><b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</p> <p><b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavorable media coverage restricted to the local press.</p>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

## Appendix 2. Terms of Reference

**To: Richard Flatman (Director of Finance)**

**From: Justin Martin (Head of Internal Audit)**

This review is being undertaken as part of the 2013/2014 Internal Audit plan approved by the Audit Committee.

### Background

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 four times a year (covering three month periods) 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 within 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 the University. Where the control environment changes in the financial year or we agree with management to revise our approach to reflect revised processes or previous recommendations, we will update Appendix 1 and re-issue our Terms of Reference these changes.

We will report upon the operating effectiveness of controls on a quarterly basis to provide regular and timely insight to management and Audit Committee members.

We believe that this work touches 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
50	<b>x</b>	x	x	x	x

**x** = area of primary focus

x = possible area of secondary focus

### Scope

During 2013/14, we will continue to review the operating effectiveness of key controls in place during the period 1 May 2013 to 30 April 2014 as detailed in the Approach section below.

The financial processes, related key control objectives and key risks within the scope of our work are detailed below.

<b>Financial process</b>	<b>Key control objectives</b>	<b>Key risks</b>
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>	<p>Fictitious employees are established on the payroll and/or employees are established on the payroll incorrectly (e.g. incorrect pay scale).</p> <p>Payments are made in error to employees who have left the organisation and / or inaccurate final salary payments are made.</p> <p>Overtime or other timesheet based records are inaccurate leading to salary over / under payments.</p> <p>Invalid changes are made to employee salary and bank details leading to incorrect salary payments being made.</p> <p>Information transferred from the payroll system to the main accounting system is not complete and accurate.</p> <p>Expenses are incurred and reimbursed that are not allowable.</p>
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>	<p>Payments are made for goods and services which have not been ordered, received or are inadequate.</p> <p>Invalid suppliers or supplier standing data is maintained leading to inaccurate or fraudulent payments.</p> <p>Information transferred from the accounts payable system to the main accounting system is not complete and accurate.</p> <p>Amounts due to suppliers for goods and services are overpaid.</p>
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>	<p>Inaccurate or incomplete records of student debts may mean income is not collected on a timely basis.</p> <p>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.</p> <p>Overdue debtor balances are not identified and balances are not actively chased to ensure timely collection of debts and maximisation of income.</p> <p>Information transferred from the accounts receivable system to the main accounting system is not complete and accurate.</p>
Cash	<p>Cash ledger balances are accurate and complete.</p> <p>Cash is not lost or misappropriated.</p>	<p>Information transferred from the cash receipting systems to the main accounting system is not complete and accurate.</p> <p>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.</p>

General Ledger	Ledger balances are valid and accurate.	<p>Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made.</p> <p>Suspense accounts and balance sheet control accounts are not cleared on a timely basis.</p> <p>Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information.</p>
Student Systems	Accurate records of students and their activity are maintained.	<p>Student details and fees payable as recorded upon enrolment are not correct. This could mean income owed to the University is not maximised.</p> <p>Course changes or withdrawals are not identified on a timely basis this could affect fee income owed to the University.</p> <p>Invalid changes are made to student accounts which could compromise the validity, accuracy and completeness of student records.</p>

### *Limitations of scope*

The following limitations of scope are in place:

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

### *Audit approach*

To provide London South Bank University with regular and timely insight into the operating effectiveness of their controls, we will undertake our testing on a quarterly basis, covering the following periods during 2013/14.

- Quarter Four 2012/13
- Quarter One 2013/14
- Quarter Two 2013/14
- Quarter Three 2013/14

The controls which will be considered in the course of our testing, mapped to the key risks identified above, have been set out at Appendix 1.

### *Internal audit team*

<b>Name</b>	<b>Title</b>	<b>Contact details</b>
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Senior Manager	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com
Charlotte Bilsland	Audit Manager	07715 484 670 charlotte.bilsland@uk.pwc.com
Dan Barton	Continuous Auditing Team Lead	daniel.j.barton@uk.pwc.com
Emily Wright	Continuous Auditing Team Lead	emily.l.wright@uk.pwc.com
Harley Crossman	Continuous Auditing Technician	harley.crossman@uk.pwc.com

*Key contacts*

<b>Name</b>	<b>Title</b>
Richard Flatman	Executive Director of Finance (Audit Sponsor)
Natalie Ferer	Financial Controller
Joanne Monk	Deputy Director of Human Resources
Jenny Laws	Deputy Registrar (Student Management Information Team Leader)
Ravi Mistry	Financial Systems Manager
Ralph Sanders	Financial Planning Manager
Brian Wiltshire	Treasury Manager
Penny Green	Head of Procurement
Julian Rigby	Income Manager
Ravi Mistry	Financial Systems Manager
Nicolas Waring	Cash Office Manager
Denise Sullivan	Payroll Manager
Felicity Clarke	Payroll Team Leader
Andrew Ratajczak	Manager; Fees, Bursaries and Central Enrolment

*Timetable*

As set out in the approach section above, we will undertake our work on a quarterly basis.

	<b><u>Quarter Four</u></b> <b><u>2012/13</u></b>	<b><u>Quarter One</u></b> <b><u>2013/14</u></b>	<b><u>Quarter Two</u></b> <b><u>2013/14</u></b>	<b><u>Quarter Three</u></b> <b><u>2013/14</u></b>
Fieldwork start	12/08/2013	04/11/2013	03/02/2014	07/04/2014
Fieldwork completed	23/08/2013	15/11/2013	14/02/2014	16/05/2014 (Top-Up)
Draft report to client	06/09/2013	29/11/2013	28/02/2014	23/05/2014
Response from client	20/09/2013	13/12/2013	14/03/2014	30/05/2014
Final report to client	27/09/2013	20/12/2013	21/03/2014	06/06/2014

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.

# Key controls schedule

Based upon our understanding of the financial systems in place at London South Bank University 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: Denise Sullivan, Felicity Clarke and Joanne Monk

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 forms are 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
	Exception reports are reviewed on a monthly basis.	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
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 and 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: Penny Green (AP1) and Maureen Stanislaus (AP2 – AP6)

<b>Key risk</b>	<b>Key control</b>	<b>Reference</b>
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 all expenditure prior to payment and variances investigated.	AP3
	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	Exception reports are generated produced to identify duplicate suppliers and payments. Actions are taken to resolve any errors noted.	AP5
Information transferred from the accounts payable system to the main accounting system is not complete and accurate	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 and reconciling items are investigated on a timely basis.	AP6

*Accounts receivable*

Key contacts: Natalie Ferer and Julian Rigby

<b>Key risk</b>	<b>Key control</b>	<b>Reference</b>
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 issue of sales invoices.	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 only raised upon receipt of an authorised request form which includes an order requisition reference.	AR2
	Reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	AR3
	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



Inaccurate or incomplete records of student debts may mean income is not collected on a timely basis	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
Information transferred from the accounts receivable system to the main accounting system is not complete and accurate	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 and reconciling items are investigated on a timely basis.	AR8

### Cash

Key contacts: Nicholas Waring (C1-4) and Brian Wiltshire (C5)

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 receipts per Agresso are reconciled to QLX and KX on a monthly basis.	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 and reconciling items are investigated on a timely basis.	C5

### General Ledger

Key contacts: *Detailed below*

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.  <b>Key contact:</b> <i>Ephraim Maimbo</i>	GL1

	On a monthly basis management accounts are prepared and significant variances against budget are investigated.	GL2
	<b>Key contact:</b> <i>Ralph Sanders</i>	
Suspense accounts and balance sheet control accounts are not cleared on a timely basis	Suspense accounts and balance sheet control accounts are cleared or reconciled on a quarterly basis.	GL3
	<b>Key contact:</b> <i>Ephraim Maimbo</i>	
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.	GL4
	<b>Key contact:</b> <i>Ravi Mistry</i>	
	No single individual has access to make changes to both the QLX and QLS systems.	GL5
	<b>Key contact:</b> <i>Ravi Mistry</i>	

### *Student Systems*

Key contact: Andrew Ratajczak

<b>Key risk</b>	<b>Key control</b>	<b>Reference</b>
Student details and fees payable as recorded upon enrolment are not correct. This could mean income owed to the University is not maximised	Enrolment or re-enrolment paperwork has been completed for each new and re-enrolled student prior to the creation of records within QLS.	S1
Course changes or withdrawals are not identified on a timely basis this could affect fee income owed to the University	Course changes are only actioned on QLS after completion of the Course Changes Log.	S2
	Faculty Managers are notified of updates to QLS records and check to confirm these are accurate and appropriate.	S3
Invalid changes are made to student accounts which could compromise the validity, accuracy and completeness of student records	Access rights within QLX are restricted to appropriate personnel.	S4

# ***Appendix 3. Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

We have undertaken the review of Continuous Auditing, 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; 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.

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






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.

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 01 August 2013. 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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*Internal Audit  
Report 2013/2014  
Continuous Auditing*

*Quarter three (1<sup>st</sup> February 2014 – 30<sup>th</sup> April 2014)*

May 2014

London South Bank  
University

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## Distribution List

For action:	Natalie Ferer (Financial Controller)
For information:	Richard Flatman (Director of Finance)
	John Baker (Corporate & Business Planning Manager)
	Audit Committee

This report has been prepared by PwC in accordance with our contract dated 01/08/2013.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Financial Memorandum. 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.

# 1. Executive summary

## Background and approach:

Effective financial controls are essential to ensure that funds are used efficiently and effectively and that the reporting and forecasting of management information is complete and accurate. In recognition of this, our internal audit programme includes a rolling programme of audit work which focuses upon the design and operation of the organisation's core financial controls. The systems included within the scope of our work in 2013/14 are:

- Payroll;
- Accounts Payable;
- Accounts Receivable;
- Cash;
- General Ledger; and
- Student Financial Data.































In developing our work programme for 2013/14, we met with management to refresh our understanding of London South Bank University's controls to ensure that our work remained targeted to the key risks facing the institution. The controls included within the scope of our work are set out within our Terms of Reference included at Appendix 2.

Our detailed findings are set out in Section 2 of this report; a summary of our findings and the matters arising in the course of our work this quarter is set out below.

## System summaries

Our summary below is determined with reference to the extent or monetary impact of the exceptions we identified in the course of our work (our rating criteria are set out at Appendix 1).

Note: our ratings are based on the number and severity of findings noted for controls tested as part of the programme. This does not consider control design issues – these are individually risk rated.

2013/14 Internal Audit Programme					
System / Rating	Q3 2013/14	Q2 2013/14	Q1 2013/14	Q4 2012/13	Trend
Payroll	 <b>Green</b>	 Amber	 Amber	 Green	
Accounts Payable	 <b>Green</b>	 Amber	 Green	 Green	
Accounts Receivable	 <b>Green</b>	 Green	 Amber	 Green	
Cash	 <b>Green</b>	 Green	 Green	 Green	
General Ledger	 <b>Green</b>	 Green	 Amber	 Green	
Student Financial Data	 <b>Green</b>	 Green	 Green	 Green	



## ***Findings and recommendations***

### ***Payroll***

- No exceptions have been noted this period.

### ***Accounts Payable***

- No exceptions have been noted this period.

### ***Accounts Receivable***

- No exceptions have been noted this period.

### ***Cash***

- No exceptions have been noted this period.

### ***General Ledger***

- 1/25 journals tested did not have supporting documentation attached to the journal on Agresso.

### ***Student Financial Data***

- No exceptions have been noted this period.

## 2. Detailed findings

### Payroll

	Key control	Exceptions (Current quarter)	Details on exceptions (Where applicable)	Exceptions (Q2 2013/14)	Exceptions (Q1 2013/14)	Exceptions (Q4 2012/13)
P1	Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.	●		●	●	●
P2	Leaver forms are received from HR upon notification of resignation or redundancy.	●		●	●	●
P3	The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.	●		●	●	●
P4	Exception reports are reviewed on a monthly basis.	●		●	●	●
P5	Variation forms, with supporting documentation, are received prior to any changes being made to standing data.	●		●	●	●
P6	Access to the Payroll system is restricted to appropriate personnel.	●		●	●	●
P7	Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	●		●	●	●
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 and reconciling items are investigated on a timely basis.	●		●	●	●
P9	Expenses are supported by appropriately authorised claim forms.	●		●	●	●

## Accounts Payable

	Key control	Exceptions (Current quarter)	Details on exceptions (Where applicable)	Exceptions (Q2 2013/14)	Exceptions (Q1 2013/14)	Exceptions (Q4 2012/13)
AP1	Authorised documentation must be received prior to the creating a new or amending a supplier record.	●		●	●	●
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	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 and reconciling items are investigated on a timely basis.	●		●	●	●

## Accounts Receivable

	<b>Key control</b>	<b>Exceptions (Current quarter)</b>	<b>Details on exceptions (Where applicable)</b>	<b>Exceptions (Q2 2013/14)</b>	<b>Exceptions (Q1 2013/14)</b>	<b>Exceptions (Q4 2012/13)</b>
AR1	Credit checks are performed on new customer accounts upon request, prior to the issue of sales invoices.	●		●	●	●
AR2	Invoices are only raised upon receipt of an authorised request form which includes an order requisition reference.	●		●	●	●
AR3	Reminder letters are sent to corporate debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	●		●	●	●
AR4	Reminder letters are sent to individuals in respect of overdue fees on a monthly basis in line with policy.	●		●	●	●
AR5	Debts are written off only following review and authorisation.	●		●	●	●
AR6	Monthly reconciliations are performed between the debtors balance on the General Ledger and QLX.	●		●	●	●
AR7	Monthly reconciliations are performed between the debtors balance per QLX to QLS.	●		●	●	●

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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 and reconciling items are investigated on a timely basis.

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**Cash**

	<b>Key control</b>	<b>Exceptions (Current quarter)</b>	<b>Details on exceptions (Where applicable)</b>	<b>Exceptions (Q2 2013/14)</b>	<b>Exceptions (Q1 2013/14)</b>	<b>Exceptions (Q4 2012/13)</b>
C1	Cash takings in respect of tuition fees and student residences as recorded on QLX 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.	●		●	●	●
C3	Cash receipts per the general ledger are reconciled to QLX on a monthly basis. Cash receipts per the general ledger are reconciled to KX on a monthly basis.	●		●	●	●
C4	Cash receipting responsibility within the QLX system is restricted to appropriate individuals. Cash receipting within the KS system are restricted to appropriate individuals.	●		●	●	●
C5	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 and reconciling items are investigated on a timely basis.	●		●	●	●

## General Ledger

	Key control	Exceptions (Current quarter)	Details on exceptions (Where applicable)	Exceptions (Q2 2013/14)	Exceptions (Q1 2013/14)	Exceptions (Q4 2012/13)
GL1	Journals must be authorised, with supporting documentation, prior to being posted on the system.	●	1/ 25 journals tested did not have supporting documentation attached to Agresso. <b>Responsibility for action:</b> Natalie Ferer, Financial Controller <b>Management response:</b> Although documentation for these journals was available, at the time of the audit, it had not yet been loaded onto Agresso. We will remind staff that documentation needs to be uploaded to Agresso at the time that the journal is processed.	●	●	●
GL2	On a monthly basis management accounts are prepared and significant variances against budget are investigated.	●		●	●	●
GL3	Suspense accounts and balance sheet control accounts are cleared or reconciled on a quarterly basis.	●		●	●	●
GL4	Access to the general ledger is restricted.	●		●	●	●
GL5	No single individual has access to make changes to both the QLX and QLS systems.	●		●	●	●

## Student Financial Data

	<b>Key control</b>	<b>Exceptions (Current quarter)</b>	<b>Details on exceptions (Where applicable)</b>	<b>Exceptions (Q2 2013/14)</b>	<b>Exceptions (Q1 2013/14)</b>	<b>Exceptions (Q4 2012/13)</b>
S1	Enrolment or re-enrolment paperwork has been completed for each new and re-enrolled student prior to the creation of records within QLS.	●		●	●	●
S2	Course changes are only actioned on QLS after completion of the Course Changes Log.	●		●	●	●
S3	Faculty Managers are notified of updates to QLS records and check to confirm these are accurate and appropriate.	●		●	●	●
S4	Access rights within QLX are restricted to appropriate personnel.	●		●	●	●



# Appendix 1. Assessment Criteria

## 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
<p>●</p> <b>Red</b>	<p>A high proportion of exceptions identified across a number of the control activities included within the scope of our work; or</p> <p>Control failures which, individually or in aggregate, have resulted in the significant misstatement of the University's financial records.</p>
<p>●</p> <b>Amber</b>	<p>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</p> <p>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</p>
<p>●</p> <b>Green</b>	<p>Limited exceptions identified in the course of our work</p> <p>Control failures which, individually or in aggregate, do not appear to have resulted in the misstatement of the organisations financial records.</p>

## Control design improvement classifications

The finding ratings in respect of any control design improvements identified in the course of our work are determined with reference to the following criteria.

Rating	Assessment rationale
<p>●</p> <b>Critical</b>	<p><b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</p> <p><b>Critical</b> monetary or financial statement impact of £5m; or</p> <p><b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</p> <p><b>Critical</b> 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.</p>
<p>●</p> <b>High</b>	<p><b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</p> <p><b>Significant</b> monetary or financial statement impact of £2m; or</p> <p><b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</p> <p><b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavorable national media coverage.</p>
<p>●</p> <b>Medium</b>	<p><b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</p> <p><b>Moderate</b> monetary or financial statement impact of £1m; or</p> <p><b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</p> <p><b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavorable media coverage.</p>
<p>●</p> <b>Low</b>	<p><b>Minor</b> impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</p> <p><b>Minor</b> monetary or financial statement impact £500k; or</p> <p><b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</p> <p><b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavorable media coverage restricted to the local press.</p>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

## Appendix 2. Terms of Reference

**To: Richard Flatman (Director of Finance)**

**From: Justin Martin (Head of Internal Audit)**

This review is being undertaken as part of the 2013/2014 Internal Audit plan approved by the Audit Committee.

### Background

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 four times a year (covering three month periods) 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 within 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 the University. Where the control environment changes in the financial year or we agree with management to revise our approach to reflect revised processes or previous recommendations, we will update Appendix 1 and re-issue our Terms of Reference these changes.

We will report upon the operating effectiveness of controls on a quarterly basis to provide regular and timely insight to management and Audit Committee members.

We believe that this work touches 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
50	<b>x</b>	x	x	x	x

**x** = area of primary focus

x = possible area of secondary focus

### Scope

During 2013/14, we will continue to review the operating effectiveness of key controls in place during the period 1 May 2013 to 30 April 2014 as detailed in the Approach section below.

The financial processes, related key control objectives and key risks within the scope of our work are detailed below.

<b>Financial process</b>	<b>Key control objectives</b>	<b>Key risks</b>
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>	<p>Fictitious employees are established on the payroll and/or employees are established on the payroll incorrectly (e.g. incorrect pay scale).</p> <p>Payments are made in error to employees who have left the organisation and / or inaccurate final salary payments are made.</p> <p>Overtime or other timesheet based records are inaccurate leading to salary over / under payments.</p> <p>Invalid changes are made to employee salary and bank details leading to incorrect salary payments being made.</p> <p>Information transferred from the payroll system to the main accounting system is not complete and accurate.</p> <p>Expenses are incurred and reimbursed that are not allowable.</p>
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>	<p>Payments are made for goods and services which have not been ordered, received or are inadequate.</p> <p>Invalid suppliers or supplier standing data is maintained leading to inaccurate or fraudulent payments.</p> <p>Information transferred from the accounts payable system to the main accounting system is not complete and accurate.</p> <p>Amounts due to suppliers for goods and services are overpaid.</p>
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>	<p>Inaccurate or incomplete records of student debts may mean income is not collected on a timely basis.</p> <p>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.</p> <p>Overdue debtor balances are not identified and balances are not actively chased to ensure timely collection of debts and maximisation of income.</p> <p>Information transferred from the accounts receivable system to the main accounting system is not complete and accurate.</p>
Cash	<p>Cash ledger balances are accurate and complete.</p> <p>Cash is not lost or misappropriated.</p>	<p>Information transferred from the cash receipting systems to the main accounting system is not complete and accurate.</p> <p>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.</p>

General Ledger	Ledger balances are valid and accurate.	<p>Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made.</p> <p>Suspense accounts and balance sheet control accounts are not cleared on a timely basis.</p> <p>Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information.</p>
Student Systems	Accurate records of students and their activity are maintained.	<p>Student details and fees payable as recorded upon enrolment are not correct. This could mean income owed to the University is not maximised.</p> <p>Course changes or withdrawals are not identified on a timely basis this could affect fee income owed to the University.</p> <p>Invalid changes are made to student accounts which could compromise the validity, accuracy and completeness of student records.</p>

### *Limitations of scope*

The following limitations of scope are in place:

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

### *Audit approach*

To provide London South Bank University with regular and timely insight into the operating effectiveness of their controls, we will undertake our testing on a quarterly basis, covering the following periods during 2013/14.

- Quarter Four 2012/13
- Quarter One 2013/14
- Quarter Two 2013/14
- Quarter Three 2013/14

The controls which will be considered in the course of our testing, mapped to the key risks identified above, have been set out at Appendix 1.

### *Internal audit team*

<b>Name</b>	<b>Title</b>	<b>Contact details</b>
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Senior Manager	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com
Charlotte Bilsland	Audit Manager	07715 484 670 charlotte.bilsland@uk.pwc.com
Dan Barton	Continuous Auditing Team Lead	daniel.j.barton@uk.pwc.com
Emily Wright	Continuous Auditing Team Lead	emily.l.wright@uk.pwc.com
Harley Crossman	Continuous Auditing Technician	harley.crossman@uk.pwc.com

*Key contacts*

<b>Name</b>	<b>Title</b>
Richard Flatman	Executive Director of Finance (Audit Sponsor)
Natalie Ferer	Financial Controller
Joanne Monk	Deputy Director of Human Resources
Jenny Laws	Deputy Registrar (Student Management Information Team Leader)
Ravi Mistry	Financial Systems Manager
Ralph Sanders	Financial Planning Manager
Brian Wiltshire	Treasury Manager
Penny Green	Head of Procurement
Julian Rigby	Income Manager
Ravi Mistry	Financial Systems Manager
Nicolas Waring	Cash Office Manager
Denise Sullivan	Payroll Manager
Felicity Clarke	Payroll Team Leader
Andrew Ratajczak	Manager; Fees, Bursaries and Central Enrolment

*Timetable*

As set out in the approach section above, we will undertake our work on a quarterly basis.

	<b><u>Quarter Four</u></b> <b><u>2012/13</u></b>	<b><u>Quarter One</u></b> <b><u>2013/14</u></b>	<b><u>Quarter Two</u></b> <b><u>2013/14</u></b>	<b><u>Quarter Three</u></b> <b><u>2013/14</u></b>
Fieldwork start	12/08/2013	04/11/2013	03/02/2014	07/04/2014
Fieldwork completed	23/08/2013	15/11/2013	14/02/2014	16/05/2014 (Top-Up)
Draft report to client	06/09/2013	29/11/2013	28/02/2014	23/05/2014
Response from client	20/09/2013	13/12/2013	14/03/2014	30/05/2014
Final report to client	27/09/2013	20/12/2013	21/03/2014	06/06/2014

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.

# Key controls schedule

Based upon our understanding of the financial systems in place at London South Bank University 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: Denise Sullivan, Felicity Clarke and Joanne Monk

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 forms are 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
	Exception reports are reviewed on a monthly basis.	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
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 and 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: Penny Green (AP1) and Maureen Stanislaus (AP2 – AP6)

<b>Key risk</b>	<b>Key control</b>	<b>Reference</b>
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 all expenditure prior to payment and variances investigated.	AP3
	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	Exception reports are generated produced to identify duplicate suppliers and payments. Actions are taken to resolve any errors noted.	AP5
Information transferred from the accounts payable system to the main accounting system is not complete and accurate	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 and reconciling items are investigated on a timely basis.	AP6

*Accounts receivable*

Key contacts: Natalie Ferer and Julian Rigby

<b>Key risk</b>	<b>Key control</b>	<b>Reference</b>
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 issue of sales invoices.	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 only raised upon receipt of an authorised request form which includes an order requisition reference.	AR2
	Reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	AR3
	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

Inaccurate or incomplete records of student debts may mean income is not collected on a timely basis	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
Information transferred from the accounts receivable system to the main accounting system is not complete and accurate	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 and reconciling items are investigated on a timely basis.	AR8

### Cash

Key contacts: Nicholas Waring (C1-4) and Brian Wiltshire (C5)

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 receipts per Agresso are reconciled to QLX and KX on a monthly basis.	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 and reconciling items are investigated on a timely basis.	C5

### General Ledger

Key contacts: *Detailed below*

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.  <b>Key contact:</b> <i>Ephraim Maimbo</i>	GL1



	On a monthly basis management accounts are prepared and significant variances against budget are investigated.	GL2
	<b>Key contact:</b> <i>Ralph Sanders</i>	
Suspense accounts and balance sheet control accounts are not cleared on a timely basis	Suspense accounts and balance sheet control accounts are cleared or reconciled on a quarterly basis.	GL3
	<b>Key contact:</b> <i>Ephraim Maimbo</i>	
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.	GL4
	<b>Key contact:</b> <i>Ravi Mistry</i>	
	No single individual has access to make changes to both the QLX and QLS systems.	GL5
	<b>Key contact:</b> <i>Ravi Mistry</i>	

### *Student Systems*

Key contact: Andrew Ratajczak

<b>Key risk</b>	<b>Key control</b>	<b>Reference</b>
Student details and fees payable as recorded upon enrolment are not correct. This could mean income owed to the University is not maximised	Enrolment or re-enrolment paperwork has been completed for each new and re-enrolled student prior to the creation of records within QLS.	S1
Course changes or withdrawals are not identified on a timely basis this could affect fee income owed to the University	Course changes are only actioned on QLS after completion of the Course Changes Log.	S2
	Faculty Managers are notified of updates to QLS records and check to confirm these are accurate and appropriate.	S3
Invalid changes are made to student accounts which could compromise the validity, accuracy and completeness of student records	Access rights within QLX are restricted to appropriate personnel.	S4

# ***Appendix 3. Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

We have undertaken the review of Continuous Auditing, 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; 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.

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





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.

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 01 August 2013. 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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	PAPER NO: AC.19(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Internal Audit Report: Business Continuity	
Author:	PricewaterhouseCoopers, Internal Auditors	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends that the Audit Committee note the attached report.	
Aspect of the Corporate Plan to which this will help deliver?	<ul style="list-style-type: none"> <li>• Creating an environment in which excellence can thrive.</li> </ul>	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – who should be made aware of the decision?	n/a	

### **Executive summary**

The attached audit report for 'Business Continuity' was undertaken as part of the internal audit programme for 2013/14.

The report classification is medium risk, with 7 medium and low risk recommendations for implementation by the Business Continuity Steering Group and named individuals.

The Executive recommends that the Audit Committee note the attached report.

**Attachment:** Business Continuity Management Audit Report

# *Internal Audit Report 2013/2014*

## Business Continuity

FINAL

February 2014

London South Bank  
University

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
## Distribution List

For action:	Ian Mehrstens (Executive Director of Corporate Services) Markos Koumaditis (Head of Corporate Business Services) Nick Hooper (Business Continuity Management Coordinator)
For information:	Richard Flatman (Director of Finance) John Baker (Corporate & Business Planning Manager) Audit Committee

This report has been prepared by PwC in accordance with our contract dated 01/08/2013.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Financial Memorandum. 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.

# 1. Executive summary

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
<b>Medium Risk</b> 	N/a – no prior year review performed in this area.						
		<b>Control design</b>	0	0	4	0	0
		<b>Operating effectiveness</b>	0	0	0	3	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>3</b>	<b>0</b>

## Summary of findings

### Background

Business continuity and disaster recovery management is the process undertaken by an organisation to ensure that critical business functions will be available to staff, students, suppliers, regulators and other entities that must have access to those functions in the face of a disruptive event such as the loss of premises, failure of information technology or non-availability of staff. Business continuity plans and disaster recovery arrangements are implemented to maintain critical services, consistency and recovery capability.

Business continuity at London South Bank University (LSBU) is overseen by the Business Continuity Management Steering Group (BCSG). Each department / faculty is responsible for creating their own business continuity plan, with support from the central Business Continuity team within Corporate Services. The BCSG are responsible for:

- Agreeing the Business Continuity Management (BCM) Framework for LSBU;
- Identifying and agreeing the structure, ownership and methodology of the BCM Programme in order to provide an auditable framework;
- Identifying which products and services are to be included within the scope of the BCM Programme;
- Sharing information across LSBU of current and predicted threats to the Business;
- Overseeing the refinement of the Emergency Management and Business Continuity Plans and embedding good practice in general business planning; and
- Monitoring of the BCM Programme, ensuring actions are implemented and resourced.

LSBU procured a new BCM IT system, Clearview, in April 2013. This is used to prepare, log and monitor business continuity plans. The intention is to roll this system out across the whole University.

### Audit Findings

LSBU has undertaken a significant amount of work to introduce a BCM system to the University, investing in technology to provide structure to the process through the procurement of Clearview, and gaining the buy-in of management to support the implementation.

To further improve their Business Continuity capability, LSBU will need to ensure that management is held to account for the implementation of BCM within their area.

The existing approach towards the implementation of BCM has the potential to become more efficient as the methodology is time consuming, resource intensive and can lead to the development of recovery strategies that are isolated and rely on dependencies that are out of scope of the BCM programme. Although LSBU has



considered their critical products and services across the University, a structured approach to analysing the dependencies and recovery objectives has yet to be established. In doing so, this activity will help set priorities in the BCM programme, as well as support a targeted approach that concentrates resources for planning.

In developing a BCM capability that supports the most critical products and services, there is increased understanding of the benefits of BCM by staff with planning responsibilities. Staff are more likely to engage in the BCM programme. The existing implementation programme has led to a workforce that lack engagement in BCM and fail to understand how they support improvement in resilience.

Governance for BCM is established; LSBU has an active Business Continuity Steering Group, with Terms of Reference and this demonstrates good practice. However, without a clearly defined and agreed programme plan management and staff cannot be held to account for the delivery of BCM activities. This has led to the development and validation of some BCM capabilities however a more structured methodology will ensure that the University recovers critical products and services more effectively should a major disruption to normal business occur.

BCM capability should be supported by an effective response mechanism. LSBU has redeveloped the emergency response arrangements and validated these through exercise. This documented approach indicates a Business Continuity team will be invoked to support the response to business disruption; however, there is limited information as to the role of this team, the members or when it gets invoked. Response arrangements that have not been clearly defined can lead to an uncoordinated response that can damage the University's reputation, resources and staff and student experience.

This report identifies the documentation and capability that should be developed to protect the products and services that contribute to the strategic objectives; however, with a functioning steering group and resources in place to undertake this work, implementation may be less challenging.

Our findings are summarised below, with detailed findings presented in Section 3 of the report.

**Findings are detailed by exception only.**

#### **Policy and Procedure notes – Medium Risk**

A BCM policy has yet to be developed that details Executive level accountability for BCM and resource commitment. **See finding #1.**

A BCM Framework is in place, however, this has yet to be aligned with good practice and lacks:

- Roles and responsibilities for all those undertaking BCM planning and response activities;
- Reference to continuous improvement, post incident/exercising reporting and assurance; and
- A clear indication of activities required by those responsible for BCM planning. **See finding #1.**

The strategy for the implementation as defined in the BCM framework does not support LSBU in conducting a more thorough identification of its critical products and services and developing a fully comprehensive BCM capability to protect these and reduce the impact of disruption. **See finding #2 and #3.**

LSBU has yet to undertake BCM planning for all functions and departments. The existing approach to BCM implementation is for individual departments to develop their Business Impact Analysis (BIA) and BC plan, which has led to minimal BCM capability. **See finding #4.**

#### **Alignment and monitoring of plans – Medium Risk**

LSBU have yet to ensure there is a full alignment of business continuity and disaster recovery arrangements to corporate objectives to inform priorities in recovery, as well as alignment with the corporate risk register. An arrangement to understand the interdependencies between major projects and programmes, and their subsequent impact on business continuity arrangements has yet to be established. This is due to the lack of a clear BCM programme to support the delivery of the BCM Framework. **See finding #2.** A mechanism such as a Strategic Business Impact Analysis (SBIA) to determine prioritisation of implementation can help assist in identifying interdependencies and their alignment with corporate objectives. **See finding #2, #3 and #5.**

In addition, the data produced from individual BIAs have yet to be consolidated and provided to those responsible for developing strategic recovery capabilities. **See finding #3.**

#### **Understanding and implementation – Low Risk**

Business Continuity plans have yet to be developed across all products and services. **See finding #4.**

Emergency response capability has been exercised on a number of occasions; however, this has not been part of a programme to develop teams and arrangements over time. The Emergency Incident Response and Emergency Management Procedure identifies that a Business Continuity Team should be invoked if business disruption occurs, however, this team has yet to be tested.

Although Departments identified as critical have had plans tested, there was limited evidence that all other completed Department plans have been validated through exercise. This can lead to over confidence in recovery capability and lack of opportunity to improve arrangements or increased understanding of the plan within teams. **See finding #6.**

#### **Implementation of new system – Low Risk**

Clearview has been introduced as a mechanism to manage BCM implementation including the consolidation of information received from BIAs and BCPs. The system is sufficient, however, there is a lack of a defined plan for the roll out and implementation of the system. **See finding #2.**

In addition, the following contributing factors have been identified:

- Inconsistency of BIA information inputted to support Clearview's effectiveness. **See finding #3.**
- Some plan owners have yet to receive training to support continued use of the system which has led to an increased dependency on the BCM Coordinator which creates a single point of failure and a lack of ownership within departments for ensuring data is maintained. **See finding #7.**

## 2. Detailed current year findings

### 1. Programme Governance – Policy and Strategy – Control Design

#### Finding

A BCM Framework has been developed which provides guidance on the implementation of Business Continuity, however a BCM Policy has yet to be fully established. The BCM Framework lacks statements such as Executive level accountability for BCM and resource commitment, and therefore, cannot provide the governance required from a policy.

The BCM framework defines the strategy for the implementation of a BCM system. It includes the requirement to develop locally owned operational business continuity (BC) plans, conduct a business impact assessment, identify risk to continuity and to verify plans through exercising. However, these processes have not been further defined to provide instruction to those responsible for implementing the arrangements; the framework has yet to define the frequency these tasks should be completed, the responsible owners of each task and the governance and assurance process to effective implementation.

The BCM Framework includes the requirement to develop a BCM policy, BCM programme scope, BCM programme, corporate strategic BC plan and deliver training and awareness against assessed training needs. These activities are inconsistent with practice as these have yet to be established.

The BCM Framework includes a section on responsibilities; however, the requirements for planning and response lack the appropriate level of detail.


- The BCM framework states that a Business Continuity Steering Group (BCSG) is responsible for the management oversight of BCM and a terms of reference is in place detailing their role in BCM planning including a governance structure for reporting. However, the roles identified in this governance structure such as the LSBU Executive, Audit Committee and Board of Governors, have yet to be included in the BCM Framework. In addition, practically, the management of BCM falls within Corporate Services with the BCSG providing oversight, however, the BCM framework has yet to be updated to reflect this;
- The BCM framework states that Faculty, Departmental and where appropriate Heads of Service Areas are responsible for ensuring the management and delivery of Products or Services by means of effective Business Continuity Planning. The individual responsibilities of these people, such as requirement to undertake a Business Impact Analysis, BC Plan, exercise, review or report has yet to be included;
- There is no reference to the role of Business Continuity Coordinator, the governance structure in to which they fit and the responsibilities of this role; and,
- There are no roles and responsibilities for BC response.

There is also a lack of reference to the requirement for continuous improvement mechanisms including post exercise and incident reporting. The document also refers to the Business Continuity Institute Good Practice Guidelines 2010 (BCI GPG 2010) which have been superseded by an International Standard for BCM; ISO 22301.

#### Risks

Without an approved BCM policy and an effective BCM strategy, planning activities are either unlikely to be delivered or align to the requirements of top management with actual recovery capabilities.

#### Action plan

Finding Rating	Agreed Action	Responsible person / title
<b>Medium Risk</b> 	The existence of the Business Continuity Steering Group (BCSG) demonstrates high level accountability of the requirement for appropriate business continuity capability. We will review our Business Continuity	Business Continuity Steering Group  <b>Target date</b> 30/06/14

Framework and develop a policy to set out clearly the scope, aims and objectives of BCM in the organisation and the activities of the programme that will be required to deliver these. The policy will be approved, owned and reviewed by the BCSG. Reference to Business Continuity Institute Good Practice Guidelines 2010 will be amended to BCI GPG 2013, now that the updated edition has been published. This reflects ISO22301 and thus is a relevant and appropriate standard to adhere to. The composition of the BCSG will be reviewed to reflect management/executive responsibilities.

*Reference number*

1

## 2. Programme Governance – Programme Plan and Assurance – Control Design

### *Finding*

A BCM programme plan to support the delivery of the BCM Framework has yet to be developed. A BCM status check providing assurance to the Business Continuity Steering Group (BCSG) on the completion of Business Impact Analysis (BIA) and Business Continuity Plans for faculties and departments has been developed. However, this lacks reference to activities such as training and awareness activities, Clearview training undertaken, recovery planning or validation of arrangements.

In addition, there is a lack of evidence to suggest that Departments have been held accountable for delivery against this schedule. The University has a formal governance structure to support assurance to top management on BCM activity and capability, as identified in the BCSG Terms of Reference and letter of delegated authority issued by the Finance Department. However, the Executive does not actively seek assurance on BCM capability.

A mechanism such as a Strategic Business Impact Analysis (SBIA) to determine prioritisation of implementation has yet to be performed. The current approach is based on the outcomes of discussions at the Business Continuity Steering Group and lacks alignment with strategic recovery objectives.

A Business Continuity Steering Group (BCSG) has been in place since June 2011 and convenes every 6 months. Whilst a Terms of Reference exists, the role of the BCSG refers to the delivery of a BC Programme that has yet to be established. In addition, the Terms of Reference lacks reference to risk oversight and the role in exercise oversight.

The BCSG has yet to hold Faculty, Department or Heads of Service Areas accountable for the implementation of BCM in their area. This is evidenced by the number of incomplete BC Plans and BIAs. In practice, BCM implementation has been led by the BCM Coordinator, who has worked with Departments to help them complete their plans however; faculty representatives on the BCSG are responsible for ensuring Business Continuity capability in their area.


### *Risks*

Without a programme plan, the BCM policy and strategy is unlikely to deliver a BCM planning or response capability that meets the expectations of top management or University needs.

A lack of an effective assurance framework will reduce management's understanding of BCM arrangements and could result in an over confidence in the University's recovery capability. In addition, without a formalised approach to assurance, reporting may be inconsistent and lack comparable data to identify improvements over time.

A steering group that lacks an adequate programme plan and fails to challenge members on the delivery of activities is unlikely to effectively manage the implementation of a BCM programme, and is unlikely to adequately fulfil its role as a Governance committee.

### *Action plan*

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<b>Medium Risk</b> 	We will develop a detailed programme plan with completion dates for approval by the BCSG. Achievement against this will be monitored via a high level RAG chart which will be published periodically to relevant parties.	Business Continuity Steering Group
		<i>Target date</i> 30/09/14
	The BCSG Terms of Reference will be updated to reflect a wider scope of activities. This will include coordination of exercises and review of business continuity risk. To be incorporated within suggested management action #1. The production of a BCM programme plan, aligned to the strategy	<i>Reference number</i> 2

identified in the BCM Framework will provide a clear indication of the activities required. The BCSG will manage an actions log to ensure delivery of the programme, holding management to account where activities are not completed and escalating issues where required.

### 3. Planning – Business Impact Analysis & BCM Risk Management – Control Design

*Finding*

LSBU has yet to define the strategic recovery objectives. This activity provides direction for the Business Continuity programme allowing investment to be targeted towards critical processes or services and their dependencies. For example, the Corporate Risk Register identifies the risk of the loss of premises that support the NHS contract as high, however, the Business Continuity programme has yet to prioritise the users of this facility. Management has yet to communicate the critical activities that support the University’s business objectives, or provide their expectation of recovery time aligned to their risk tolerance.

Without strategic guidance, the existing approach to implementing Business Continuity is to assess the impact of loss of function through a Business Impact Analysis (BIA) for all services. This represents over investment in BCM and has resulted in a lack of BCM capability in the most critical functions.

A Business Impact Analysis (BIA) template has been developed to identify critical activities and their supporting resource dependencies to provide an assessment of the requirements to recover services. The following issues were identified:


- The BIA includes a criticality matrix and Recovery Time Objectives (RTO) however; since development, it has been reviewed and updated to include a ‘less than 12 hours’ RTO. This inconsistent understanding of what is deemed ‘critical’ by BIA owners has resulted in processes being categorised inaccurately.
- To resolve this inconsistency a BIA Moderation Panel was established to provide oversight of service criticality and quality control. However, an agreed approach towards achieving consistency is yet to be established.
- The BIA identifies resource requirements i.e. records, and office equipment, however, IT resource requirements lacks critical information such as Recovery Point Objectives (RPOs) and whether the system is located on a server or locally maintained. Without this information, recovery objectives for key resources are unknown leading to incomplete planning for the recovery of critical functions. In addition, the level of detail varies between completed BIAs, which is then subsequently reflected in plans.
- Gaps identified between business need and existing recovery capabilities should be addressed during BIA completion by department leads, however, risks to continuity are yet to be identified through the BIA. The identification of risks to continuity supports the development of strategic recovery capabilities such as for IT and premises, and assists departments in planning for an effective recovery.
- The data produced from the individual BIAs have yet to be consolidated and provided to those responsible for developing strategic recovery capabilities. In addition third parties have been identified through the BIA; however, data has yet to be consolidated to support the Steering Group’s assessment of critical suppliers.

*Risks*

Without a clear definition to understand the impact of disruptions, assessments are unlikely to be consistent leading to a potential over or under investment in recovery capabilities.

Without consolidating the business needs for key resource dependencies to provide a top level assessment of resource requirements, resource owners cannot effectively produce strategic recovery capabilities that meet business requirements or identify gaps in current capability.

*Action plan*

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<p><b>Medium Risk</b></p> 	<p>Strategic Business Impact Analyses will be conducted involving senior management to identify which products and services should be prioritised for recovery. Recovery objectives will be agreed. This will drive the top down approach to ensuring support of the University’s</p>	<p>Business Continuity Steering Group</p> <hr/> <p><i>Target date</i></p> <hr/> <p>31/12/14</p>

overarching and strategic capabilities

As previously planned, recovery point objectives (RPOs) will now be included within business impact analyses (BIAs). Once all BIAs and BCPs have been completed, the results of these will be consolidated for ICT in order to provide clearer guidance in respect of RPOs.

A BCM Risk Register will be maintained and reviewed as a standing item at the BCSG. We will use the University's 4Risk software to establish a risk register as a basis for further decisions and action.

*Reference number*

3



## 4. Planning – Department & Service Business Continuity Plans – Operating Effectiveness

**Finding**

The BCM framework defines that Departments and Services will ensure the delivery of their products or services, and local resources allocated to safe guard the delivery of such functions by means of effective Business Continuity Planning.

Department and service plans have been developed in some areas; however the level of detail of information varies between each plan and is reflective of the lack of consistency of BIA inputs.

Templates have been produced to support a consistent approach to the development of department and service level recovery plans. These are available on SharePoint, Clearview and communicated through the Business Continuity Steering Group and BCM Coordinator. However, the template does not reflect a logical step by step process as to how to respond to a business disruption, and the level of detail varies between each completed plan. For example, the plan template reflects the information collected by the BIA but does not instruct the user on what to do with that information.


In addition, the template lacks reference to contractual or legislative obligations that would need to be upheld or stakeholder management in the event that these could not be achieved.

Recovery strategies for each department level plan are understood within teams; however, a consolidated view of dependencies across the organisation has yet to be captured. Once BIAs and BC plans are completed by all departments, Clearview will be used as a mechanism to consolidate and analyse these to help formulate a more defined recovery strategy for services such as ICT and Estates. In doing so, this will overcome the current lack of planning assumptions made by departments regarding premises and IT recovery.

**Risks**

Whilst the planning templates lack guidance on strategic recovery arrangements, local planning activities will be developed based on potentially incorrect assumptions of strategic recovery capabilities leading to gaps between plans and actual recovery capability resulting in an ineffective recovery.

### Action plan

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<p><b>Low Risk</b></p> 	<p>The structure, format and practical application of the BC plan template and its usage if invoked will be reviewed by the Corporate Services team which will involve appropriate users in order to identify whether it provides sufficient support in a recovery situation.</p>	<p>Ian Mehrtens, Executive Director of Corporate Services</p>
		<p><i>Target date</i></p> <hr/> <p>30/06/15</p>
		<p><i>Reference number</i></p> <hr/> <p>4</p>

## 5. BCM Response – Operating Effectiveness

### *Finding*

Procedures are in place to respond to and recover from major incidents that may affect the University. These are documented in the ‘Emergency Incident Response and Emergency Management Procedure’ framework.


This framework details the structure and arrangements for response; however, these were established prior to the commencement of a BCM programme. The response structure includes an Incident Response Team (IRT), who escalate issues to the Emergency Management Team (EMT) as necessary. The document refers to a Business Continuity Team, and the structure is replicated in the BCM Framework, however, it lacks detail on the role of the team, how it integrates with the EMT, team members, roles and responsibilities, activation thresholds and escalation protocol. It also lacks reference to other related arrangements such as the Communications Plan.

Department plan templates do not detail the response, communication or escalation structure, and is unclear on the activities to support a recovery strategy. Plans lack detail on the roles, responsibilities or activities expected of a department lead, deputy or nominated roles for response and recovery.

### *Risks*

Without effective response arrangements, the recovery to a major incident can potentially incur further disruption and impact to reputation, safety and resources beyond that of the initial incident.

### *Action plan*

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<p><b>Low Risk</b></p> 	<p>Documented procedures will be reviewed and expanded to provide more detailed guidance in respect of responsibilities following an incident. Whilst a high detailed action list cannot be provided to cover any possible situation, additional guidance such as reporting, activation thresholds and escalation protocol, as well as minimum standards for business and faculty leaders and their support personnel will be written, approved by the BCSG and communicated.</p>	<p>Faculties (schools) and service teams Nicholas Hooper, Business Continuity Coordinator</p> <hr/> <p><i>Target date</i></p> <p>30/06/15</p> <hr/> <p><i>Reference number</i></p> <p>5</p>

## 6. BCM – IT Disaster Recovery Capability - Control Design

### Finding

An IT Disaster Recovery (IT DR) capability and plan is in place. For an IT DR capability to reflect organisational need, IT needs an understanding of the recovery requirements of users. The Business Impact Analysis (BIA) captures the recovery time objectives for critical systems, however:

- A BIA has yet to be completed by all critical services; and,
- The BIA lacks information on the recovery point objective which identifies how much data management are willing to lose in the event of a system or application failure.

Without this data, an IT DR capability has been developed from knowledge and experience of the University’s key service areas such as Enrolment and Student Recruitment.

Introducing Clearview to manage the BCM process will support IT by providing a consolidated view of application criticality; however, with incomplete BIA data and a lack of BCM programme to ensure this is updated, Clearview may not provide the support IT requires in a timely manner.


The primary and secondary data centres are located within a short distance from each other. The risk has been understood by management and a tender process was underway to increase data centre resilience. However, this will reduce IT capability to one site and service level agreement with a recovery objective of 1-2 days. Without adequate BIA data, it is unclear if this solution is aligned to the strategic recovery objectives.

### Risks

Without complete data that identifies recovery requirements for IT users, agreed by management, the IT DR capability is unlikely to meet the needs of critical functions or support the strategic recovery objectives.

This can lead to a recovery time that exceeds expectations, resulting in increased impact of disruption and inability to manage stakeholder expectations.

### Action plan

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<b>Medium Risk</b> 	<p>It is agreed that in developing the BCM Programme plan, the completion of a BIA by critical services will be prioritised, prior to the development of BC plans.</p> <p>Consolidated BIA data will be provided to IT once BIAs are completed, to support the development of the IT recovery strategy and data centre resilience project. Gaps in recovery capability will be presented to the BCSG and senior management to agree how these will be addressed.</p>	<p>Nicholas Hooper, Business Continuity Coordinator</p> <hr/> <p><i>Target date</i></p> <p>31/03/15</p> <hr/> <p><i>Reference number</i></p> <p>6</p>

## 7. BCM Exercising and Training – Operating Effectiveness & Control Design

### *Finding*

#### Exercising:

The BCM Framework identifies that plans are to be exercised in order to provide verification of the information documented according to the BCI Good Practice Guidelines (2010). Plans are still being developed, however, of the plans completed there was limited evidence to suggest that all completed plans have undergone validation through exercise. In doing so, this may lead to teams being overconfident in their ability to manage crises, and by not undertaking exercises are reducing the opportunity for new team members to understand continuity arrangements, to improve arrangements, and the response to new risks or extended crises to be explored.

Emergency response capability has been exercised using external facilitators such as Link Associates on October 2013 and On the Pulse Training Ltd in November 2012 and February 2012, however, this is not in support of a formal exercise programme that provides continuous improvement of emergency response capabilities. In addition exercises have yet to be developed that validates the response to disruption to business continuity and exercises the Business Continuity Team.

Departments are responsible for the delivery of their functions by means of effective Business Continuity as stated in the BCM Framework. However, without the requirement to test, exercise or report on the completion of this exercise, assurance cannot be provided that Business Continuity capability is in place within Departments. The Business Continuity Steering Group (BCSG) should be a mechanism through which departments can be encouraged and supported to conduct exercises; however, this is not part of their Terms of Reference.

Although the requirement for post exercise reporting is not referenced in the BCM Framework, it is however undertaken following emergency response exercises and incidents. Reports are raised at the 6 monthly BCSG meetings. The reports record observations and lessons identified, however, there is a lack of project management of actions arising from exercises or incidents; action owners, deadlines and updates on progress of corrective actions have not been detailed. In doing so, this will lead to uncertainty as to whether actions were managed to improve recovery capabilities. For example, the post exercise report developed by On the Pulse Training Ltd on November 2012, and Link Associates on October 2013 both identified that training and exercising needs to be developed.

A number of incidents have occurred that have tested the response to a Business Continuity incident, however, without an agreed exercise programme and a supporting action management process, there is little opportunity to improve plans and procedures and monitor which plans and teams have been tested.

#### Training:

The BCM framework nominates a number of individuals for BCM planning and response roles, however, it has yet to define the knowledge, competencies and skills required to undertake these roles.

The lack of a skills and competencies matrix means that a training needs analysis has yet to be developed to support improvements in BCM planning and response capabilities. A structured approach to understanding training needs ensures staff with nominated BCM roles receive appropriate levels of training. The need for a training programme has similarly been reflected in post exercise reports from November 2012 and October 2013 and has yet to be established.

The BCM Coordinator has delivered training to individuals responsible for BCM planning.

An awareness workshop and one to one sessions were conducted by the BCM Coordinator, however, the workshop focused on emergency management situations and did not outline the difference between an incident and a business continuity disruption.

In addition, the training provided was not aligned to a training needs analysis, was not delivered as part of a training programme, and was not aligned to a strategy for BCM implementation or underpinning BCM programme.

Clearview has been introduced as a mechanism to manage BCM implementation, however, not all plan owners have yet received training to support continued use of the system. The BCM Coordinator has received training and is relied upon to input data, however, this creates a single point of failure and a lack ownership within departments for ensuring data is maintained.

*Risks*

Without regular exercises, there is no way of knowing whether plans, and the assumptions made within them, will be effective in managing a disruption.


Without a programme approach to planning for and delivering exercises, the maturity of response teams is unlikely to improve in line with the University’s requirements and response arrangements unlikely to be fully tested.

An ineffective approach to identifying lessons and managing actions arising from an exercise or incident will reduce the opportunity to improve BCM planning and response arrangements.

Without adequate training and guidance on the approach to BCM planning and response it is unlikely robust recovery strategies will be developed and individuals with a response role will fail to understand procedures and tools available to support an effective recovery.

Delivery of training that is unsupported by a needs analysis or competency framework can result in a lack of targeted training aligned to business need.

*Action plan*

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<p><b>Low Risk</b></p> 	<p>It is agreed that a full exercise programme will be developed once more plans are in place including testing, discussion, table top and small–scale live exercises.</p> <p>The exercise programme will be approved by the Business Continuity Steering Group who will oversee delivery of the programme.</p> <p>It is agreed that to be successful in embedding BCM in the organisation’s culture we should develop a combination of awareness raising and training. We will continue pursuing current mechanisms for raising awareness: written and oral briefs, involving staff in the development of our BCM strategy and sharing best practice. We will undertake a training needs analysis to ensure that all staff in LSBU who have business continuity responsibilities receive training on BCM.</p>	<p>Faculties (schools) and support teams</p> <hr/> <p><i>Target date</i></p> <p>31/12/2015 and ongoing</p> <hr/> <p><i>Reference number</i></p> <p>7</p>

# Appendix 1. Basis of our classifications





## A. Individual finding ratings

Finding rating	Points	Assessment rationale
<b>Critical</b>	40 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</li> <li>• <b>Critical</b> monetary or financial statement impact of £5m; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</li> <li>• <b>Critical</b> 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.</li> </ul>
<b>High</b>	10 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</li> <li>• <b>Significant</b> monetary or financial statement impact of £2m; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.</li> </ul>
<b>Medium</b>	3 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</li> <li>• <b>Moderate</b> monetary or financial statement impact of £1m; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.</li> </ul>
<b>Low</b>	1 point per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</li> <li>• <b>Minor</b> monetary or financial statement impact £500k; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.</li> </ul>
<b>Advisory</b>	0 points per finding	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Each individual finding is given points, based on the rating of the finding (Critical, High, Medium, Low or Advisory). The points from each finding are added together to give the overall report classification of Critical risk, High risk, Medium risk or Low risk, as shown in the table on the next page.

## *Report classifications*

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

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

# Appendix 2. Terms of Reference

## Terms of Reference - Business Continuity

**To: Richard Flatman - Director of Finance**  
**From: Justin Martin - Head of Internal Audit**

This review is being undertaken as part of the 2013/2014 internal audit plan approved by the Audit Committee.

### Background

Business continuity and disaster recovery management is the process undertaken by an organisation to ensure that critical business functions will be available to staff, residents, suppliers, regulators and other entities that must have access to those functions in the face of a disruptive event such as the loss of premises, failure of information technology or non-availability of staff. Business continuity plans and disaster recovery arrangements are implemented to maintain critical services, consistency and recovery capability.

Business continuity at London South Bank University (LSBU) is overseen by the Business Continuity Management Steering Group (BCMSG). Each department / faculty is responsible for creating their own business continuity plan, with support from the central Business continuity team. The BCMSG are responsible for:

- Agreeing the Business Continuity Management (BCM) Framework for LSBU;
- Identifying and agreeing the structure, ownership and methodology of the BCM Programme in order to provide an auditable framework;
- Identifying which products and services are to be included within the scope of the BCM Programme;
- Sharing information across LSBU of current and predicted threats to the Business;
- Overseeing the refinement of the Emergency Management and Business Continuity Plans and embedding good practice in general business planning; and
- Monitoring of the BCM Programme, ensuring actions are implemented and resourced.

LSBU procured a new BCM IT system, Clearview, in April 2013. This is used to prepare, log and monitor business continuity plans. The intention is to roll this system out across the whole University.

We believe our review will touch upon the following areas as part 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** = area of primary focus

x = possible area of secondary focus

### Scope

We will review the design and operating effectiveness of key controls in place relating to Business Continuity during the period 2013/14.

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

Sub-process	Objectives
Business Continuity	



Policy and procedure notes	<ul style="list-style-type: none"> <li>• Policy, strategy and objectives in relation to Business Continuity and Crisis Management exist.</li> <li>• Governance structures are in place defining responsibility and accountability for implementing objectives and maintaining critical business functions.</li> <li>• LSBU has ensured that Business Continuity planning is undertaken for all key streams, functions and departments by those with nominated responsibility, as defined in the Business Continuity Strategy.</li> <li>• Business Continuity strategy considers services and goods provided to the University by third parties.</li> </ul>
Alignment and Monitoring of Plans	<ul style="list-style-type: none"> <li>• Business continuity and disaster recovery arrangements are aligned to corporate objectives.</li> <li>• Appropriate arrangements are in place for the University to understand how major projects and programmes interface with and impact on business continuity plan arrangements.</li> </ul>
Understanding and Implementation	<ul style="list-style-type: none"> <li>• Plans are in place to ensure that staff understand their role in a business continuity incident.</li> <li>• Plans are in place to test business continuity and disaster recovery plans have been tested as determined by the Business Continuity Strategy and exercise programme.</li> </ul>
Implementation of new system	<ul style="list-style-type: none"> <li>• There is a defined plan for implementation and roll out of the Clearview system across the University.</li> </ul>

### **Limitations of scope**

The scope of our work will be limited to those areas outlined above. This review will not provide a detailed assessment of the effectiveness of IT Disaster Recovery (ITDR) arrangements, and will be limited to identifying alignment between Business Continuity objectives and identified capability.

### **Audit approach**

Our audit approach is as follows:

- Obtain an understanding of the Business Continuity through discussions with key personnel and review of systems documentation;
- Identify the key risks surrounding Business Continuity;
- Evaluate the design of the controls in place to address the key risks
- Test the operating effectiveness of the key controls.

### **Internal audit team**

<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Engagement Manager	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com

Charlotte Bilsland	Audit Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Leigh Farina	Business Continuity Specialist	0207 212 4627 leigh.farina@uk.pwc.com

### **Key contacts – London South Bank University**

<b>Name</b>	<b>Title</b>	<b>Contact details</b>	<b>Responsibilities</b>
Colin Holland	Head of Security and Business Continuity (Audit Contact)	0207 815 6881 colin.holland@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
Nick Hooper	Business Continuity Management Coordinator (Audit Contact)	0207 815 6301 nick.hooper@lsbu.ac.uk	
Richard Flatman	Executive Director of Finance (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Receive final terms of reference Receive draft and final report

### **Timetable**

Fieldwork start	19/11/13
Fieldwork completed	06/12/13
Draft report to client	06/01/2014
Response from client	17/01/2014
Final report to client	17/01/2014

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.

# ***Appendix 3. Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

We have undertaken the review of Business Continuity 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 2013/2014 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; 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.

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



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.

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 01 August 2013. 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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	PAPER NO: AC.20(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Internal Audit report – Phishing	
Author:	PricewaterhouseCoopers, Internal Auditors	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends that the Audit Committee note the attached report.	
Corporate Plan aspect which this will impact?	<ul style="list-style-type: none"> <li>• Creating an environment in which excellence can thrive.</li> </ul>	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – decision information?	n/a	

### **Executive summary**

The attached report provides the results of the planned phishing attack to explore password safety culture amongst staff who had received an e-mail asking them to click a link and provide their log on details.

Disappointingly, considering we ran this test during the 13/14 internal audit programme, the numbers of staff who followed the link on the phishing e-mail rose to 20%, and the number who subsequently submitted their credentials rose to 16%, although these results are in line with the sector average from all PWC conducted tests.

However the LSBU IT department was quickly alerted to the phishing emails, and were ready to block the phishing portal within an hour of the first email being sent. Had this restriction been put into place, this would have reduced the percentage of employees who clicked the link and entered credentials to 4% and 3% respectively.

The Executive recommends that the Audit Committee note the attached progress report.

**Attachment.** Phishing Report

# *Phishing Report – London Southbank University*

May 2014

DRAFT

This report has been prepared for LSBU and only for LSBU in accordance with the terms of our Testing Authorisation Letter (TAL), and our Engagement Letter dated 03 March 2014, and for no other purpose.

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.

We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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# 1. Introduction

London Southbank University (LSBU) has commissioned PricewaterhouseCoopers LLP (“PwC”) to complete an independent review of their staff’s level of awareness in relation to the risk of a social engineering based phishing attack.

Phishing is the act of attempting to acquire sensitive information e.g. usernames, passwords, and credit card details by masquerading as a trustworthy entity. One of the most common forms of phishing is via e-mail where users are requested to perform an action, such as log onto a portal.

The purpose of this review is to enable LSBU to understand the current level of risk posed by phishing attacks focus against the university and their employees. This understanding will facilitate LSBU to identify appropriate measures and security controls required in order to protect their organisation.

## Report Structure

The report has been separated into a number of sections outlined below:

- ❖ **Executive Summary** - this section covers a high level summary of all findings identified including; a breakdown of the key process failures highlighted in this report.
- ❖ **Detailed Findings** – contains a detailed technical description of the findings and any associated risks that LSBU may wish to consider when remediating. This section additionally highlights evidence collated during the testing period and proposes detailed steps or activities required to resolve issues outlined.

## Scope & Objectives of Work Performed

The nature of the testing performed was designed to replicate the position of a malicious threat, with the intention of phishing LSBU employees. The following phases and streams were in-scope for the testing performed, as set out in our Statement of Work:

<b>Project title:</b>	Phishing
<b>Project description:</b>	Phishing Simulation Testing
<b>Dates of testing:</b>	8 <sup>th</sup> April 2014 – 14 <sup>th</sup> April 2014
<b>PwC Consultant Tester:</b>	David Bagshaw

The focus of the review is outlined below in accordance to the pre-agreed streams with LSBU:

### Simulated Phishing Testing

The primary objective of this testing was to establish whether any weaknesses existed in any awareness of staff and technologies utilised by LSBU to defend against a phishing attack. This area of testing was designed to replicate the position of an externally located malicious threat, with the intention of compromising user credentials.



## 2. Executive summary

This section provides a broad overview of the nature of the findings identified as a result of the phishing test performed on LSBU as outlined in the *Objectives* section.

PwC conducted a simulated phishing attack in 2013. To understand how the level of awareness to phishing attacks has changed over the last year, LSBU requested PwC conduct a similar test. Outlined in the table below are the results of the 2013 and 2014 phishing tests, as well as the client average results from all the phishing tests PwC has conducted.

	Client Average from PwC Phishing Tests (Total %)	2013 Test (Total %)	2014 Test (Total %)
<i>Followed the link on the phishing e-mail</i>	21%	15%	20%
<i>Submitted Credentials</i>	15%	11%	16%

The major concern is that the level of awareness has dropped significantly from last year with a 5% increase in both the employees who followed the malicious link and those that entered their username and password.

PwC were informed that the LSBU IT department was quickly alerted to the phishing emails, and were ready to block the phishing portal within an hour of the first email being sent. This level of response is excellent and the IT department should be commended for their quick response. This would have reduced the overall exposure to LSBU employees to a real phishing attack. Had this restriction been put into place, this would have reduced the percentage of employees who clicked the link and entered credentials to 4% and 3% respectively.

Several of the LSBU employees directly replied to the phishing email, many of which were requesting advice on how to comply with the request within the email. Others also sent over information such as screenshots of their desktop, or the new address that they had moved to. There is a risk that in this situation an attacker would be able to continue the attack and reply to the employees requesting that they perform malicious actions in order to gain information or to facilitate an initial compromise of LSBU's internal infrastructure.

### Recommended Actions

LSBU needs to improve their employee's level of awareness of phishing and its potential impact to the University. Although complete remediation against the risk of phishing is challenging, the level of security awareness and good corporate behaviours can be increased through education and promoting and rewarding the right type of behaviours. It is recommended that an on-going program of user awareness is put in place. The awareness can take many different forms however in our experience a 'little and often' type approach to typically yields the best results. To minimise the risks further the University should work with their employees to understand the key critical security behaviours all employees should exhibit, and then develop a plan to promote and reward these behaviours.

Carrying out such a test in itself will have created awareness throughout the user base. However further continuous awareness is required in order to reduce the likelihood of users being fooled by such an attack. Some of the methods you may wish to consider could include:

- Disclosing the number and type of security incidents and the impact they had to the University members of staff;
- Senior faculty mentioning security as an element of their regular briefing sessions and how important it is to protect the University, its employees and students;
- Regular security orientated Computer Based Training (CBT) and online tests;
- Continual phishing awareness testing with increasing complexity of the phishing test;
- Awareness material that is focused on protecting employees own home systems;
- Awareness material focused on promoting the right behaviours e.g. posters, competitions.

The above should not be focused on phishing, but helping members of staff understand the implications of poor security behaviours and how this impacts themselves and the University.

### 3. Detailed Findings

A scenario was defined whereby the testing team would craft a phishing email and create a fake website designed to represent a website which LSBU implemented. The email sent out to the phishing recipients requested that LSBU employees log onto a website crafted by PwC where they would be able to check personnel information held on them by LSBU. Once LSBU employees entered their username and password an error message was displayed, to try not to raise suspicion of the non-authentic request. The email sent out and the fake website can be seen in Appendix B.

This scenario was designed to capture information relating to:

- Which users clicked on the link that we provided; and
- Which users entered their credentials into our fake portal.

The test was started at 2:08 pm on Tuesday 8<sup>th</sup> April 2014 with all the emails being quickly delivered to LSBU's email servers.

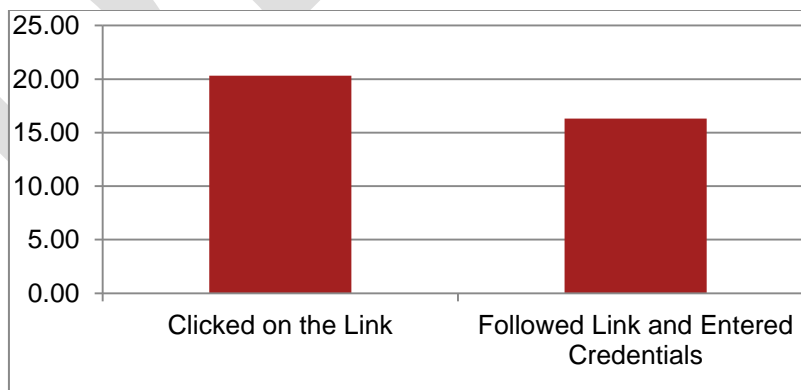
The 2014 phishing simulation results were compared to the average response obtained by PwC when performing phishing test for its clients. The average results are calculated as the percentage of users who click on the link supplied within the phishing email, and the percentage of users who submit credentials within the phishing website across all the phishing simulations PwC UK has conducted. The average response is used as a baseline to give an indication on where LSBU compares to other PwC clients. This should only give an indication on general levels of awareness and not be considered a level for good practice.

The following observations were made:

- The ratio of users who clicked on the original link was lower than an expected response.
- The ratio of users that went on to enter their credentials after having followed the link was also lower than expected.

Out of the 2150 emails that were sent, 437 (20%) users followed the link and 351 (16%) of those users entered their credentials into the site. A full breakdown of statistics per department can be found within Appendix C.

The graph below shows the percentage of users who clicked on the link and those that clicked on the link and entered credentials.



It should be noted that LSBU staff quickly raised the suspicious email to the IT department, who identified it was a malicious email and under normal non test circumstances would have blocked the website. PwC were informed that this would have been put in place by 3pm. This was within one hour of the first email being sent and would have removed the ability for staff to visit the site and enter credentials. Had this restriction been put into place the statistics would have been seriously reduced where only 83 (4%) users followed the link and 63 (3%) of those users entered their credentials into the phishing site.

The results from this test are higher than the phishing simulation testing conducted by PwC for LSBU in 2013. In that instance 15% of employees clicked on the link and 11% of users continued to enter credentials into the phishing website. Reasons for this increase may be around the heightened level of awareness just before the 2013 test due to LSBU being victim to an actual phishing attack shortly before the PwC simulation test.

The table below compares statistics from the 2013 phishing simulation test to the 2014 test just completed and the average results obtained by PwC from phishing engagements with clients. The 2014 results include details on those that entered credentials before 3pm, when the IT department would have blocked the site, and the overall result.

	<i>Client Average from PwC Phishing Tests (Total %)</i>	<i>2013 Test (Total %)</i>	<i>2014 Test (Total %)</i>	<i>2014 Test - before 3pm (Total %)</i>
<i>Followed the link on the phishing e-mail</i>	21%	15%	20%	4%
<i>Submitted Credentials</i>	15%	11%	16%	3%

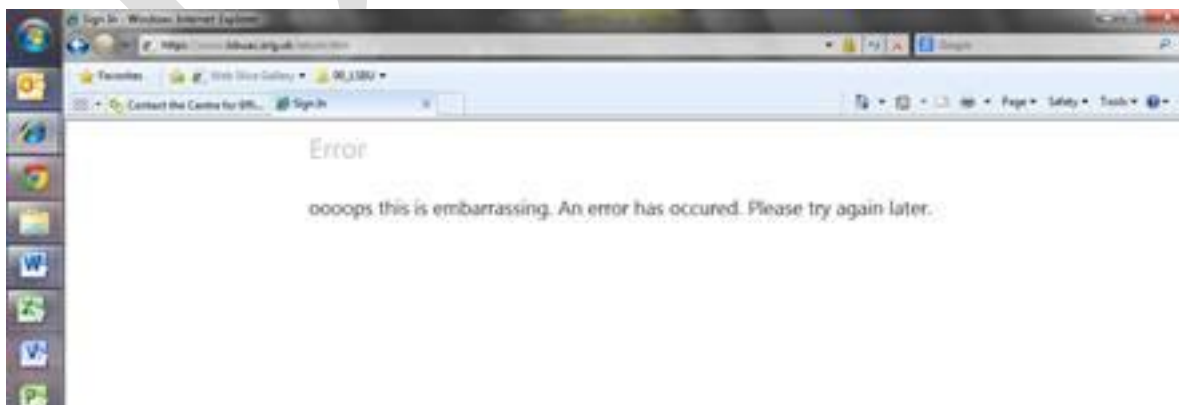
More concerning is that during the phishing simulation a number of LSBU employees directly replied to the original phishing email. Many of the emails stated that they had attempted to log onto the phishing portal but an error occurred, however this was working as designed. Many users were asking for additional information on how they could comply with the request. In one email responses the user stated that he was unable to logon, and forwarded his new address to the testing team. Several users (one shown below), replied to the email several times asking for assistance on logging onto the portal and complying with the request.

Hi

It would have been nice to have a reply by now. This is my 3<sup>rd</sup> email to state this link is not working, I'm deleting the email and shall wait until you send out a new one..

Thanks

Some of the email responses contained information such as screenshots, where the intent was to show the error message, however this disclosed the version of the operating system and software packages installed, such as Microsoft Office, Outlook, Internet Explorer and Google Chrome. The screenshot sent across can be seen below.



It is recommended that LSBU educates users on the risk of phishing attacks. Should any user receive an email that they think may not be legitimate they should contact the IT department. Should staff want to reply to this email, then staff should reply to the known IT department email address and not just reply to the original email.

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# *Appendices*

## **5. Appendix A**

### ***General Limitations***

Phishing testing seeks only to expose weaknesses in a predetermined scenario. It does not positively test all possible controls, or expose all possible control weaknesses. A detailed diagnostic review of all the individual components and related procedures is necessary to achieve this goal, which was beyond the scope of this assignment.

It should be noted that IT systems are subjected to regular change, consequently, these phishing testing results should be considered as a 'snapshot' of specific aspects of the awareness, at a given point in time. There are new risks and vulnerabilities emerging all the time, and these, together with any changes made by LSBU, may result in increased levels of risk over time, unless they are carefully managed.

### ***Other matters***

This report has been prepared for and only for LSBU in accordance with the terms of our engagement letter and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## 6. Appendix B

The phishing test E-mail that was crafted for the phishing test can be seen below:

Dear Staff,

As many of you will be aware, all companies hold certain data on their staff, so we must check that the information we have about you is secured and maintained right. Part of this is to ensure that all information stored on our staff is accurate.

Please could you all check the personal data that is currently held by LSBU to make certain that it is still relevant. You can access this data through our portal where you will also be able to make any amendments should they be required.

<https://www.lsbuac.org.uk/compliance>

You must do this before Monday 14th April.

Data Protection Officer

London South Bank University

The link provided within the phishing email presents the targets with the logon portal as seen below:

Sign In

London South Bank University

Type your user name and password.

User name:  Example: Domain\username

Password:

Once a user has entered credentials into the phishing portal, the following screen is presented:

Error

oooops this is embarrassing. An error has occured. Please try again later.

## 7. Appendix C

The following table shows a breakdown of LSBU departments and shows the number of staff members within each department who had the phishing simulation targeted towards their email address and includes numbers per department of those that clicked on the link within the email and the number who also submitted credentials.

<i>Faculty</i>	<i>Total in Department</i>	<i>Clicked</i>	<i>Submitted</i>
AHS	353	67	53
ALUM	1	0	0
AOS	37	4	3
AQDO	9	2	2
ARIA	2	0	0
ASDU	5	2	2
BOG	1	0	0
BUS	288	57	47
CARA	7	1	1
CI	58	6	6
CRS	6	3	2
CS	8	1	1
DO	9	3	1
EAF	90	21	17
ESBE	333	115	95
FD	65	10	10
FOC	15	2	2
GOV	6	1	1
HR	31	6	6
HSC	386	41	28
ICT	76	15	10
IO	15	7	6
LLR	79	9	8
MSR	53	23	16
REG	43	13	10
SS	57	15	13
SU	9	3	2
UE	35	5	4
UEX	8	1	1
Unknown	65	3	3

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[pwc.co.uk](http://pwc.co.uk)

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 report has been prepared for LSBU and only for LSBU in accordance with the terms of our Testing Authorisation Letter (TAL), and our Engagement Letter dated 03 March 2014, and for no other purpose. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else

© 2014 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



	PAPER NO: AC.21(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Internal Audit report - Payroll Implementation	
Author:	PricewaterhouseCoopers, Internal Auditors	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends that the Audit Committee note the attached report.	
Corporate Plan aspect which this will impact?	<ul style="list-style-type: none"> <li>• Creating an environment in which excellence can thrive.</li> </ul>	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – decision information?	n/a	

### **Executive summary**

The attached plan details the results of the Payroll Implementation review work undertaken prior to the go live with the new iTrent payroll product in April 2014.

The report followed up a previous review completed in 2013, and found the direction of travel was upwards across all areas reviewed, with amber advisory findings around data migration and system security.

The Executive recommends that the Audit Committee note the attached report.

**Attachment:** Payroll Implementation 2014 Final Report

*Internal Audit  
Report 2013/2014*  
Payroll Implementation  
Review 2014

FINAL

April 2014

London South Bank  
University

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## Distribution List

For action:	Natalie Ferer (Financial Controller)
For information:	Richard Flatman (Director of Finance)
	John Baker (Corporate & Business Planning Manager)
	Audit Committee

This report has been prepared by PwC in accordance with our contract dated 01/08/2013.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Financial Memorandum. 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.

# 1. Executive summary

## Background

London South Bank University (LSBU) is implementing a new Payroll system, Midlands i-Trent. We performed an initial review of the implementation of this system in March 2013 to assess whether appropriate controls had been implemented to ensure the complete and accurate migration of balances. Our work identified that the controls implemented by the LSBU were operating effectively but there were some large variances and errors requiring resolution before the system could go live. To ensure these variances and errors could be fully investigated, LSBU decided to postpone the implementation to June 2013.

We performed a second audit in May 2013 to follow up the issues noted as part of our initial review and to ensure that management actions had been implemented. We found that LSBU had fully or partially implemented all agreed actions but although progress had been made, LSBU still had significant work to ensure that delivery timescales were met.

Following our audit in May 2013, LSBU decided to postpone the implementation of the new system until a later date to ensure that the wider and longer-term risks of system implementation were considered and mitigated.

The objective of this review was to assess whether appropriate controls have been implemented to ensure the complete and accurate migration of balances and to follow up the issues noted as part of the two audits performed in March and May 2013.



## Audit Findings







The latest sets of parallel run results (February 2014) show an improvement in the accuracy of data (98.87% accuracy) and LSBU have implemented three more of our recommendations (introduction of training in the project plan, support arrangements and process mapping) but the remainder of our findings remain only partially implemented, for example:

- Personal details have been migrated from Logica to i-Trent to resolve issues noted but there has been no further tests of standing data accuracy since the last audit and this has not been tested as part of the February 2014 parallel run; and
- The interface between i-Trent and Agresso has not yet been tested, as Midland HR have not provided the relevant information to process changes to system data.

We acknowledge that at the time of writing this report, management were performing these exercises, which is reflected in the positive direction of travel below. We have also identified five additional findings surrounding review of user access, password protection, adding and removing user access and authorisation of changes to the system.

We have used a traffic light system to demonstrate LSBU's performance against the areas outlined in our Terms of Reference. This review is deemed as a value add management report and has not been risk rated overall; the RAG status has been included to provide a summary of our key findings and to highlight progress made against areas requiring further attention.

Review area	Summary	Direction of travel	Updated RAG status
Data Migration	There has been a reduction in the number of discrepancies noted between net pay on the old payroll system (Logica) and i-Trent but further work is needed to confirm the accuracy of other payroll elements, for example, National Insurance (NI) numbers, bank details and addresses. Further data cleansing is needed prior to migration to the new environment.		 Amber

Go-Live	Policies and procedure notes have been developed and a training plan for Payroll, Finance and other stakeholders has been devised. System and business process mapping has been completed and a service level agreement (SLA) between Finance and IT has been finalised.			Green
Post implementation review and ongoing availability	There is a process in place to identify lessons learnt and ensure the ongoing accuracy and completeness of data. LSBU need to ensure this data continues to be captured throughout the project.  A system change document is required to document changes to the system post-implementation.			Amber/Green
System security	There is appropriate segregation of duties within the system and management have confirmed that the level of access granted to individuals is appropriate but further work is needed to ensure that there is regular periodic review of user activity and access rights and that there are clear and communicated procedures in times of staff absence, both authorised and unauthorised / anticipated and unexpected. The controls surrounding user set up/removal and password requirements could also be improved.	N/a		Amber
Exception reporting and management information	LSBU will run the following reports as part of month-end procedures before the payment run is authorised: <ul style="list-style-type: none"><li>• Errors and warnings reports (i.e. processing issues encountered);</li><li>• Payroll differences (difference between each element between two periods, with tolerances of between 5% and 10%);</li><li>• Gross pay over £5,000;</li><li>• Number of staff paid in comparison to previous month with subsequent reconciliation;</li><li>• Starters and leavers for the period;</li><li>• Element differences between two periods for overtime, bonuses, back pay, tax refunds; and</li><li>• HMRC payments.</li></ul>	N/a		Green

## 2. Detailed current year findings


Issue Noted	Risk	Management comment and action plan
<p><b>Authorisation of system changes</b></p> <p>There are no plans to record or authorise any changes made to the system once i-Trent is fully implemented.</p>	<p>Inappropriate changes may be made to the system.</p> <p>Lack of awareness of new system functionalities could mean that efficiencies are not maximised.</p> <p>Lack of audit trail to confirm approvals could make it difficult to trace management decisions.</p>	<p>A system change document will be developed and any changes made to i-Trent post-implementation will be authorised appropriately and recorded for future reference.</p> <p><i>Responsible Owner:</i> Natalie Ferer, Financial Controller</p> <p><i>Implementation Date:</i> 30/04/2014</p>
<p><b>Review of user access and user activity</b></p> <p>Management have confirmed user access levels on the system are appropriate but there is no formal plan to review user access on a periodic basis to ensure that this remains appropriate.</p> <p>There is also no regular review of user activity to ensure that access is not abused by users. The new system has functionality to generate this report.</p>	<p>User access levels may be inappropriate. This could mean that unauthorised individuals have access to sensitive data.</p> <p>Instances of abuse of user access are not identified.</p>	<p>User access is reviewed on an ongoing basis as part of our continuous audit programme.</p> <p>We will perform periodic reviews of user activity to ensure that access is being used appropriately.</p> <p><i>Responsible Owner:</i> Natalie Ferer, Financial Controller</p> <p><i>Implementation Date:</i> 31/12/2014</p>
<p><b>New user set up and user removal</b></p> <p>At the time of audit there was no requirement for new users of the system to have their access approved by line managers before system set up or for removing their access to the system.</p>	<p>Inappropriate access to the system is awarded.</p>	<p>Our 'new user form' has been amended so that it clearly specifies the access level to be awarded and reason for granting access. This will be authorised by either the Payroll Manager or Financial Controller.</p> <p><i>Responsible Owner:</i> Denise Sullivan, Payroll Manager</p> <p><i>Implementation Date:</i> 30/04/2014</p>

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<p><b>Roles and responsibilities</b></p> <p>System process notes and user guides have been compiled for staff using i-Trent and management are satisfied that there is appropriate segregation of duties in place on the system and throughout the payroll process.</p> <p>There is no document outlining the roles and responsibilities of individuals over processing and authorising payroll or the contingency arrangements in event of staff absence (whether expected or otherwise).</p>	<p>Lack of contingency plan could mean payroll processing is interrupted or lead to a breakdown of segregation of duties.</p> <p>Lack of awareness of responsibilities.</p>	<p>Existing procedure and process notes will be updated to include defined roles for duties to be performed. These will also detail any changes in the event of staff absence.</p> <p><i>Responsible Owner:</i> Denise Sullivan, Payroll Manager</p> <p><i>Implementation Date:</i> 30/04/2014</p>
<p><b>Password controls</b></p> <p>The only requirement for password set up is that they must be a minimum of six characters.</p>	<p>If password controls are not robust there is a heightened risk of unauthorised access to the payroll system being gained resulting in fraudulent or inappropriate transactions.</p>	<p>We will require that passwords are alphanumeric and include capitalisation. Passwords will be changed every 90 days.</p> <p><i>Responsible Owner:</i> Denise Sullivan, Payroll Manager</p> <p><i>Implementation Date:</i> 30/04/2014</p>

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### 3. Follow up of prior year findings

Original Issue Noted	Risk	Status update and management action plan (May 2013)	Direction of Travel	Status Update and Revised Management Comment/Action Plan
<p><b>Payroll data is inaccurate and requires cleansing before system Go Live.</b></p> <p>A script was produced by Logica CMG (developers for Payfact) to import payroll data from Payfact to i-Trent. This exercise identified that a number of inaccurate payroll records, including:</p> <ul style="list-style-type: none"> <li>• Mismatched NI numbers;</li> <li>• Incorrect personnel numbers;</li> <li>• Incorrect bank details;</li> <li>• Duplicate employees; and</li> <li>• The import of staff members who no longer work at LSBU.</li> </ul>	<p>Individuals may be over or under paid due to inaccurate payroll information.</p>	<p><b>Partially implemented</b></p> <p>The initial data cleansing exercise is complete but further data cleansing is needed to confirm accuracy and completeness.</p> <p>The latest analysis of data has identified:</p> <ul style="list-style-type: none"> <li>• 80 incorrect or missing bank details;</li> <li>• 22 missing NI numbers (excluding non-PAYE payroll); and</li> <li>• 184 incorrect NI numbers.</li> </ul> <p>Other elements still require investigation, including:</p> <ul style="list-style-type: none"> <li>• Identification of duplicate employees;</li> <li>• Removal of dummy and unused accounts; and</li> <li>• Confirmation of the accuracy of non-financial data such as addresses.</li> </ul> <p>These are planned to be completed as part of the April payroll run (to be performed in May).</p> <p><i>Management Comment:</i></p> <p>We shall migrate personal details from Logica to i-Trent to resolve issues such as missing or incorrect NI numbers, bank account details and addresses. From that point, we will ensure that data is kept in parallel to the Logica system until we are live with i-Trent.</p> <p><i>Responsible Owner:</i> Denise Sullivan, Payroll Manager</p> <p><i>Implementation Date:</i> 31/07/2013</p>		<p><b>Partially implemented</b></p> <p>Personal details have been migrated from Logica to i-Trent to resolve issues noted but at the time of audit there had been no further tests of standing data accuracy since the last audit and this had not been tested as part of the February 2014 parallel run. We acknowledge that since we completed fieldwork that work has been performed which demonstrates an improvement in the number of errors which reflects the positive direction of travel.</p> <p><i>Management Comment:</i></p> <p>These are currently being investigated. Our latest analysis, as at 08/04/2014, is:</p> <ul style="list-style-type: none"> <li>• Of 2459 records on i-Trent, there are 6 records where dates of birth do not match between the two systems. 3 of these appear to be keying errors. The payroll team are checking these records and the correct date of birth will be entered before the April payroll is run.</li> <li>• There are 18 records where NI numbers do not match. 6 of these seem to be errors when keying in data. All of these will be checked and the correct NI number entered before April payroll is run.</li> <li>• There are 28 records where the address does not match. 13 seem to relate to the format of the address on Logica. All of these will be checked and the correct address entered before April payroll is</li> </ul>



			<p>run.</p> <ul style="list-style-type: none"> <li>A check of bank details showed that 10 records did not match. 5 of these have already been corrected and the remaining 5 are in the process of being checked</li> </ul> <p><i>Responsible Owner:</i> Natalie Ferer, Financial Controller</p> <p><i>Implementation Date:</i> 30/04/2014</p>
<p><b>Timely performance of parallel runs</b></p> <p>Only one parallel run (January) has been performed. This identified that:</p> <ul style="list-style-type: none"> <li>Of 2466 records processed, 18 were duplicates.</li> <li>Of the 2448 unique records processed, only 40.9% of net pay data was accurate to within £1 between the two systems.</li> <li>Of the total, only 18.9% of data was exactly accurate.</li> <li>The value of overpayments would have been £110k. The value of underpayments would have been £205k.</li> </ul>	<p>Individuals may be over or under paid due to inaccurate payroll information.</p>	<p><b>Partially Implemented</b></p> <p>Variances identified have been listed on the project team's 'issues list' and are being monitored on an ongoing basis.</p> <p>Parallel runs up to April have been performed and payslip-to-payslip checks are underway to identify and rectify calculation errors. LSBU have also worked with Midland HR consultancy to fix calculations.</p> <p>Some calculations have been fixed however some of these still need to be rectified. The April parallel run identified that:</p> <ul style="list-style-type: none"> <li>Of the 2463 records processed, 80.4% of net pay data was accurate to within £1 between the two systems.</li> <li>73.53% of data was exactly accurate.</li> <li>The value of overpayments would have been £18k. The value of underpayments would have been £26k.</li> <li>232 individuals are not on i-Trent. This is because they are non-PAYE or are paid on an hourly basis, for example students who have been reimbursed for expenses through the Logica.</li> </ul> <p>These results require investigation to confirm accuracy.</p> <p><i>Management Comment:</i></p>	<p style="text-align: center;"></p> <p><b>Partially Implemented</b></p> <p>After the May 2013 parallel run, LSBU did not run any further parallel runs until February 2014 but the results did show an improvement:</p> <ul style="list-style-type: none"> <li>98.87% of data was exactly accurate.</li> <li>The value of overpayments would have been £115k, the value of underpayments would have been £5k.</li> </ul> <p>These results are being investigated by management to confirm accuracy.</p> <p><i>Management Comment:</i></p> <p>At the time of writing this report, the March parallel run compared to the legacy system was 100% accurate to within 20p.</p> <p>Note:</p> <ul style="list-style-type: none"> <li>We increased our tolerance level from 2p to 20p because inconsistent rounding of hourly rates of pay on Logica resulted in a number of differences more than 2p. Where these rounding differences were more than 20p, we forced i-Trent to agree with Logica. Going forward i-Trent will be consistent and accurate in the way hourly rates are calculated. I-Trent was forced to agree with Logica but going forward i-Trent will calculate these payments correctly.</li> </ul>

There are various issues that are leading to inaccurate payments. Some of these are due to incorrect calculations which are being resolved by Midland HR consultants. A log of issues has been devised and currently being updated. As part of this all historical issues are being reviewed and updated also in terms of resolution. We are setting up mechanisms to allow monitoring.

*Responsible Owner:* Natalie Ferer, Financial Controller

*Implementation Date:* 31/07/2013

- We did not migrate details where staff were made a final payment on Logica or make these payments as part of the parallel run on i-Trent.

*Responsible Owner:* Natalie Ferer, Financial Controller

*Implementation Date:* 30/04/2014

**The interface between i-Trent and LSBU's general ledger (Agresso) has not been tested**

At the date of audit, the project team had not tested the interface between i-Trent and Agresso. This means it was not possible to test if there are adequate security arrangements in place for processing costing files, for example:

- Ensuring the parameters could not be manipulated;
- Ensuring only personnel of appropriate authority and technical ability have access to running the costing file;
- Confirming that the costing file output is stored securely to prevent manipulation prior to upload on Agresso; and
- Confirming that only authorised personnel are able to upload the file to Agresso.

Incomplete or inaccurate data transfer could mean year end balances for the financial statements are incorrect.

Balances could be manipulated inappropriately or by accident due to inadequate security arrangements or inappropriate access.

**Partially implemented**

The format of the interface file has been tested and confirmed as working. LSBU has not confirmed the content of the general ledger file or end-to-end process. This is now planned for the end of June.

An initial comparison file has been prepared which compares the April costing debit and credit file with the Logica file to highlight any differences to be resolved before this is performed. A user guide has also been developed outlining the procedure to be followed and associated controls.

*Management Comment:*

The costing and general ledger interface segment of the system is not complete. Midland HR consultancy will compare the system blueprint to the actual system build and will advise what needs to be changed. Following this, we will process changes to system data and compare this to Agresso and costing data from the old payroll system. A user guide outlining how to maintain the general ledger and costing structure will be produced.

*Responsible Owner:* Natalie Ferer, Financial Controller

*Implementation Date:* 30/06/2013



**Partially implemented**

The interface between i-Trent and Agresso has not yet been tested, as Midland HR have not provided the relevant information to process changes to system data.

*Management Comment:*

We have now tested the GL format and are able to load this to Agresso, so the testing of the GL file itself is completed. We are now checking individual staff records to make sure they are being costed to the correct posting string. This work will probably take another week, with records being amended if posting strings are not correct.

*Responsible Owner:* Natalie Ferer, Financial Controller

*Implementation Date:* 30/04/2014

**Lessons Learned**

The project team have created an 'issues list' to track any challenges and put measures in place to prevent re-occurrence. We noted that:

- There is no column indicating the date the issue was raised; therefore it is not possible to see how long this issue has been outstanding;
- There are several incomplete fields (13/19 fields).

If lessons learnt are not documented and managed, there is a risk that knowledge will be lost when resources change, leading to avoidable issues and errors being repeated and best practice identified potentially not being applied to similar projects in the future.

**In progress**

The issues list has been updated to include dates when issues have been raised and resolved. This has been completed.

An initial post-implementation review has been planned for the end of July. A secondary review will be performed once the system has been live for three months. These activities are to be included on the project plan.

*Management Comment:*

N/A – action not due. Original management comment remains appropriate.

*Responsible Owner:* Natalie Ferer, Financial Controller

*Implementation Date:* 31/10/2013



**In progress**

The issues list continues to be implemented and is up to date.

Midland hold a project close out meeting as part of their project management and LSBU is holding a post implementation review in May 2014.

A post implementation review is planned for May 2014 but this has not been added to the project plan.

*Management Comment:*

N/a - management actions not due; post-implementation review due 31/05/2014.

**Lack of training and handover**

LSBU is employing Agency staff to assist with the implementation. No formal handover arrangements have been agreed to transfer this knowledge to new payroll team members when they leave the organisation and there are currently no plans for training to be provided to staff on how to operate the new system.

Our review of i-Trent user manuals identified that these are focussed on system functionalities and navigation of the new system. There are no policies outlining how to process payroll information, for example, creating new starters, processing leavers and posting amendments.

Users do not understand how to use the new system leading to processing errors.

**In Progress**

A training and handover plan is in draft form and is being developed to include:

- Who requires training (on an individual and departmental basis);
- Activity to be undertaken;
- Due date for training;
- Any further actions, including who is responsible and when this is due.

A central repository of training guides and user instructions exists, including:

- Quick reference user guides;
- Audit functionality guide;
- Training plans;
- Pay run checklist; and
- User guides for viewing pay slips.

This will continue to be developed ahead of system go-live.



**Implemented**

A training stage is now included within the project plan, and a completed version of the training plan is in place which includes:

- Who requires training - on an individual and departmental basis;
- Activity to be undertaken;
- Due date for training;
- Any further actions, including who is responsible and when this is due.

*Management Comment:*

N/a - management actions implemented.

*Management Comment:*

The training plan is to be completed and signed off as part of the project plan. This will include training as part of the project stage for the project team and for the payroll team and application support team to prepare them for business as usual.

*Responsible Owner:* Natalie Ferer, Financial Controller

*Implementation Date:* 15/09/2013

**Lack of process maps**

There are no up-to-date system process maps outlining the transaction flow and key controls over the new system.

Users do not understand how to use the new system leading to processing errors

**Partially implemented**

New processes are due to be mapped and documented which will result in a user manual for payroll staff.

*Management Comment:*

N/A – action not due. Original management comment remains appropriate.

*Responsible Owner:* Natalie Ferer, Financial Controller

*Implementation Date:* 31/07/2013



**Implemented**

Process maps are now in place which form part of the user guides for staff using the new payroll system. These include processes for updating bank details, submission of weekly time sheets and adding new starters etc.

*Management Comment:*

N/a – recommendation implemented.

**Support arrangements**

There are currently no formal arrangements between LSBU and i-Trent for continuing technical support. It is planned that i-Trent queries will be processed internally through the Topdesk issue tracking system. However the IT department do not have the knowledge of the i-Trent system to answer these queries.

Inadequate controls for ongoing availability could lead to system failure

**Partially implemented**

An SLA between Finance and IT has been developed in draft. This document outlines each department's roles and responsibilities, contact details and the requirement for an annual review.

There are still some outstanding areas to be agreed before go-live, including:

- Whether the application of 'hot-fixes' and service packs includes server or application level data;
- Role of Finance Helpdesk, to include a diagram as an appendix outlining role;
- Feedback from i-Trent on what 'suitability qualified staff' means to ensure patching and upgrading is performed by appropriate personnel.



**Implemented**

The SLA has now been finalised.

*Management Comment:*

N/a – recommendation implemented.

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*Management Comment:*

The System support document between ICT and Finance will be finalised. We will consider options for support through Midland HR consultancy.

*Responsible Owner:* Natalie Ferer, Financial Controller

*Implementation Date:* 31/08/2013

# Appendix 1. Basis of our classifications





## A. Individual finding ratings

Finding rating	Points	Assessment rationale
<b>Critical</b>	40 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</li> <li>• <b>Critical</b> monetary or financial statement impact of £5m; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</li> <li>• <b>Critical</b> 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.</li> </ul>
<b>High</b>	10 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</li> <li>• <b>Significant</b> monetary or financial statement impact of £2m; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.</li> </ul>
<b>Medium</b>	3 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</li> <li>• <b>Moderate</b> monetary or financial statement impact of £1m; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.</li> </ul>
<b>Low</b>	1 point per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</li> <li>• <b>Minor</b> monetary or financial statement impact £500k; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.</li> </ul>
<b>Advisory</b>	0 points per finding	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Each individual finding is given points, based on the rating of the finding (Critical, High, Medium, Low or Advisory). The points from each finding are added together to give the overall report classification of Critical risk, High risk, Medium risk or Low risk, as shown in the table on the next page.

## *Report classifications*

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

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

# Appendix 2. Terms of Reference

## Terms of reference – Payroll Implementation Review 2014

**To: Natalie Ferer – Financial Controller**  
**From: Justin Martin – Head of Internal Audit**

This review is being undertaken in addition to the 2013/2014 internal audit plan approved by the Audit Committee.

### Background

London South Bank University (LSBU) is implementing a new Payroll system, Midlands i-Trent. We performed an initial review of the implementation of this system in March 2013 to assess whether appropriate controls had been implemented to ensure the complete and accurate migration of balances. Our work identified that the controls implemented by the LSBU were operating effectively but there were some large variances and errors requiring resolution before the system could go live. To ensure these variances and errors could be fully investigated, LSBU decided to postpone the implementation to June 2013.

We performed a second audit in May 2013 to follow up the issues noted as part of our initial review and to ensure that management actions had been implemented. We found that LSBU had fully or partially implemented all agreed actions but although progress had been made, LSBU still had significant work to ensure that delivery timescales were met.

Following our audit in May 2013, LSBU decided to postpone the audit until a later deadline to ensure that the wider and longer-term risks of system implementation were considered and mitigated. The system is now planned to go live in April 2014.

The objective of this review is to assess whether appropriate controls have been implemented to ensure the complete and accurate migration of balances and follow up the issues noted as part of the two audits performed in March and May 2013.

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
-----------------	-------------------	-----------------	--------------	----------------------	-----------------

12

**x**

x

**x** = area of primary focus

x = possible area of secondary focus

### Scope

The processes, related key control objectives and key risks within the scope of our work are detailed below.

Sub-process	Objectives
Data Migration	<ul style="list-style-type: none"> <li>Data has been cleansed prior to migration to the new environment.</li> <li>Controls have been designed to ensure the complete and accurate migration of payroll balances.</li> </ul>
Go Live	<ul style="list-style-type: none"> <li>Go-live will be authorised.</li> <li>Contingency plans exist to support the organisation should the</li> </ul>



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	<p>implementation fail.</p> <ul style="list-style-type: none"><li>• Users are supported in the use of the application through training and user documentation.</li><li>• Users are supported in resolving problems with the system.</li><li>• Ongoing changes to the new system after go-live are supported through a formal change program.</li></ul>
Post implementation review and ongoing availability	<ul style="list-style-type: none"><li>• There is a defined process in place to identify lessons learnt and ensure the ongoing accuracy and completeness of data.</li><li>• Controls are in place to ensure ongoing availability of the system.</li></ul>
System security	<ul style="list-style-type: none"><li>• The system has been configured to ensure that access rights are appropriately allocated based on their roles and responsibilities</li><li>• Segregation of duties are in place, in particular:<ul style="list-style-type: none"><li>○ Staff involved with authorising input documents such as starter, leaver and permanent variation documents are not able to access the payroll system and vice versa.</li><li>○ Access to payroll and personnel systems are segregated through proper access controls.</li><li>○ Staff involved in general payroll processing duties are not involved in running the final payroll or authorisation of the final payroll.</li><li>○ As well as segregation of duties, there are clear boundaries of responsibility and clear and communicated procedures in times of staff absence, both authorised and unauthorised / anticipated and unexpected.</li></ul></li><li>• Access to personal data is restricted to appropriate individuals</li><li>• The system has been configured so that there is an audit trail of user activity</li><li>• Error reports have been implemented to ensure that errors or changes to standing data are identified and resolved on a timely basis</li></ul>
Exception reporting and management information	<ul style="list-style-type: none"><li>• Reports are generated and reviewed and outputs are checked to confirm the completeness and accuracy of data processing.</li><li>• Exception reports detailing payments outside of normal system parameters, and variation reports detailing fluctuations between amounts paid from one period to the next, are produced on a regular basis and are subject to independent, evidenced review and investigation where appropriate. For example (but not limited to):<ul style="list-style-type: none"><li>○ Salary exceeding a given percentage of basic pay</li><li>○ Cumulative pay to date to individuals exceeding a given percentage of basic pay</li><li>○ Overtime &gt; £x</li><li>○ Allowances &gt; £x</li><li>○ Emergency tax code for more than six months</li><li>○ Starters and leavers</li></ul></li></ul>
Follow up of agreed actions	<ul style="list-style-type: none"><li>• Agreed action plans regarding findings have been implemented.</li></ul>

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### **Limitations of scope**

The scope of our work will be limited to those areas outlined above. Our testing will not include any assessment of project governance.

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

Our review of system security is restricted to: ensuring that LSBU have taken action to ensure that system access is restricted to appropriate individuals (including access to personal data); and, that mechanisms are in place to ensure that changes to system data are recorded, monitored and investigated. We will not test the operating effectiveness of these controls and our work will not be a 100% test of whether access rights are appropriate.

This review will only consider control design in the areas identified above – this does not constitute a full review of payroll controls.

### **Fee**

The fee for this piece of work is £7,104.

### **Audit approach**

Our audit approach is as follows:

- Obtain an understanding of Payroll implementation 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**

<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Engagement Manager	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com
Charlotte Bilsland	Audit Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Nick Clayton	Auditor	nicholas.m.clayton@uk.pwc.com

### **Key contacts – London South Bank University**

<b>Name</b>	<b>Title</b>	<b>Contact details</b>	<b>Responsibilities</b>
Natalie Ferer	Financial Controller (Audit Sponsor)	0207 815 6316 ferern@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
Richard Flatman	Executive Director of Finance	0207 815 6301 richard.flatman@lsbu.ac.uk	Receive draft and final terms of reference  Receive draft and final report
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Receive final terms of reference  Receive draft and final report

### **Timetable**

Fieldwork start	10/03/2014
Fieldwork completed	14/03/2014
Draft report to client	21/03/2014
Response from client	26/03/2014
Final report to client	01/04/2014

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.

# ***Appendix 3. Limitations and responsibilities***

## ***Limitations inherent to the internal auditor's work***

We have undertaken the review of Payroll Implementation 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 2013/2014 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; 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.

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



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	PAPER NO: AC.22(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Internal Audit Plan 2014/15	
Author:	PricewaterhouseCoopers, Internal Auditors	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends that the Audit Committee approve the internal audit plan, 2014/15	
Corporate Plan aspect which this will impact?	<ul style="list-style-type: none"> <li>• Creating an environment in which excellence can thrive.</li> </ul>	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – decision information?	n/a	

### **Executive summary**

The attached plan details the planned internal audit activity by PWC during the 14/15 Academic Year.

The major changes from the planned 13/14 activity is that the Continuous Audit testing has been expanded to incorporate student data quality on an on-going basis, and there has been specific inclusion of the change management programme.

The Executive recommends that the Audit Committee approve the attached plan.

**Attachment:** LSBU - Internal Audit Plan 2014/15.

# *Internal Audit Risk Assessment and Plan 2014/15*

DRAFT

London South Bank  
University

May 2014

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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.

This is a draft prepared for discussion purposes only and should not be relied upon; the contents are subject to amendment or withdrawal.



# 1. Introduction and approach

## Introduction

This document sets out our risk assessment and our 2014/15 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*

Our annual internal audit report is based on and limited to the internal audits we complete over the year and the control objectives agreed for each internal audit. We have kept the number of audit days in 2014/15 to 125. Although this is above the 99 base days agreed on our appointment three years ago, this represents less base days than the previous three years. In our view, these are the minimum number of days required to support the annual audit opinion in 2014/15.

As the risk assessment and base internal audit plan has been limited to 125 days for London South Bank University's internal audit service 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 risk assessment and internal audit plan, the Audit Committee recognises this limitation.

## *Basis of our annual internal audit conclusion*

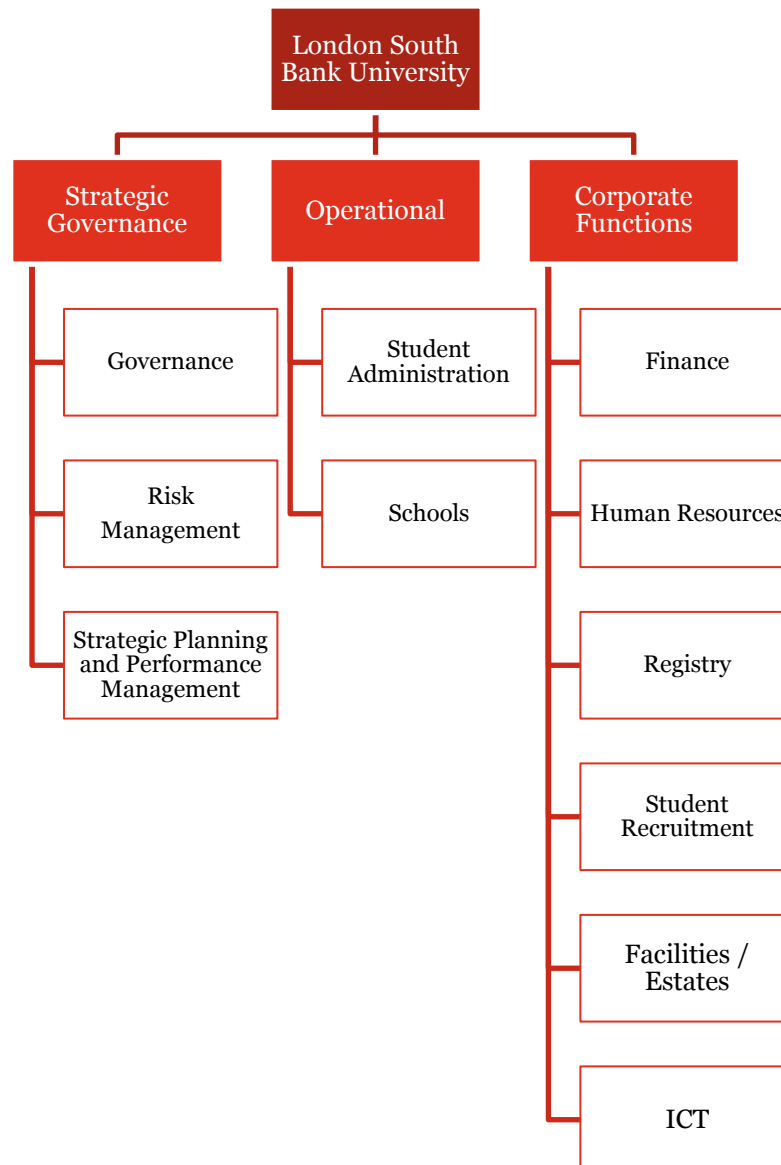
Internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Financial Memorandum. As a result, our work and deliverables are not designed or intended to comply with the International Auditing 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 high level auditable units within the audit universe of London South Bank University. These units 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 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 Financial Memorandum 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).

Further to these requirements of internal audit, the Audit Committee is required to include in its annual report a conclusion on data quality arrangements. 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 2014/15 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.

We have included a separate continuous auditing programme of student data in 2014/15. This is a new approach from previous years and should 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 2014/15 and consider governance arrangements as part of all our internal audits.

### **Financial Systems Key Controls**

We will continue to undertake our work on the financial systems key controls using our continuous auditing programme. 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. We are planning to reduce our reporting cycle from 4 periods to 3 periods, in response to improvements made to the control environment last year and also the separation of student data into a separate reporting cycle.

### **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.

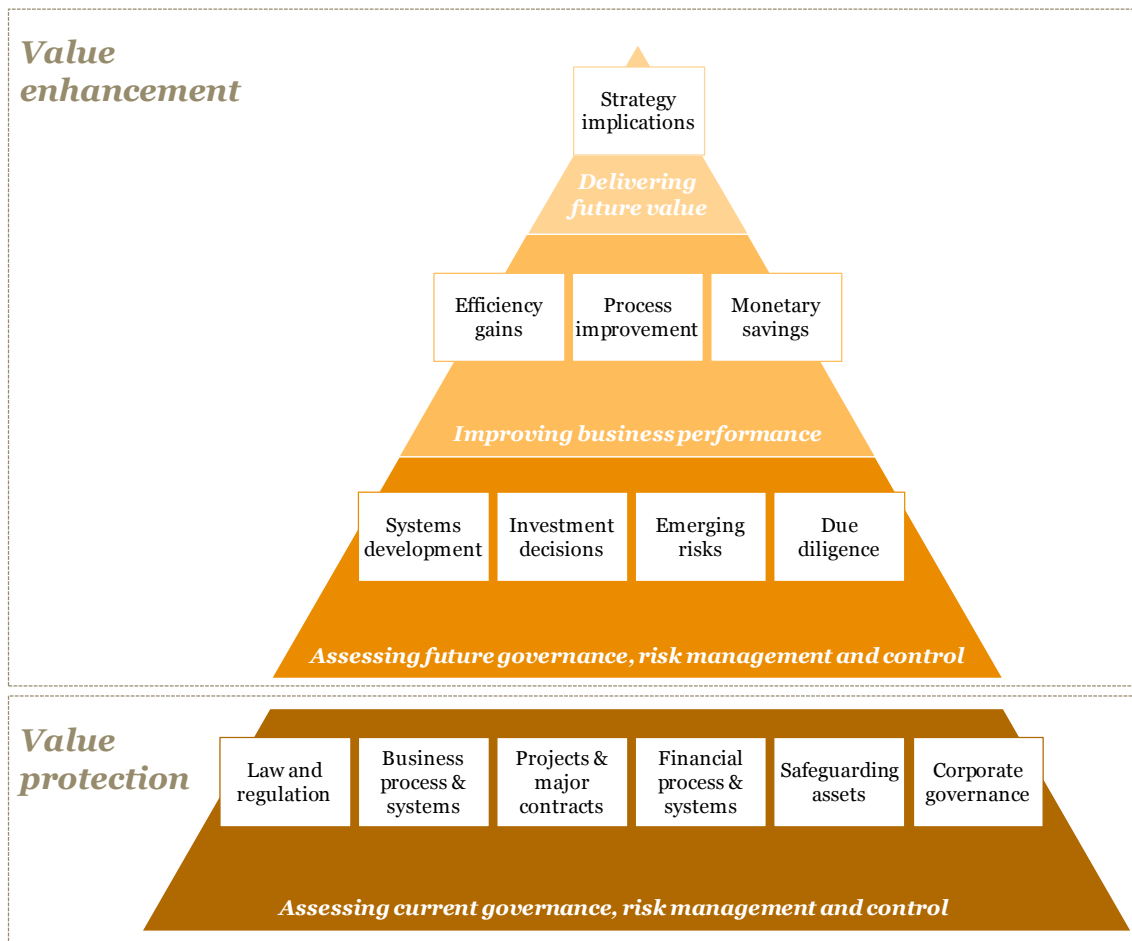
We are required to include an opinion on the adequacy and effectiveness of London South Bank University's value for money arrangements (not results, outputs or achievement) in our annual internal audit report to the Audit Committee, governing body and designated officer. A review of value for money arrangements will be performed in 2014/15.

### **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 2014/15 and report progress through to the Audit Committee.

## *Delivering value through our approach*

Our approach focuses on two types of review, Value Protection and Value Enhancement. The nature of Value Protection and Value Enhancement is summarised below:



### **Value Protection**

Value Protection provides a review of your current governance, risk management and control arrangements, which constitutes a traditional controls assurance methodology. You need assurance on your core systems and we have included necessary core system reviews in the plan. We will communicate risk areas and issues identified from our work so that our approach is co-ordinated to address risks identified.

### **Value Enhancement**

Value Enhancement is focused on assessing future risks, such as looking at your new projects / systems and improving your performance, by, for example, identifying opportunities for efficiency gains, saving money and improving quality. Internal audit provides a valuable role in improving business performance and delivering future value. We will use our broader specialist skills and experience to help London South Bank University to achieve its aims and objectives.

## 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
<b>A</b>	<b>Strategic/governance</b>						
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	Risk Management	5	3	4	●	Annual	Risk management arrangements will be covered every year. HEFCE requires internal auditors to cover risk management arrangements each year.
A.3	Strategic Planning and performance Management	4	4	2	●	Every three years	In 2014/15, processes for value for money will be considered.
<b>B</b>	<b>Operational</b>						
B.1	Student administration	5	3	4	●	Annual	The student data system will be covered by continuous auditing each year.
B.2	Schools	5	3	4	●	Annual	Certain reviews will cover a sample of Schools each year. For example, risk management and our continuous auditing cycles.
<b>C</b>	<b>Corporate Functions</b>						
C.1	Finance	5	3	4	●	Annual	Continuous auditing on key financial systems each year (payroll, accounts payable, account receivable, general ledger and cash). Key financial systems must have robust controls and these should be checked each year, including IT aspects. One off reviews on specific areas will also be undertaken.
C.2	Human Resources	3	4	N/a	N/a	N/a	We reviewed payments to Hourly Paid Lecturers in year 2010/11. No particular risks identified as part of planning.
C.3	Registry	3	3	2	●	Every three years	This will be covered by our continuous auditing of student data.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
C.4	Student recruitment	5	3	4	●	Annual	The student data system will be covered by continuous auditing each year.
C.5	Student Services	3	3	2	●	Every three years	Student residences review performed in 2011/12. We also performed a review of processes that could result in a student complaint to the Officer of the Independent Adjudicators (OIA) in 2013/14.
C.6	Facilities / Estates	3	3	2	●	Every three years	Student residences review performed in 2011/12. No particular risks identified as part of planning.
C.7	ICT	5	3	4	●	Annual	We performed an audit of IT controls and Phishing in 2012/13 and we reviewed Disaster recovery and business continuity in 2013/14. We have included a review of data security for 2014/15.

### *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 2014/15, with indicative start dates for each audit.

Ref	Auditable Unit	Indicative number of audit days	2014/15				Comments
			Q1	Q2	Q3	Q4	
<b>A</b>	<b>Corporate systems</b>						
A.2	Risk Management	10				✓	<ul style="list-style-type: none"> <li>• Policies and Procedures</li> <li>• Reporting and Monitoring of risk</li> <li>• Risk Identification</li> <li>• Embedding Risk Management</li> </ul>
A.3	Value for Money	5				✓	HEFCE requirement. We will also consider value for money arrangements on other reviews performed.
<b>B</b>	<b>Operational</b>						
B.1	Change Management	15		✓			Review of the change management programme in relation to structural changes.
<b>C</b>	<b>Corporate Functions</b>						
C.1	Continuous Auditing – Financial Controls	40	✓		✓	✓	We will review controls in the following areas: <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Cash</li> <li>• Accounts Payable</li> <li>• Accounts Receivable</li> <li>• Payroll</li> </ul>
C.3	Continuous Auditing – Student Data	30	✓		✓		Rolling cycle of reviews of key controls over student data. To also include compliance checks with UKVI.
C.7	Data Security	10		✓			Review of data security arrangements in place.
<b>Z</b>	<b>Audit Project Management</b>						
Z.1	Planning and Management	10	✓	✓	✓	✓	
Z.2	Follow Up	5	✓	✓	✓	✓	
	<b>Total Days</b>	<b>125</b>					

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

From our work undertaken during 2013/14 and discussions with management, there are additional reviews that we believe management and the Audit Committee need to consider for inclusion in the 2014/15 plan in addition to the core days on the previous page. These include:

- Our last review of Human Resources was in 2010/11 when we reviewed payments to hourly paid lecturers. We would recommend that we perform a review of staff performance management given this auditable unit has not had an audit review for four years.
- It has been four years since we performed a review of procurement. We would recommend that we perform a review over contract management arrangements or some deep dive reviews into significant contracts to ensure that London South Bank University is following good practice and monitoring these contracts effectively, as well as ensuring that value for money is being achieved.
- Our risk assessment indicates we should perform a review of Estates in 2014/15. This could include a review of progress against the Estates Strategy.
- Our last review of Health and Safety was in 2010/11. We would recommend we perform a review of compliance with Health and Safety to ensure that controls are appropriately designed and robust.
- 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.
- A review of project and programme management arrangements across London South Bank University on a sample of high risk projects or a detailed review of arrangements for a specific programme.
- A review of policies and procedures and/or compliance with Home Office Tier 4 guidance for international students.
- A review of the controls and procedures for the halls of residence system.
- Computer assisted audit techniques (CAATS) – IT tools can play an important part in helping management to address challenges. We can use CAATS to query and analyse data from business systems, enabling management to answer questions more quickly, accurately and comprehensively than following a manual line of investigation. 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.
- FRS102 implementation review.

# 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 2014/15

Risk	Mapping to the Internal Audit Plan
Failure to position the University to effectively respond to changes in government policy and the competitive landscape.	We have included a review of risk management arrangements in 2014/15.
Loss of revenue if recruitment targets are not met.	Each year we have included the key controls in the student data system.
Staff pension scheme deficit increases.	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. We would recommend that London South Bank University perform an FRS 102 impact assessment to identify the impact of new reporting standards.
Ineffective data systems provide Management Information that is not meaningful and reliable, either for internal decision or for external reporting.	We will contribute towards London South Bank University's approach by including a review of financial key controls and student data key controls within the plan each year.
Loss of NHS contract income.	We have not included any specific reviews of this in our audit plan. We could consider this as part of our suggested review of contract management arrangements in 2014/15 if requested by management.
Negative impact of estates strategy on financial position.	No specific reviews included for 2014/15.
Student and other data not used and maintained securely or appropriately.	We are reviewing student data as part of our continuous auditing cycle. We are also performing a review of data security.
Poor staff engagement with the University.	No specific reviews included for 2014/15.
Effectiveness of delivery impaired as Institution goes through restructuring process.	We are performing a change management review in 2014/15.

# Appendix 4: Summary of audit programme 2010 - 2013

The table below summarises the coverage of our internal audit work programme between 2010 and 2013.

System	2010/11 Days	2011/12 Days	2012/13 Days	2013/14 Days
<b>Financial Systems</b>				
Financial Systems Key Control Reviews including continuous auditing	45	43	43	50
Payments to Hourly Paid Lecturers	10	0	0	0
Payroll Implementation	0	0	7	12
Payroll Follow Up	0	0	4	0
Financial Forecasting	0	0	5	0
Funding arrangements for Confucius Institute	10	0	0	0
<i>Sub Total</i>	<i>65</i>	<i>43</i>	<i>59</i>	<i>62</i>
<b>Operational Systems</b>				
Health and Safety	10	0	0	0
Student Residences	0	7	0	0
Research	0	10	0	0
Data Quality – rolling programme of reviews: 2011/12 – HESA Staff Return		5		
2012/13 – Key Information Set			10	
2013/14 – HESA Finance Return				10
Management of Representative Partners for International Students	0	5	0	0
Enterprise	0	0	10	0
Bribery Act 2010	0	5	0	0
IT Security Arrangements	0	0	15	0
Review of Capital Programme	0	0	8	0
Delegated Authority arrangements	0	10	0	0
TRAC Review	0	0	3	0
Management of Fraud Risk	0	0	5	0
Contract Management	10	0	0	0
Business Continuity	0	0	0	10
Student Module Data	0	0	0	5

Extenuating Circumstances, Academic Appeals & other processes that could result in a student complaint to the OIA	0	0	0	16
<i>Sub Total</i>	<i>20</i>	<i>42</i>	<i>51</i>	<i>31</i>
<b>Risk and Governance-Based Reviews</b>				
Risk Management	2	13	2	5
<i>Sub Total</i>	<i>2</i>	<i>13</i>	<i>2</i>	<i>5</i>
<b>Value for Money</b>				
<i>Value for Money Arrangements</i>	<i>10</i>	<i>2</i>	<i>2</i>	<i>5</i>
<b>Other</b>				
Follow Up	5	5	5	5
Planning, Management and Reporting	9	9	9	10
Review of Financial Regulations	1	0	0	0
<b>Total</b>	<b>112</b>	<b>114</b>	<b>128</b>	<b>128</b>



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	Paper Number: AC.23(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Student Records Review	
Author:	Deloitte LLP	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Recommendation by the Executive:	The Executive recommends that the Audit Committee note the attached report.	
Aspect of the Corporate Plan to which this will help deliver?	Creating an environment in which excellence can thrive.	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – who should be made aware of the decision?	n/a	

### **Executive summary**

The attached student records review was undertaken in addition to the normal internal audit programme for 2013/14, at the request of the Vice Chancellor. Deloitte had previously undertaken a review of our HESA Student and HESES returns in 2009.

Four areas were considered: data accuracy, data quality, data quality awareness, and a follow-up to the 2009 work. The focus of the work was on the HESA Student and HESES returns, and data informing those returns, rather than the focus on direct impact on the student experience which we have sought to adopt in more recent internal audit work.

The Executive recommends that the Audit Committee note the attached report.

**Student Records Review Responses**

Issue	Recommendation	Page	LSBU Response	Responsibility
ID: Proof of Identification	The University should ensure that the Health and Social Care faculty follows the University enrolment process of completing and ID check upon student enrolment	9	HSC will ensure that the University's enrolment processes are followed.	Executive Dean, HSC
ELQ	Students identified within testing should be corrected for future testing. Evidence of an ELQ assessment being performed should be recorded for all students on their enrolment forms	11	We will review our enrolment process	Deputy Academic Registrar
FEEREGIME	[no specific recommendation made]	13	We will review our enrolment process	Deputy Academic Registrar
QUALENT	The University should re-iterate the importance in recording of QUALENT details and perform sample checking to confirm this data is entered correctly into QLS and subsequent HESA return	14	We will review our qualifications checking process in preparation for HESA14	Assistant Registrar (Planning)
FUNDCODE	The Deputy Academic Registrar has confirmed the students sampled will be corrected where necessary for future Returns	15	The Deputy Academic Registrar has confirmed the students sampled will be corrected where necessary for future Returns	Deputy Academic Registrar
Data quality reporting	The University should continue with the current project to introduce the reporting system commissioned to replace Crystal Reports. The University should review current observations in relation to the report structure and access security issues	33	The Crystal replacement project will be implemented	Deputy Academic Registrar

# London South Bank University

	<p>associated with the current Crystal Reports system when considering the configuration and set up of the replacement reporting system</p> <p>In the interim, before the new reporting system is introduced, the University should attempt to limit access to Crystal Reports if the software will allow. Moreover Registry should continue to promote the academic wheel and key Crystal Reports. The Course Administrators should be provided with a policy, timetable and outlined expectations and responsibilities for data quality activities to be performed throughout the academic year to ensure HESA and HESES data is complete, accurate and timely</p>		<p>There is no practicable way to limit access to Crystal Reports in the interim</p>	Academic Registrar
			<p>We will review use of the Academic Wheel within our CPD project</p>	Deputy Academic Registrar
MODE	1,431 instances were returned as FT but with less than 120 credits	27	These students may be completing partial years or FUNDCOMP=2. We will review these to understand the reasons.	Assistant Registrar (Returns)
Fee status and DOMICILE	1,097 instances with fee status/domicile mismatches, mostly (868) England-domiciled students not eligible to pay home fees	25	These students may be domiciled in England for the purposes of full-time education. We will review.	Assistant Registrar (Returns)
Inconsistencies in completion status	One student identified with FUNDCOMP=1 when a MODOUT was 4. Five students had FUNDCOMP=2 when all MODOUTS were 1.	26	No action	Academic Registrar
TYPEYR	4,166 instances were identified where COMDATE and ENDDATE did not support the TYPEYR applied	30	A thorough review of course and module dates is already in hand as part of the CMP2 project. When this has been completed we will have much more confidence in COMDATE and ENDDATE and will amend TYPEYR values to match	Academic Registrar

# London South Bank University

Consistency of processes and ownership understanding	A succinct centralised policy document should be produced detailing: 1. the course creation procedures that must be followed including the expected naming convention 2. the crystal reports that should be run by course administrators and Faculty Quality Assurance Administrators (FQAAs) during the academic year (as detailed in the academic wheel) 3. Clear lines of accountability introduced through ownership of course, module and student data being explicitly defined 4. The key fields within QLS which are used to populate the HESA and HESES returns, in order to allow Course Administrators to focus on the accuracy and timeliness of these data fields	34	1. Is already under preparation	Academic Registrar
			2. Will be reviewed by our CPD Project Group	Deputy Academic Registrar
			3. is covered under (1) above	See above
			4. Is in existence but not widely available. It will be published as part of the Registry Handbook	Assistant Registrar (Returns)
Dummy Modules	Continue the programme of enhancing the awareness among Course Administrators that the allocation of dummy modules contravenes University policy and should not be performed In addition, the crystal report generated to highlight the assignment of dummy modules should be routinely run on a formalised basis. All instances appearing on the report should be investigated and staff held to account for use of dummy modules where appropriate	35	Enhancements to our module exception reports process are in hand	Assistant Registrar (Planning)
Quality of data capture	The university should continue its attempts to improve the enrolment and admissions process to ensure the student data is collated accurately in the first instance. There should be a continued emphasis to	36	We will review our enrolment process	Deputy Academic Registrar

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	ensure the ELQ data collected and stored in QLS is complete and accurate Moreover, the University should encourage Course Administrators to utilise Crystal Reports to ensure student data is complete and encourage students to actively maintain their personal record.			
Withdrawals and attendance monitoring	The University should continue to explore new attendance monitoring system or potential solutions for the current system In the interim, the University should introduce a universal policy of recording attendance using either the Business faculty's web-portal or reverting to hand-written registers. This would ensure that all data is captured and recorded until a solution to the Electronic Attendance Register System can be sourced. In relation to accuracy and completeness of current systems of attendance monitoring, the University should consider the implications of this over above withdrawals including compliance with UKBA attendance monitoring requirements	37	Not accepted. Replacement of the attendance monitoring system would be a major project and is inappropriate when other major change projects are already under way in the University. Implementation of universal paper registers would undermine electronic attendance monitoring where it is working. However, the International office is reviewing the potential implications in respect of UKVI compliance and will make further recommendations as appropriate.	
Data quality awareness of Course Administrators	The University should continue to increase the awareness of data quality amongst all staff members, focussing especially on Course Administrators Moreover, the completion of specific training courses, such as assessment entry, should be made compulsory for all Course Administrators. This would increase awareness of data quality as well as increasing the continuity and quality of data inputted across the University into QLS.	38	Will be reviewed by our CPD Project Group	Deputy Academic Registrar

# London South Bank University

Module intentionality	Issues have been noted with dummy modules	42	See above	See above
ELQ	The data accuracy testing identified inaccuracies in the completion of the ELQ and QUALENT fields	42	See above	See above
Attendance monitoring	Issues have been experienced to date with electronic attendance monitoring	42	See above	See above
Collaborative courses	There are still a number of collaborative courses where we have limited module data	42	A review of collaborative provision has recently been undertaken.	Director of Academic Quality Development Office
Duplications, omissions and data quality	Further improvement could be made in the ownership of data quality activities across all faculties	43	See above	See above

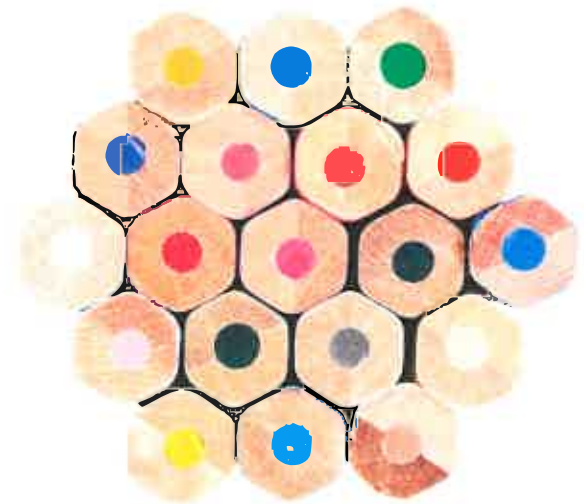
## London South Bank University

### Student Records Review

April 2014

**Document purpose:**

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# 1. Executive Summary

## Background

HEFCE seeks assurances from designated officers and audit committees at institutions about the management and quality assurance arrangements in place for data submitted to the Higher Education Statistics Agency (HESA), to HEFCE and to other funding bodies. In response to this memorandum, the University initiated two projects in 2009 to manage the risks around the submission of HESA and HESES Returns.

The objective of these projects was to identify improvements which would allow the University to submit complete and accurate Returns on time, in compliance with HEFCE guidelines and to provide transparency over ongoing risks and issues. The University requested Deloitte's assistance in 2009 as part of this project in reviewing the 2005-06 to 2008-09 HESA student Returns. Our review aimed to highlight potential errors in the data and associated deficiencies in the processes for the preparation, validation and submission of the Return, which may have led to, or continue to lead to, inaccurate Returns being submitted. In addition we performed an assessment of the quality of student records data held within the University's QLS student records system and the data submitted to HEFCE. As part of this work, a number of opportunities for improvement were identified.

Data quality and accuracy continue to be important as they are critical for funding and reporting purposes. The University has requested a follow-up review to determine the level of improvement made since 2009, and to identify any key deficiencies relating to student records which should continue to attract management attention and may require remediation.

## Scope

In order to perform this follow-up review, four areas of scope were considered:



### Data Accuracy

Testing the accuracy of data held in key fields held in the QLS system compared to supporting documentation for a statistically relevant sample of students.

### Data Quality

Performing a selection of data analytics to review the quality of the data submitted in the 12/13 HESA Return ("the Return") and the corresponding student records in the QLS system in order to identify potential anomalies.

### Data Quality Awareness

Performing an interview based data quality assessment exercise across a sample of Faculty and Central Registry Staff to determine the level of awareness at the University with respect to data quality and its importance and relevance.

### Follow-up Assessment

Performing a follow-up review of our previous "Student Records Review" report dated 3 December 2009 to determine if our recommendations have been implemented.

## Key Findings

There were 16 findings raised in the 2009 report. Our follow-up work has confirmed that 11 of these have been fully resolved and some level of progress has been made on the remaining five observations. This review has highlighted nine further observations (outlined below) where we would recommend the University should continue to maintain a focus on improvement.

Our key findings from the four areas of review are outlined here, with further details being provided in the sections referenced:

### Data Accuracy Testing (Detailed in section 2 of this report)



For a sample of 126 students, a selection of data held in key QLS fields and in the Return was verified to supporting documentation to determine if the system data held is accurate. Key findings include:

- Whilst procedures to check the identification documents of students have been implemented, not all of the students sampled had evidence of a full ID check being performed on enrolment.
- An Equivalent Learning Qualification (ELQ) assessment was not correctly performed for all students sampled.
- The Fee regime data recorded was either blank or completed incorrectly for a number of students sampled.
- The "QUANLET" (Qualifications on Entry) field was not completed accurately for all students sampled.

Module outcomes for 12/13 ("MODOUT") were initially in the scope of this review, however further discussion with the University confirmed the QLS system was the primary and only record of a student's module outcome, therefore checks to independent data sources could not be performed.

### Data Quality Analytics (Detailed in section 3 of this report)



A full extract of student records data was provided from QLS, alongside a copy of the 2012/2013 HESA Return. 17 data analytic tests were performed on these data sources, focussing on the integrity and quality of data supporting the HESA Return. A sample of findings from each analytic were validated and discussed with management. It should be noted that some of the potential exceptions may be valid in certain circumstances but appear unusual. Key findings include:

- Inconsistencies between the mode of study on the QLS system and the Return. 1,431 student instances were identified as 'full-time' on the Return but the student did not appear to have enough module credits to qualify as full time. There were 219 student instances that were identified with conflicts between their mode of study on the system and in the Return.
- 1,097 student instances were identified as having a potential conflict between their Fee Status and Domicile. 189 student instances were identified with a domicile outside the EU, which were recorded as 'eligible to pay home fees' and 908 student instances with a UK or EU domicile which were recorded as 'not eligible to pay home fees'.
- Inconsistencies in "completion" status. 15 student instances were identified as having been Returned as "complete" but having a zero or non-attendance mark in one or more of their final assessments which suggested they may not be valid completions. Additionally there were 20 student instances that were flagged as complete in the Return but which have a status of withdrawn in QLS.
- There were 4,166 student instances identified with a conflict between the start and end date of their course and their TYPEYR status. 4,048 student instances were identified on a standard year but the start and end date of their course suggested that they might be on a non-standard year. 118 student instances were identified on a non-standard year but the start and end date of their course suggested that they may be on a standard year.



### Data Quality Awareness (Detailed in section 4 of this report)

We performed an interview based data quality awareness exercise across a sample of Faculty and Central Registry Staff to determine the level of awareness at the University with respect to data quality and its importance and relevance. 12 Staff were interviewed from across the University.

We found that the general level of understanding regarding the importance of data quality, and the impacts of poor data quality was strong amongst those interviewed; however a theme emerged that their ability to identify and thus respond to poor data quality matters within the system could be improved. We understand that this is because limited data validation activities are being performed across the University, driven by the Central Registry Office, and that the validation activities performed within the Faculties are restricted by the data quality reporting available. Issues were raised in relation to accuracy and completeness of current systems of attendance monitoring; the University should consider the implications of this over above withdrawals including compliance with UKBA attendance monitoring requirements.



### Follow-up Assessment (Detailed in section 5 of this report)

An update was received from the Academic Registrar on each of the findings raised in the 2009 Student Records Review report. We have reviewed these responses and supporting evidence during the course of this review. Of the 16 findings identified previously, 11 were resolved to a satisfactory level and some progress has been made on the remaining five observations, being matters relating to:

- Module intentionality
- Assessing ELQ status
- Electronic attendance monitoring
- Module data on collaborative courses
- Data quality and ownership at Faculty level

We would like to thank all of the University staff who contributed to this work for their assistance during our review.

Data Accuracy



## 2. Data Accuracy

### Introduction

This section outlines the work performed and key insights from our Data Accuracy Testing.

### Approach

A sample of 126 students was randomly selected (from the population of 25,089 HEFCE fundable and funding complete student instances with a STULOAD of greater than zero) based on a 95% confidence level, 5% precision level and two occurrences of errors in the sample as the expected error rate. These parameters are defined in Appendix 2. Ten HESA fields or key data elements, identified below, relating to funding were subject to our testing. The objective of this area of testing was to review the data held in the QLS system and the 12/13 HESA Return and determine if this data was accurate based upon supporting documentation.

Field Name	Field Definition	Narrative
ID Check	Proof of Identification	The confirmation of a student's identity, including their nationality, is a key check in establishing whether they are home or overseas for funding purposes and to ensure they are who they claim to be.
MODE	Mode of Study	Whether a student is full time or part time affects the amount of funding provided or the fee charged to the student.
ELQ	Equivalent Learning Qualification	Students with an ELQ should not be fundable unless stated specifically within the course funding criteria that this is an acceptable fundable case.
DISABLE	Disability Allowance	Students identified as disabled are subject to enhanced funding requirements.
FEEREGIME	Fee Regime	The fee regime of the student determines the cost of their fees.
QUALENT	Qualification on Entry	A student's highest qualification on entry can be a useful indicator in relation to ELQ status.
FUNDCODE	Funding Code	This field indicates whether the student is counted as 'fundable', and therefore eligible for funding for the course by the appropriate funding body.
WITHDRAWAL	Evidence of Withdrawal	Where a student withdraws, they are no longer fundable. Delays in the withdrawal process may lead to the University incorrectly returning a withdrawn student as active and fundable.
NSS	NSS Population Inclusion	Identification of inclusion in the National Student Survey (an annual survey which gives university and college students the chance to have their say about what they liked and did not like about their student learning experience) is important to ensure maximum coverage of the survey without including students that have opted out.
POPDLHE	DLHE Population Inclusion	Identification of inclusion in the DHLE Survey (an annual telephone survey and data collection process which aggregates information about what former students are doing six months after graduation) is important to ensure maximum coverage of the survey without including students that have opted out.



Module outcomes for 12/13 ("MODOUT") were initially in the scope of this review, however further discussion with the University confirmed the QLS system was the primary and only record of a student's module outcome, therefore checks to source data could not be performed.

### Summary

Of the ten fields in the scope of the review, six were found to have sufficient evidence to support the data held in QLS for more than 95 percent of the sample. The four key areas where evidence does not support the data are with ELQ assessments, ID checking, Fee Regime and Qualifications on entry, where between 50%-95% of the sampled population was supported by documentation.

	ID Check	MODE	ELQ	DISABLE	FEEREGIME	QUALENT	FUNDCODE	WITHDRAWAL	NSS	POPDLHE
Overall Assessment	Yellow	Green	Yellow	Green	Yellow	Yellow	Green	Green	Green	Green
Accounting & Finance	Yellow	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
Adult Nursing	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green
Allied Health Professions	Green	Green	Green	Green	Red	Yellow	Green	Green	Green	Green
Applied Science	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green
Arts And Media	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
Built Environment	Yellow	Green	Yellow	Green	Green	Yellow	Green	Green	Green	Green
Business	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Business Studies	Yellow	Green	Green	Green	Green	Yellow	Green	Green	Green	Green
Children's Nursing	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Culture Writing And Performance	Yellow	Green	Green	Green	Green	Yellow	Green	Green	Green	Green

### Key

Green	>95% of Sample Supported
Yellow	50% - 95% of Sample Supported
Red	<50% of Sample Supported





## ID: Proof of Identification

### Source of evidence used to validate this field:

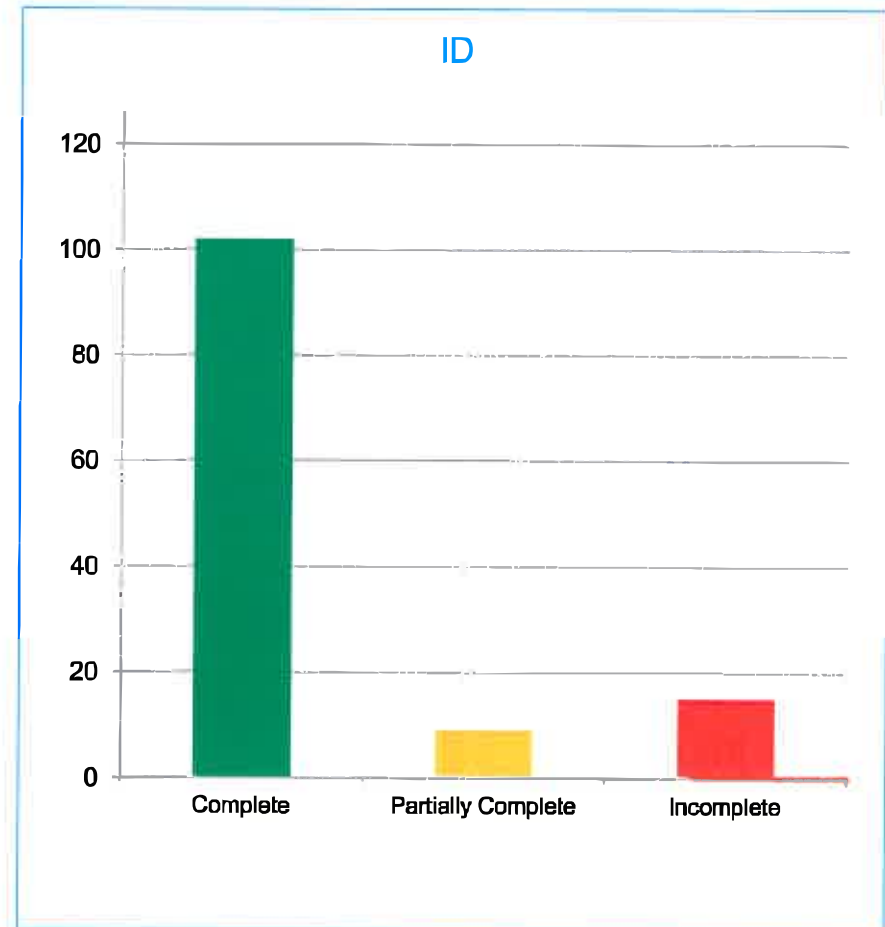
- Signed ID check sheet which is dated.

### Observations:

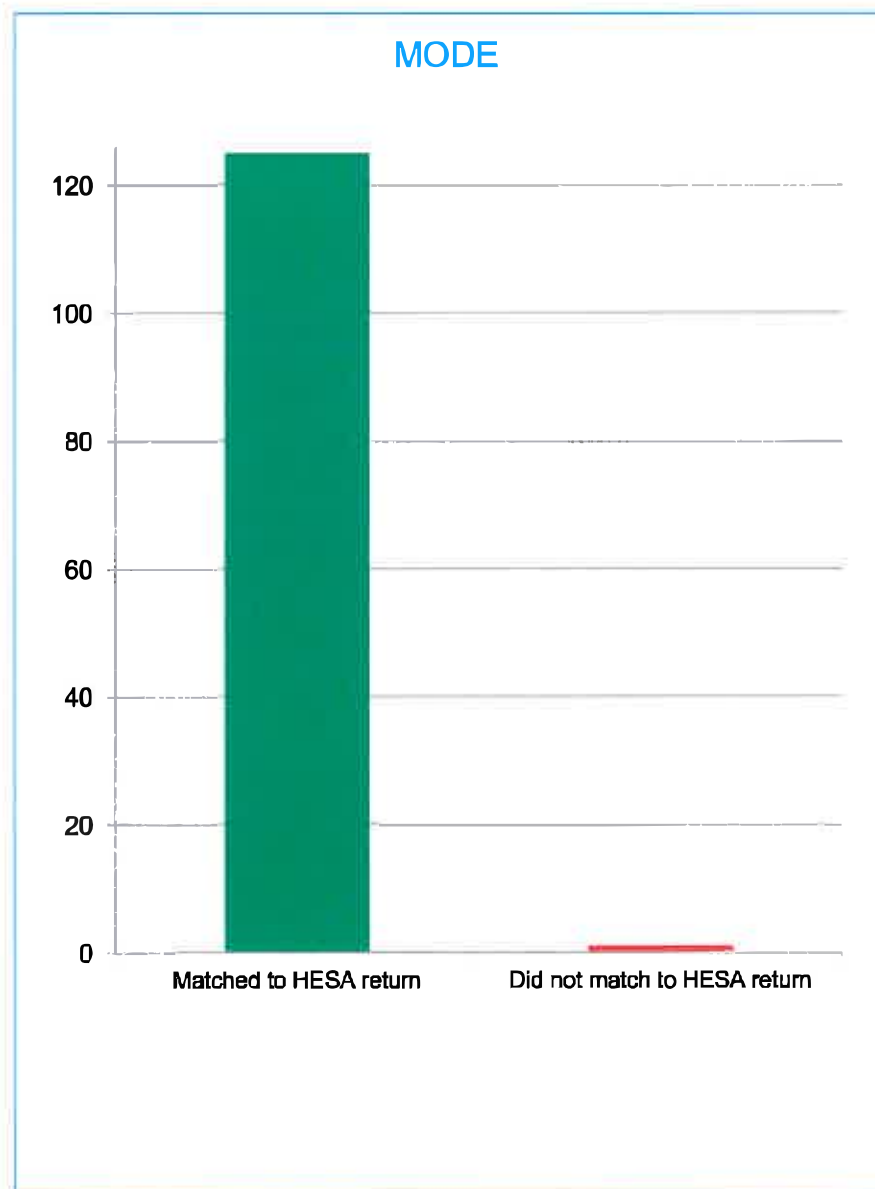
- Photocopies of ID are not kept on file, except on an exceptional basis where this may be an additional requirement of the course. As a result, copies of ID could not be evaluated as part of our review. A signed check sheet listing the two forms of identification viewed during enrolment was used as validation of the ID Check. 101 students in the sample had sufficient evidence available to demonstrate that an ID check had been performed on enrolment.
- 10 students sampled were found to have had a partially complete ID Check performed on enrolment. Nine of these ID Checks only recorded one form of identification being provided. One ID check was complete but not dated.
- Of the 15 incomplete ID Checks, 14 were the responsibility of the Health and Social Care faculty as enrolment had been onto a CPD\_OPEN course. This faculty was also found to have failed to complete a student status assessment (Home/EU/Overseas) on one occasion. The remaining incomplete ID check was the responsibility of the Education faculty.

### Recommendation:

- The University should ensure the policy of reviewing two forms of ID is documented during an ID check.
- Specifically, the University should ensure the Health and Social Care faculty follows the University enrolment process of completing an ID Check upon student enrolment.



## MODE: Mode of study – Full time or Part time



### Source of evidence used to validate this field:

- Enrolment and re-enrolment forms specifying the mode of study.

### Observations:

- MODE inputs sampled were found to be consistent between the enrolment and re-enrolment forms, and the HESA return entry.
- There was one instance where a student had been recorded as part time on their enrolment form when studying a full time course. This therefore did not match the HESA return data.

### Recommendation:

- N/A

## ELQ: Equivalent Learning Qualification

Source of evidence used to validate this field:

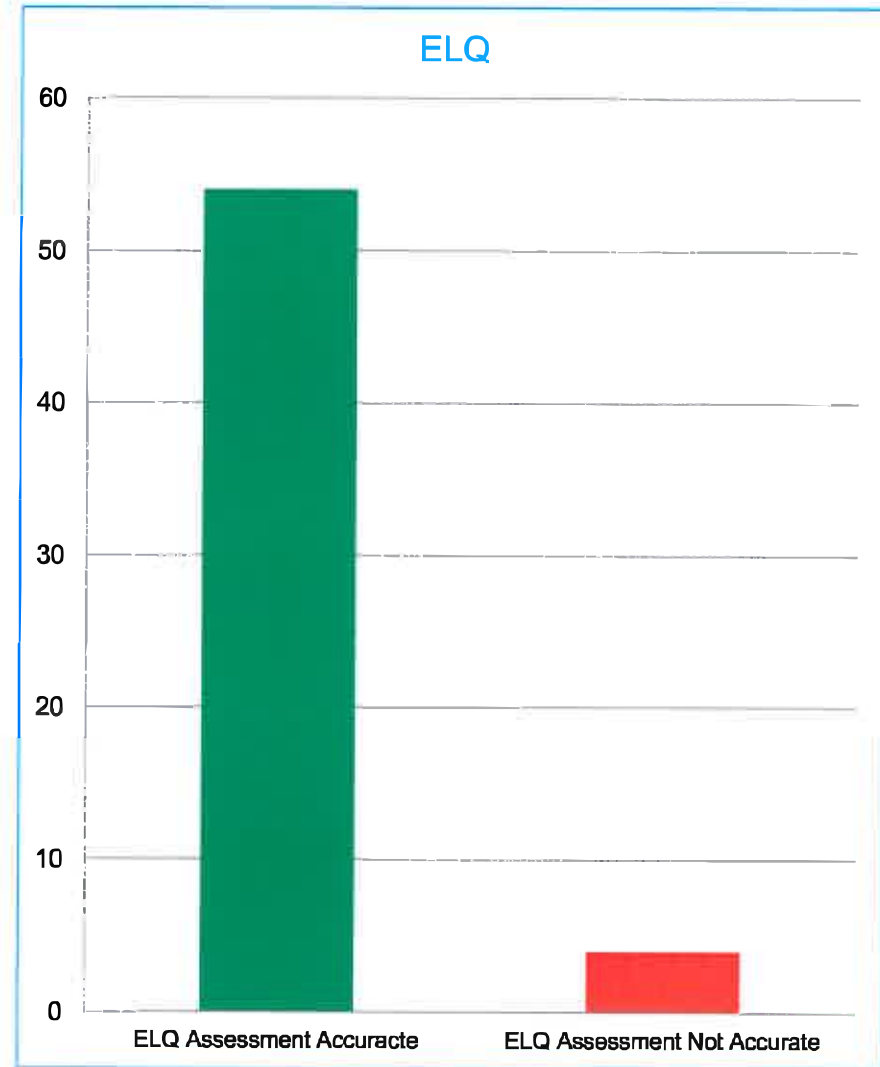
- Enrolment form specifying the ELQ assessment.

Observations:

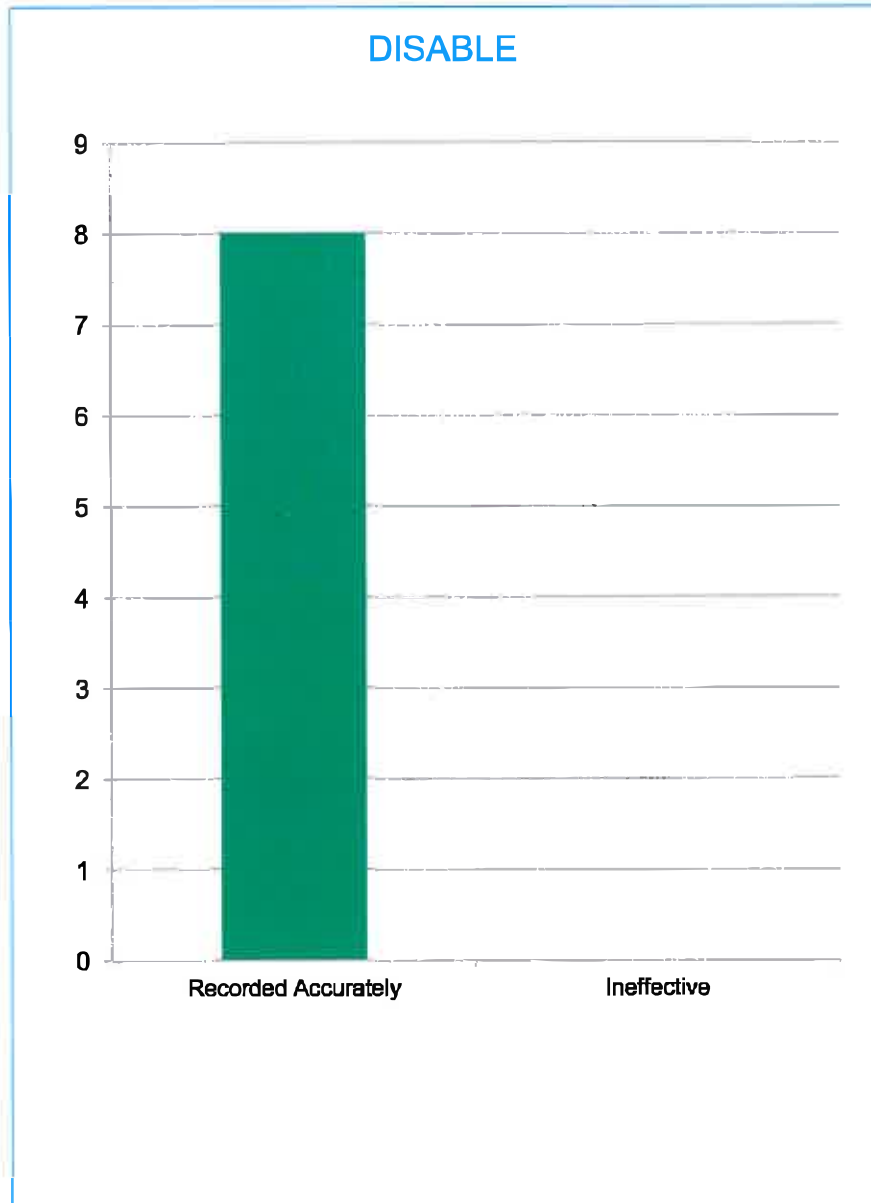
- 54 students sampled were correctly identified as having ELQ status or a non-ELQ status. 68 students were on exempt courses where ELQ was not relevant.
- One student was wrongfully assessed as having non-ELQ status.
- One student's ELQ status was not recorded on their enrolment form. However the student is self-financing their studies.
- Two ELQ Assessments could not be evidenced. However, one of these student's fees were paid by a sponsor and therefore the impact to the Return is reduced. The additional student identified that they had started higher education before but they had not recorded information on what qualifications had been achieved. This course is HEFCE funded but at post graduate level.

Recommendation:

- Students identified within testing should be corrected for future testing.
- Evidence of an ELQ assessment being performed should be recorded for all students on their enrolment form.



## DISABLE: Disability Allowance



### Source of evidence used to validate this field:

- Enrolment forms for self-certification of disability.

### Observations:

- Eight students were identified as having a self-certified disability. The Deputy Academic Registrar confirmed the students had been flagged as having Disability and Dyslexia Support (DDS) arrangements in place. This means that the University DDS Team will have carried out an assessment to determine the support required.

### Recommendation:

- N/A

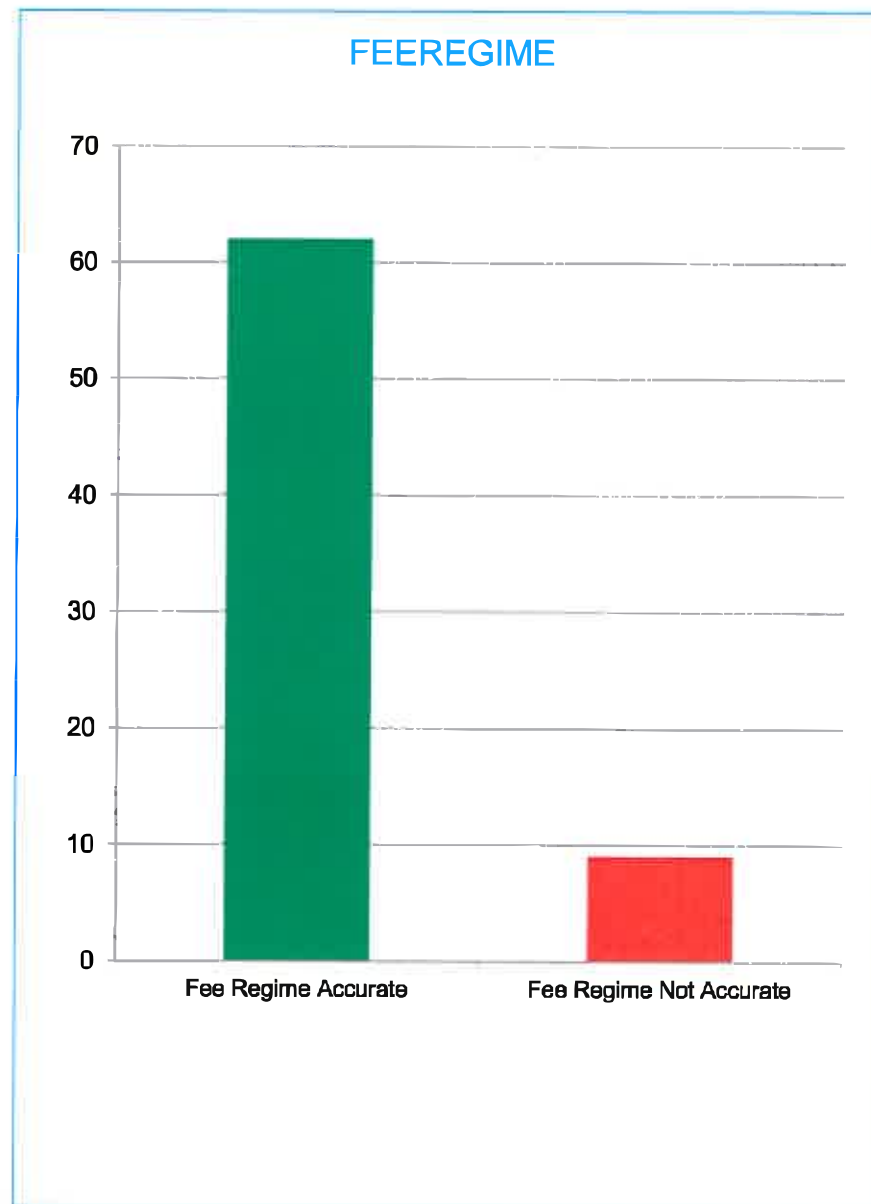
## FEEREGIME: Fee Regime

Source of evidence used to validate this field:

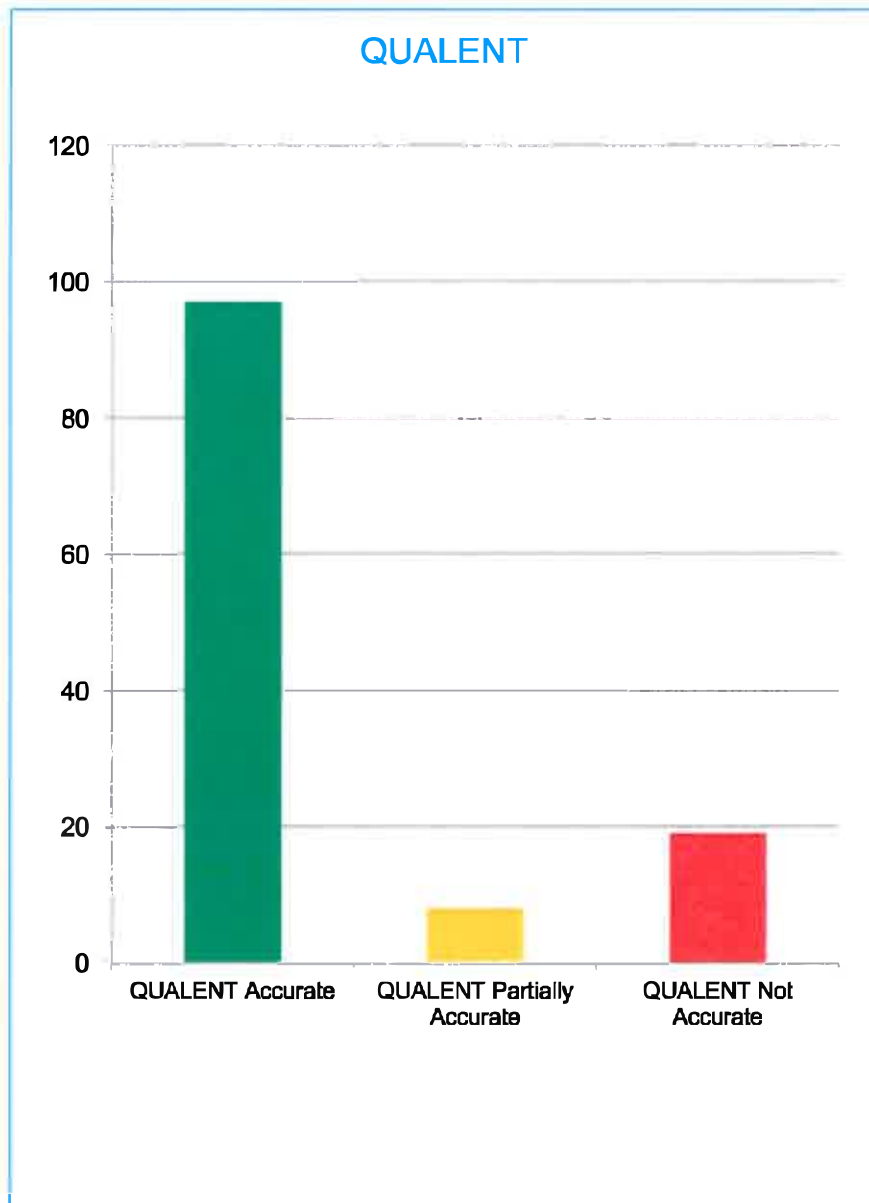
- Student finance assessment forms were reviewed to identify student type.
- Re-enrolment forms specifying student type.

Observations:

- 32 student's courses were covered by an external contract for fees and therefore the FEEREGIME was not applicable.
- 23 students were identified as not being required to pay fees in 2012/13 due to interruption or where enrolment was continued from the previous academic year.
- 62 FEEREGIME's applicable for testing were found to have been recorded accurately in the HESA return based on the student finance assessment forms and re-enrolment forms.
- One FEEREGIME field did not correspond correctly to the fee code attributed to the student in the student finance assessment and re-enrolment forms.
- Eight FEEREGIME's tested were incomplete.



## QVALENT: Qualification on Entry



### Source of evidence used to validate this field:

- Enrolment forms detailing qualifications on entry.

### Observations:

- 97 QVALENT fields sampled were considered to have been completed in line with expectation.
- Six QVALENT's sampled did not match the enrolment forms detailing the qualifications on entry.
- One student had a highest qualification on entry of Tesol, a level 7 qualification, which is comparable to a Post-Graduate degree. However QVALENT3 field was DUK for a UK Doctorate degree. Through the Deputy Academic Registrar it was confirmed that enrolment took place in 10/11 and so it looks like an error was made in that year.
- 12 instances were found where the Highest Qualification code had not been recorded. However, the Deputy Academic Registrar confirmed the courses were non-HEFCE funded.
- Eight instances were found where the correct level of qualification was entered but the HESA data did not accurately reflect the specific qualification recorded on the enrolment forms.

### Recommendations:

- The University should re-iterate the importance in recording of QVALENT details and perform sample checking to confirm this data is entered correctly into QLS and subsequently the HESA return.

## FUNDCODE: Funding Code

Source of evidence used to validate this field:

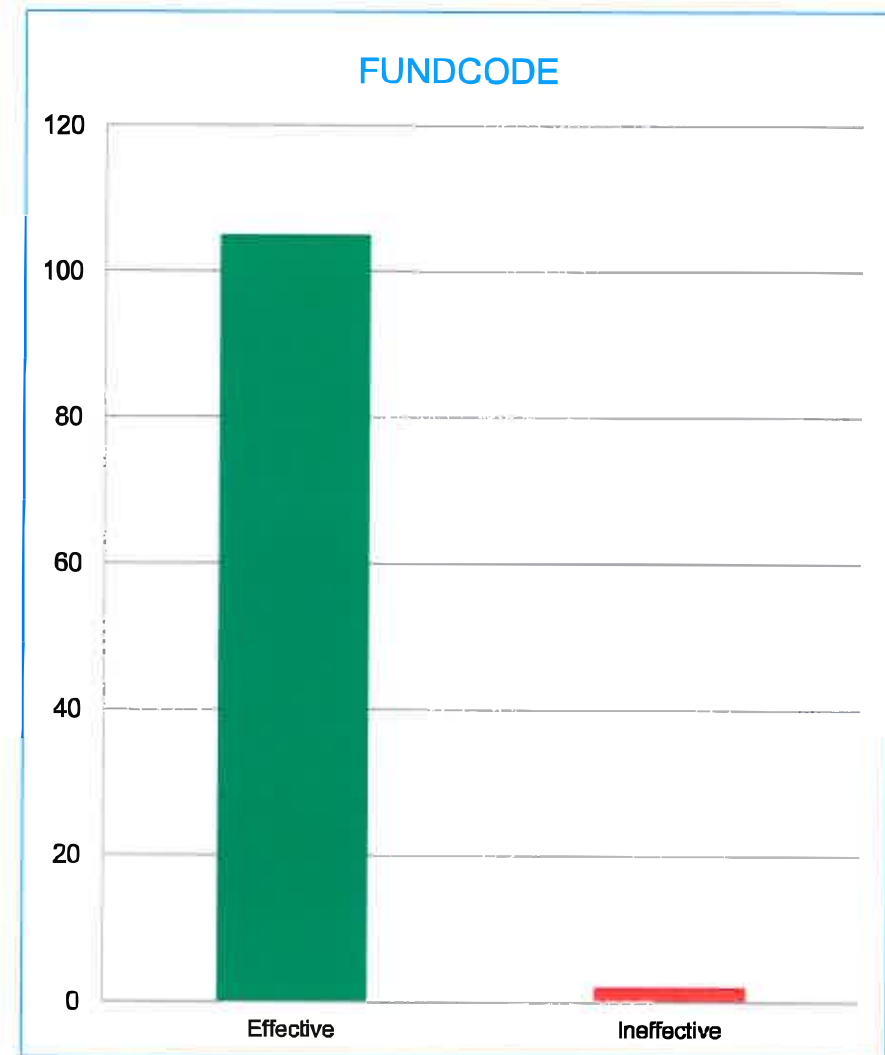
- Student finance calculation form.

Observations:

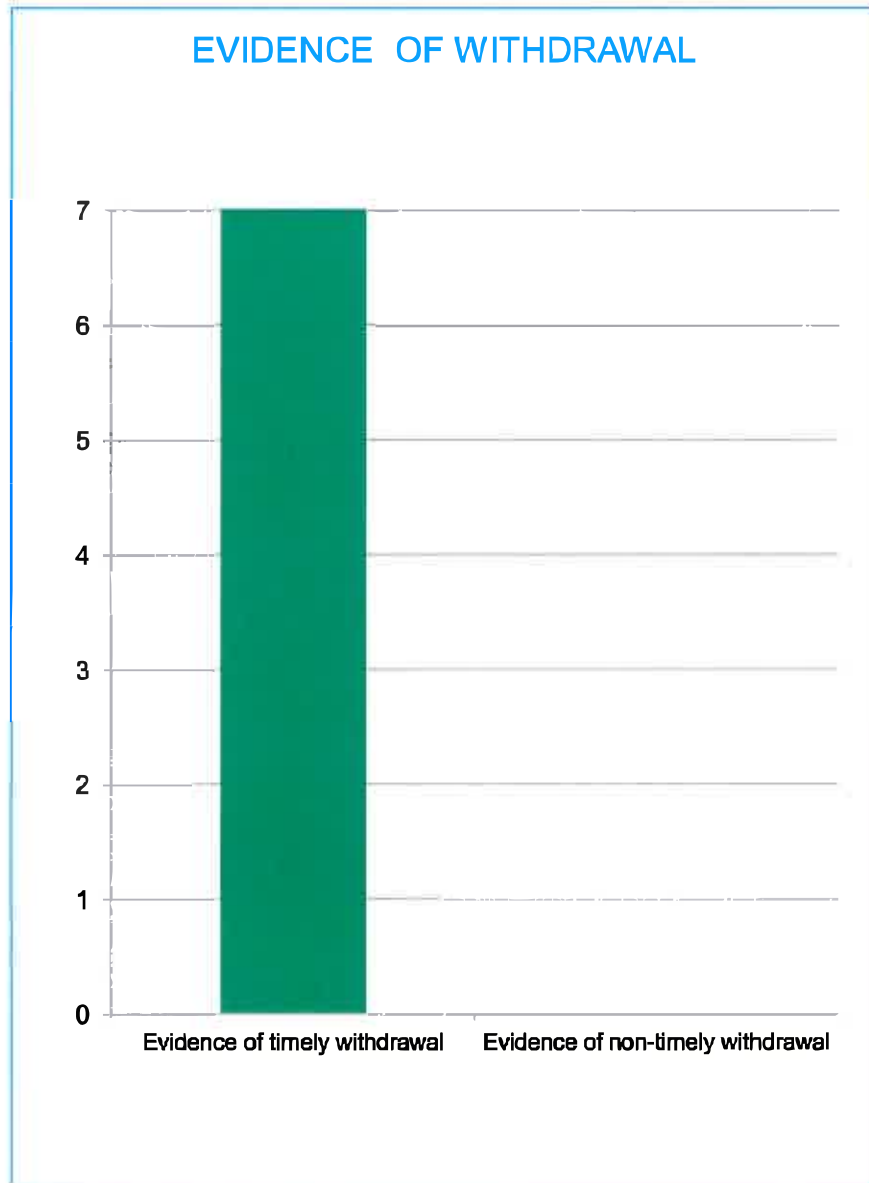
- 105 FUNDCODE's applicable for testing were found to have been recorded correctly.
- Two FUNDCODE's were entered as "1" stating Fundable by Funding Council. However, students had an ELQ status and are therefore potentially not fundable.

Recommendation:

- The Deputy Academic Registrar has confirmed the students sampled will be corrected where necessary for future Returns.



## WITHDRAWALS: Evidence of Withdrawal



### Source of evidence used to validate this field:

- The Notification of Withdrawal documents were used to verify this field.

### Observations:

- For the seven withdrawals sampled, all were considered to have been withdrawn in a timely manner based on the dates evidenced on the notification of withdrawal documentation.

### Recommendation:

- N/A



## NSS: NSS Population inclusion

Source of evidence used to validate this field:

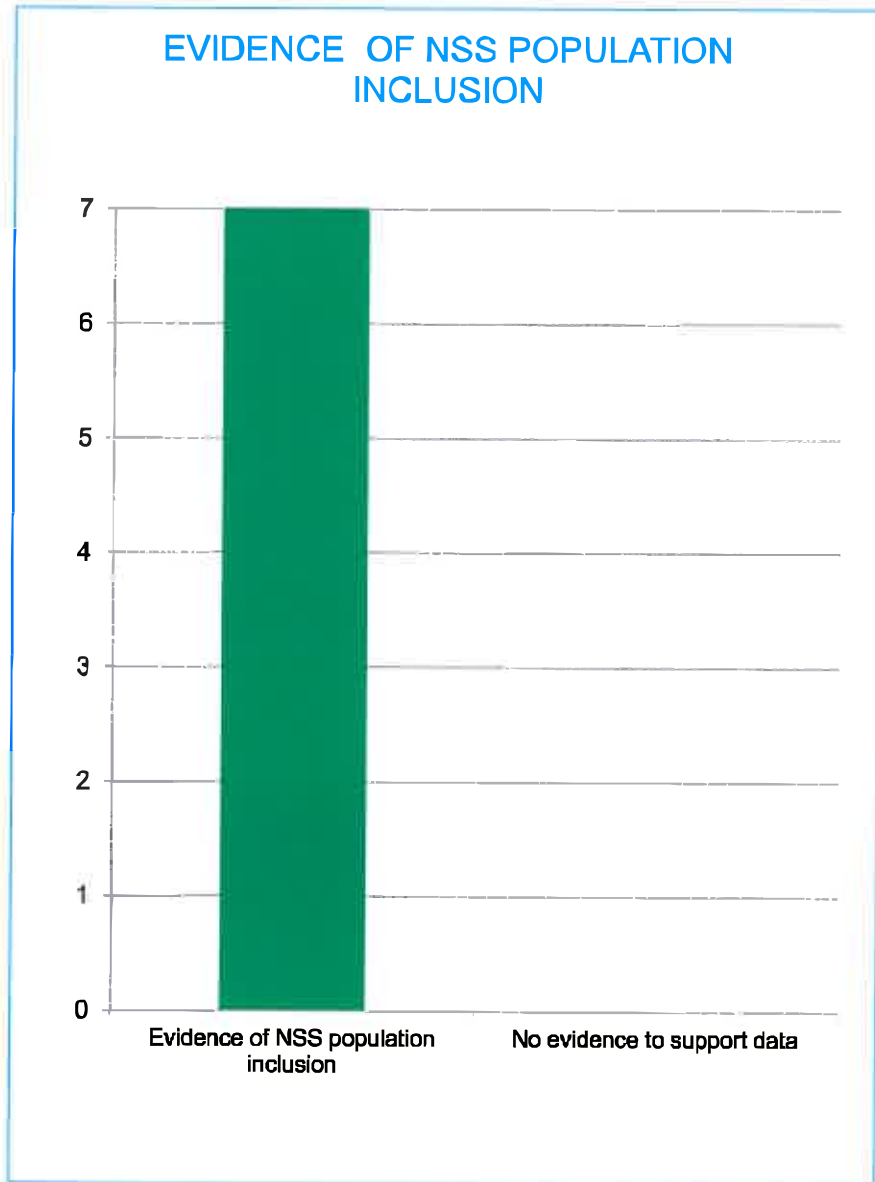
- National Student Survey (NSS) Population was used to verify this field.

Observations:

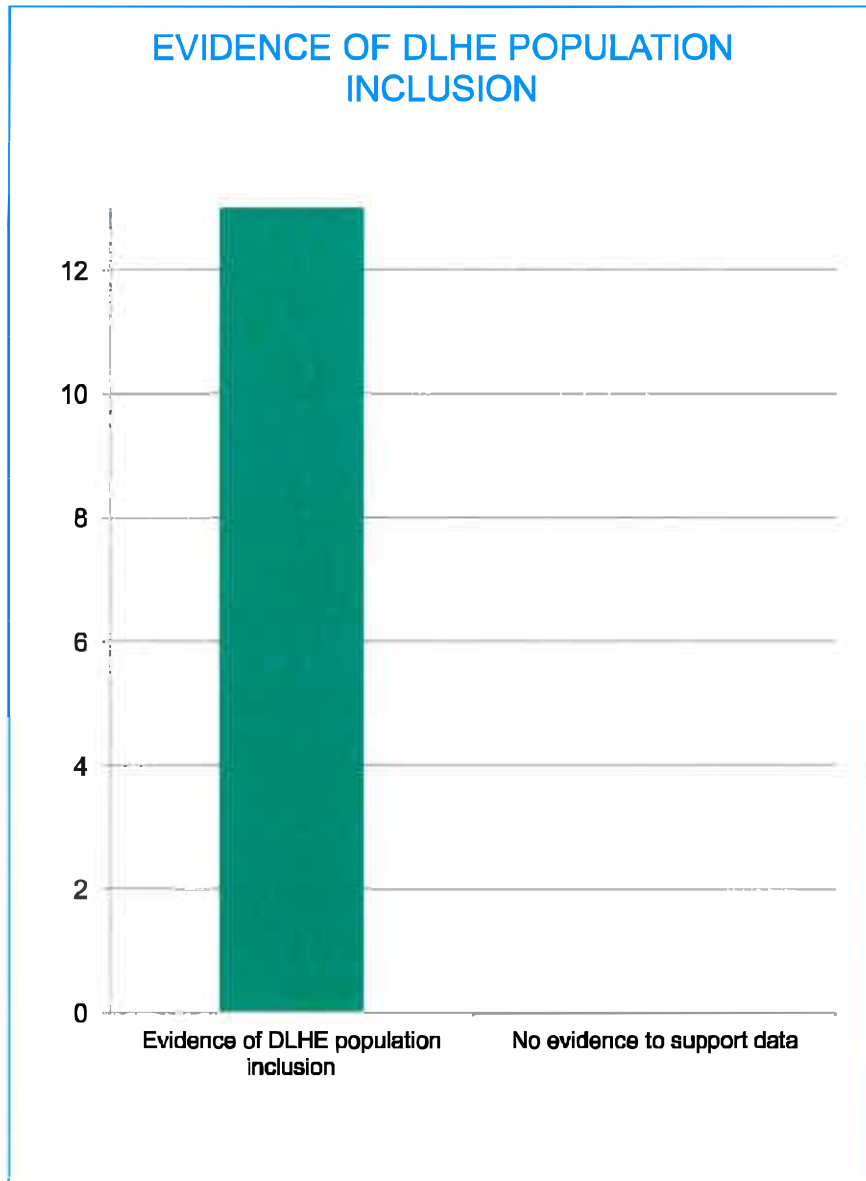
- Identification of inclusion of the data in the, NSS, an annual survey which gives university and college students the chance to have their say about what they liked and did not like about their student learning experience during their time in higher education.
- For the seven records sampled, all were included in the NSS population accurately.

Recommendation:

- N/A



## POPDLHE: DLHE Population inclusion



### Source of evidence used to validate this field:

- DLHE Population was used to verify this field.

### Observations:

- This test checked the inclusion in the return of the destination of leavers of higher education for the population where applicable.
- For the 13 records sampled, all were included in the DLHE population correctly.

### Recommendation:

- N/A

# Data Quality



# 3. Data Quality

## Introduction

This section outlines the work performed and key insights from our Data Quality testing.

## Approach

An extract of student records data was taken from the QLS student records system, alongside a copy of the 2012/2013 HESA return. 17 analytic tests were performed against this data, focused on the integrity and quality of data supporting the Return. A sample of findings from each analytic were validated and discussed with management. The profile of the HESA return and QLS data has been documented in Appendix 3.

The table below outlines the data analytics testing performed and those tests which have resulted in insights identified:

Test Ref	Testing Area	Test Description	Insights Identified
S01	Address	Identify student address details which exhibit poor data quality.	✓
S02	Duplicate students	Identify potential duplicate students using intelligent matching.	✓
		Identify potential duplicate students using name and date of birth.	
S03	Inaccurate return	Identify students which have not been returned to HESA or which have been returned and are not on QLS.	There were 166 students on QLS system that were not on the HESA Return and 23 students on the HESA report but not on QLS.
S04	Equivalent Learning Qualification	Identify potential ELQ students which have been returned as fundable.	0 Results Identified
S05	Fee	Profile students by course type and fee to identify outliers e.g. student is paying an undergraduate fee but is on a postgraduate course.	✓

Test Ref	Testing Area	Test Description	Insights Identified
S06	Fee	Profile students by home/overseas status and fee to identify outliers e.g. Overseas students being charged home fees.	✓
S07	Fee status / nationality / fee eligibility	Identify students with a key conflict between Fee status / Domicile / Fee eligibility.	✓
S08	Final assessment identification	Students have zero or non-attendance mark in one or more of their final assessments and are on the return as "complete".	✓
S09	Mode	Student Mode of Attendance (MOA) is FT in the return but they: <ul style="list-style-type: none"> <li>• Appear to be studying on a PT course</li> <li>• Do not have enough credits to qualify as FT</li> </ul>	✓
S10	FTE	Profile the number of credits each student is taking against their FTE value to identify outliers.	✓
S11	Funding status	Identify unusual MODOUT / FUNDCOMP combinations. Review consistency of MODOUT vs. QLS Module Results.	✓
S12	Mode of Study	Identify conflicts between a student's mode of study in the system and the return.	✓
S13	Non-standard years	Profile the completion status of students on a non-standard year.	No significant results identified
S14	Withdrawals	Analysis of issues with finishing off records. Identifying clashes between key fields relating to withdrawals. Identify potential additional withdrawals.	✓
S15	Withdrawals – Non completion	Student has withdrawn but is flagged as "complete" in the return.	✓
S16	Fee Regime	Profile the number of students on an old/new fee regime and compare to the TYPEYR and COMDATE.	✓
S17	TYPEYR	Identify potential errors with the TYPEYR value returned.	✓

## Detailed Results

Results have been presented here for those analytics where insights have been identified. Where no results have been presented below either there were limited results or limited risk associated with the results.

### S01 Identify student address details which exhibit poor data quality and S02 identify potential duplicate students

#### S01 Addresses:

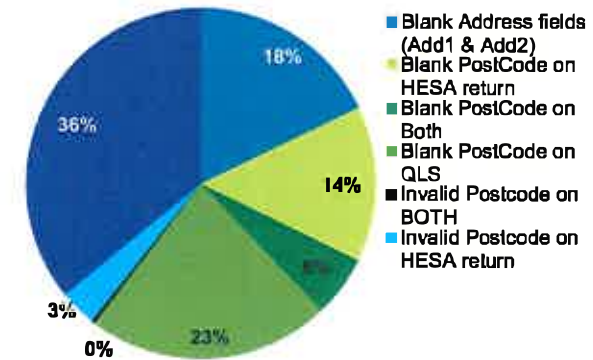
- Testing was performed to assess the quality of data held relating to student addresses. Each address was assessed for the following: blank Address fields (ADD1 and ADD2 fields), blank post codes and invalid postcodes against a valid list of UK post codes.
- 24,901 student addresses from the QLS system were tested. 320 (1.29%) UK addresses were identified as exhibiting poor data quality. 525 (2.11%) non-UK addresses exhibited poor data quality.
- 46 address instances were identified with a blank post code and 11 instances with invalid postcode for UK students on the HESA return.
- 124 address instances were identified with a blank post code on the HESA return for Non – UK students. No testing was performed against the validity of the postcodes of the Non – UK students.
- Where the University does not currently hold a valid UK address for a student, it may be more difficult to trace and validate them as a legitimate student.

#### S02 Duplicates:

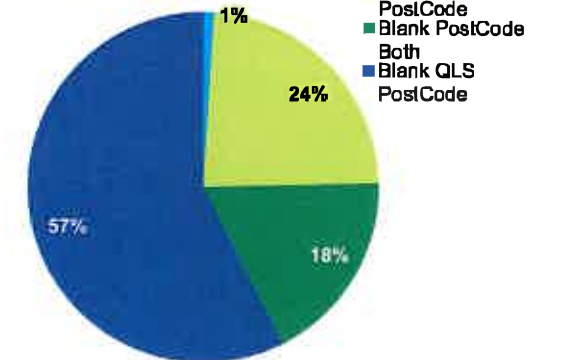
- There were two student records identified as potential duplicates using an exact match on full name and date of birth.
- An intelligent match was performed to identify potentially duplicate students using a 90% likeness threshold. A visual review of these results indicated five pairs of potentially duplicate student records when using full name only and 0 pairs when using full name and date of birth.

*Details of unmatched addresses may be found on tab 1a and tab1b of the Detailed Results Workbook. Details of potentially duplicate students may be found on tab 2a, tab 2b and tab 2c.*

Poor quality addresses - UK Students



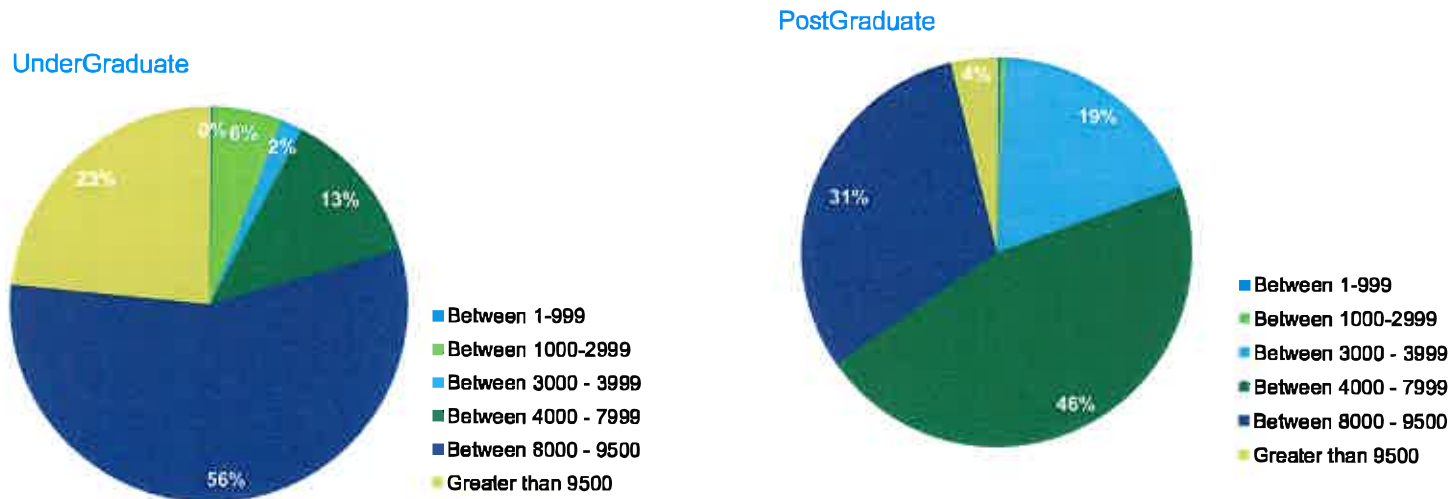
Poor quality addresses Non-UK Students



S05 Profile students by course type and fee to identify outliers e.g. student is paying an undergraduate fee but is on a postgraduate course...

- Testing was performed to identify the profile of students by course type and fee to identify any outliers, for example where a student is paying an undergraduate fee but is on a post graduate course. Entries were restricted to full time students using GROSSFEE from the HESA2 table where the entry was not blank.

*Details of the students by course type and fee profiling against the modules per student can be found on tab 5 of the Detailed Results Workbook.*



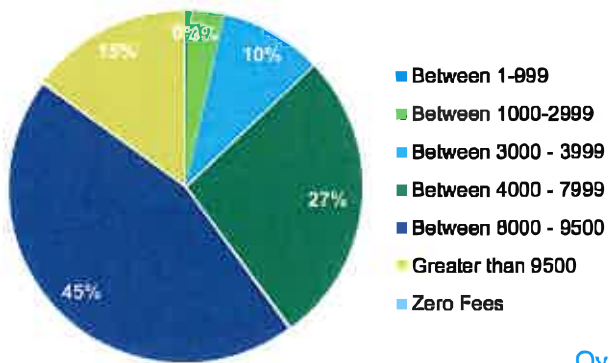


S06 Profile students by home/overseas status and fee to identify outliers e.g. Overseas students being charged home fees

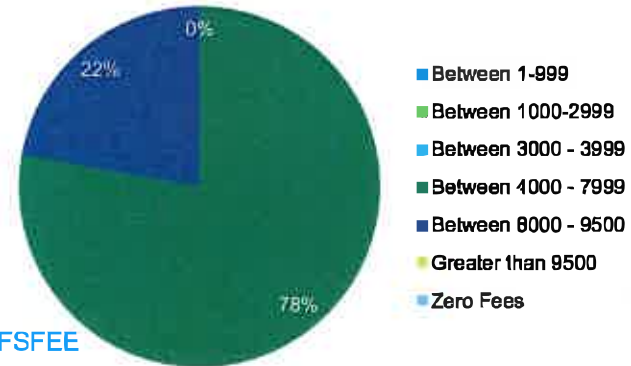
- Testing was performed to identify the profile students by home/overseas status and fee to identify outliers, for example overseas students being charged home fees. Entries were restricted to full-time students only and we used GROSSFEE from HESA2 table only when it is not blank for HomeEU students and AOS\_TUTNFEE from STFSTFEE table for Overseas.

Details of the students by course type and fee profiling against the modules per student can be found on tab 6 of the Detailed Results Workbook.

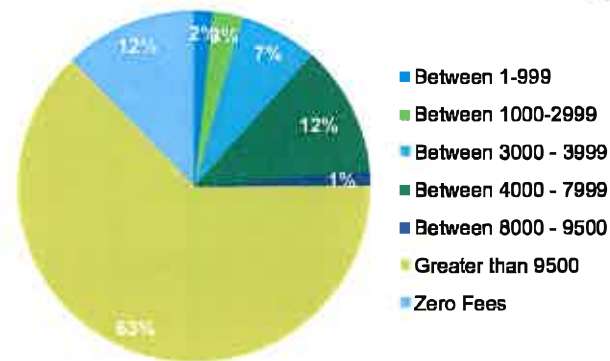
HomeEU



Overseas - GROSSFEE from HESA2



Overseas - AOS\_TUTNFEE from STFSTFEE





#### S07 Identify students with a key conflict between Fee status / Domicile / Fee eligibility

- 1,097 student instances were noted with a key conflict between Fee Status and Domicile. 189 student instances were identified with a domicile outside the EU who were recorded as 'eligible to pay home fees' and 908 student instances with a UK or EU domicile who were recorded as 'not eligible to pay home fees'.
- There were 868 student instances identified with a 'ENGL5826A' domicile who were recorded as 'not eligible to pay home fees'.
- We found nine student instances where the Domicile recorded on QLS seemed to be invalid. The invalid domiciles noted were the following: 'UNIT2826A' and 'SERB1780A'.
- 56 student instances were identified with a potential conflict between the EEC\_FLAG (Flag that defines EU student or not) and CDD\_CODE (domicile code) on QLS.. Additionally there were three cases found where the 'FEEELIG' field was set up incorrectly on the HESA return, returning an output of 1 (eligible to pay home fees) for students identified as having a domicile of overseas.

*Details of students with a domicile outside of the EU who were 'eligible to pay home fees' may be found on tab 7, 7Additional1, 7Additional2 of the Detailed Results Workbook.*

**S08 Students have zero or non-attendance mark in one or more of their final assessments and are on the return as "complete and S11 identify unusual MODOUT / FUNDCOMP combinations Review consistency of MODOUT vs. QLS Module Results.**

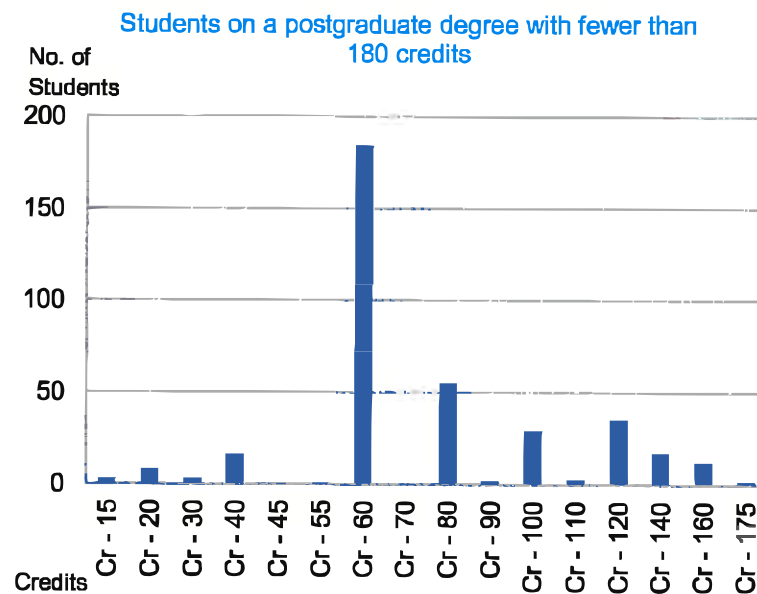
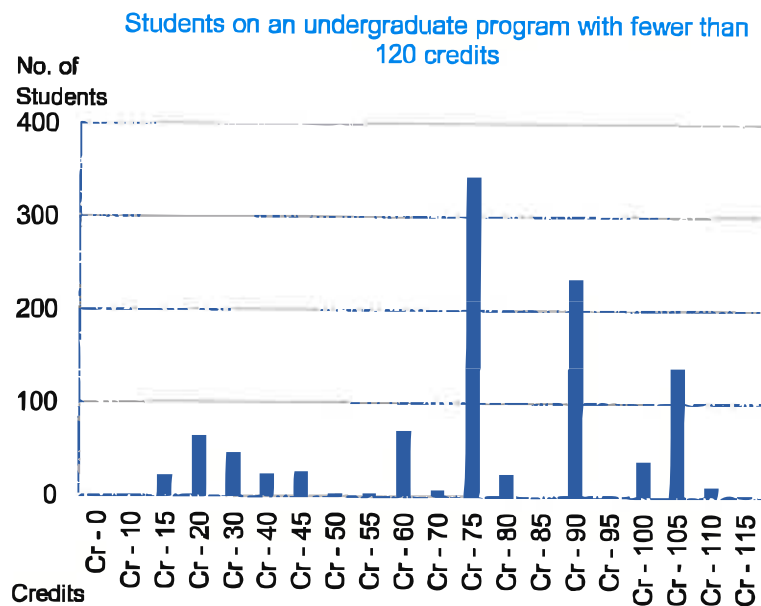
- Testing was performed to compare student completion status against their module outcomes. 15 student instances were identified as having been returned as complete with a zero or non-attendance mark in one or more of their final assessments which suggested they may not be valid completions.
- Six student instances were identified with a potential conflict between MODOUT and FUNDCOMP. One student instance was identified with a MODOUT = 4 (not complete) and a FUNDCOMP = 1 (complete). Five students were identified with a MODOUT = 1 (complete) and a FUNDCOMP = 2 (incomplete).
- Testing was also performed to identify students marked as 'withdrawn' in QLS who had also been returned as fundable completions. There were 20 student instances identified. See below for the withdrawn reason for these 20 students:

Reason Withdrawn	No of Students
Financial reasons	1
Successful completion of course	4
Other	9
Other personal reasons & dropped out	2
Gone into employment	1
Academic failure/left in bad standing/not permitted to progress	3

*Details of inconsistencies between module outcome and completion status may be found on tab 8 and 11 of the Detailed Results Workbook. Details of withdrawn students returned as completions may be found on tab 15.*

**S09 Student MOA is FT in the return but they do not have enough credits to qualify as FT.**

- 1,431 student instances were identified as 'full-time' on the return where the student did not have enough module credits to qualify as full time. Please see below a breakdown of the student instances on an undergraduate degree with less than 120 credits and student instances on a postgraduate degree with less than 180 credits.



- Zero students were identified as full time on the HESA return and part time on QLS.
- There were 219 instances identified with conflicts between a student's mode of study in the QLS system and the return. 180 students were identified as full time and nine as part time on the HESA return who had an entry of mode in QLS as OFT. 15 students with a mode of part time and 6 students with a mode of OFT in the HESA return were identified as full time on QLS. Nine students with a mode of full time on the HESA return had a blank mode entry on QLS.

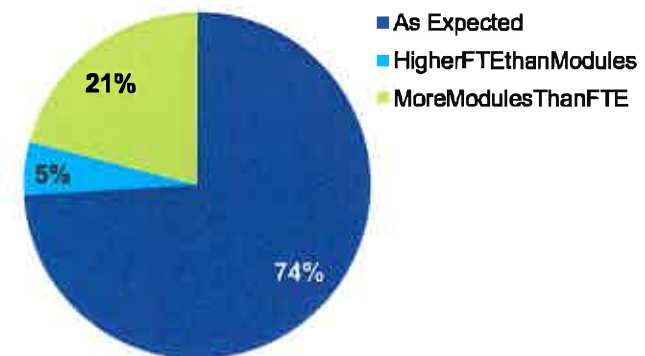
*Details of full-time student instances that had not had enough modules to qualify as full time can be found on tab 9b of the Detailed Results Workbook. Details of students with conflicts in their mode of study between QLS and HESA return can be found at tab 12.*

**S10 Profile the number of credits each student is taking against their FTE value to identify outliers.**

- The FTE value in the system is a percentage of how many modules each student should do per year. For example, an undergraduate student with FTE = 50 should have an FTE of 50% of 120 credits = 60 credits assigned to them. This test flags the cases whether the FTE given differs from expected values based on this calculation.
- There were 536 instances identified where students had higher FTE than module credits selected and 2,246 instances where students had a lower FTE than module credits selected.
- There were 41 student instances identified with absolute difference in module credits and FTE of more than or equal to 100 module credits.

*Details of the FTE profiling against the modules per student can be found on tab 10 of the Detailed Results Workbook.*

FTE compared to modules



**S14 Analysis of issues with finishing off records. Identifying clashes between key fields relating to withdrawals or identify potential additional withdrawals.**

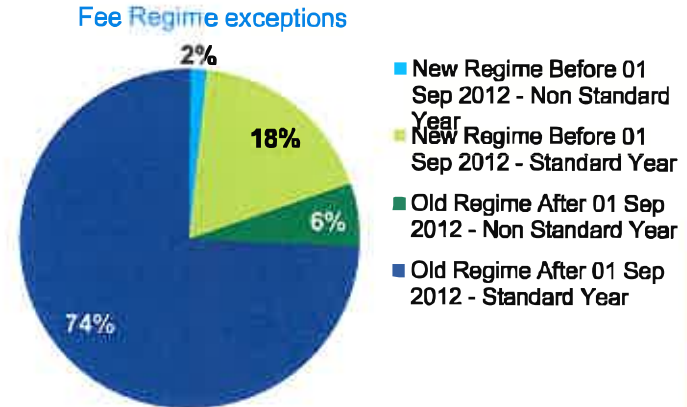
- There were 22 student instances out of 25,216 (0.09%) identified with poor data quality within the key fields relating to withdrawals on both QLS and the HESA return. Key fields tested were the date left and the reason for leaving, where the STAGE\_CODE was equal to "EWD", identifying the student as withdrawn.
- One record had 'DATE LEFT' or 'REASON FOR LEAVING' blank on both QLS and HESA return. 21 student records had blank fields on QLS.
- There were 22 student instances out of 25,216 (0.09%) identified as potential additional withdrawals on both QLS and the HESA return. These were cases where the status was not set to withdrawal but instead the date left field was populated and the reason for leaving was 'not completion of the course' or 'academic failure'.

*Details of testing around withdrawals may be found on tab 14 and 14b of the Detailed Results Workbook.*

**S16 Profile the number of students on an old/new fee regime and compare to the TYPEYR and COMDATE.**

- The old fee regime is for students who commenced study prior to 1<sup>st</sup> September 2012, with the new fee regime being for students commencing study after 1<sup>st</sup> September 2012. Our analytics checked for students with a commencement date (COMDATE) of before 1<sup>st</sup> September 2012 but were identified as being on the new fee regime and those who had a COMDATE after 1<sup>st</sup> September 2012 who were identified as being on the old regime.
- There were 514 student instances identified as potential fee regime exceptions.
- These were identified as the students that are on new fee regime but have started before the 1st of September 2012 or the students on the old fee regime but have started after the 1st of September 2012.

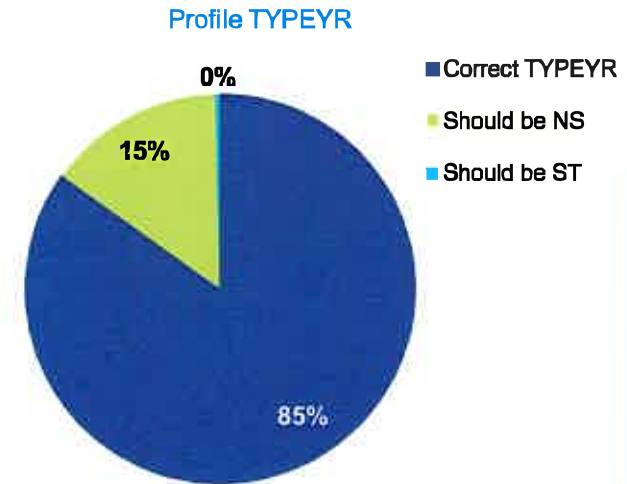
*Details of the Fee Regime profiling against can be found on tab 16 of the Detailed Results Workbook.*



### S17 Identify potential errors with the TYPEYR value returned.

- There were 4,166 student instances identified with a conflict between the start and end date of their course and their TYPEYR status.
- 4,048 student instances were identified on a standard year but their start and end date suggests that they might be on a non-standard year. 118 student instances were identified on a non-standard year but their start and end date suggests that they might be on a standard year.
- Please note that we used the start date of courses on a standard year to be after the 1st of August and the end date before the 31st of July.
- It was noted through discussion with Paul Ashton that the issue is mainly around the end dates on the system rather than the TYPEYR field. It was also noted that the University are reviewing the anomalies and planning to correct them in the next year.

*Details of students with TYPEYR inconsistencies may be found on tab 17 of the Detailed Results Workbook.*



# Data Quality Awareness



# 4. Data Quality Awareness

## Introduction

This section outlines the work performed and key insights from our interview based data quality awareness assessment.

## Approach

Staff members were selected across the faculties to ensure coverage of a range of job roles including Faculty Managers, Faculty Administrators and Course Administrators. A total of seven staff members were interviewed from the following Faculties:

- Arts and Human Sciences
- Business Faculty
- Health and Social Care




A request was made to interview an additional staff member from the Faculty of Engineering, Science and the Built Environment but they were unable to attend.

In addition, four staff members were interviewed from the following central functions:

- The Registry – Student Information Team
- The Registry – Planning Team
- The Registry – Registrar Team
- Academic and Quality Management

A full schedule of individuals interviewed may be found in Appendix 1

Findings have been assigned an indicative rating as follows:

	Area to be reviewed and considered by the University as a priority
	Area of potential concern for the University where further investigation and actions may be required
	Area which is not of immediate concern but where improvements may be made or processes refined



Obs. No.	Title	Insight	Recommendations
1	Data Quality Reporting	<p>The University's reporting capability has mainly been driven by Crystal Reports. Historical issues related to the use of this reporting tool include the access security, report availability and format. A new reporting system is currently in development and testing in advance of a planned go live in Q2 of 2014.</p> <p>Access security for crystal reports relies on generic usernames and passwords. This limits the traceability of, and ability to restrict access to, the reports which have been run using sensitive student record data.</p> <p>Operationally, the University acknowledges there are issues with the ease of locating the right reports to use for any given purpose and understanding of the nature and functions underlying the reports. Centrally, an academic wheel is used detailing which reports should be run and when over the academic year. As noted in observation two, this has led to confusion amongst Course Administrators on which reports should be run during the academic year.</p> <p>Staff also identified alternative reporting sources which are used alongside Crystal Reports including local Access Databases and Cognos, which is mainly used for enrolment and re-enrolment. This may lead to duplication of effort and a lack of knowledge sharing where useful reports are not published to the wider staff base.</p> <p>The current format of reports tends to be a download of information rather than focussed exception reports. As a result additional manual review is required once reports are run to identify exceptions or anomalies. In addition to the additional user interaction required this can generate performance and capacity issues with the current infrastructure.</p>	<p>The University should continue with the current project to introduce the reporting system commissioned to replace Crystal Reports. The University should review current observations in relation to the report structure and access security issues associated with the current Crystal Reports system when considering the configuration and set up of the replacement reporting system.</p> <p>In the interim, before the new reporting system is introduced, the University should attempt to limit access to Crystal Reports if the software will allow. Moreover, Registry should continue to promote the academic wheel and key Crystal Reports. The Course Administrators should be provided with a policy, timetable and outlined expectations and responsibilities for data quality activities to be performed throughout the academic year to ensure HESA and HESES data is complete, accurate and timely.</p>

Obs. No.	Title	Insight	Recommendations
2	Consistency of Processes and Ownership Understanding	<p>A number of the staff interviewed highlighted the lack of easily available documented guidance available, with requests for clarity on a variety of areas as outlined below.</p> <ol style="list-style-type: none"> <li>1. The procedure of course and module creation, including the coding and naming convention that is expected, was not clear to all staff members. Additionally, key dates, such as assessment dates, were not always in line with the University-wide guidelines to allow for module selection for the following session. There is a risk that courses are created with an unconventional name, leading to confusion during ELQ assessment and potentially incorrect funding arrangements assigned. Extended assessment periods past University guidelines causes delays in the collection of key data.</li> <li>2. An academic wheel has been produced by the Registry detailing the reports that should be used during the academic cycle. However there is no guidance on locally driven validation activities within departments and faculties and the Crystal reports that should be run to support them.</li> <li>3. Staff members were unaware of data ownership being formally documented i.e. who is responsible for cleansing student, module and course data to ensure it remains accurate and timely. The ownership of course and module data between the Registry and Faculties is not clear to all staff.</li> </ol> <p>A lack of clear data ownership can result in a lack of accountability if HESA and HESES data is inaccurate or untimely. Moreover, this inhibits the validation procedures performed on this data as staff members are unaware of who has the mandate to perform these controls.</p> <ol style="list-style-type: none"> <li>4. Key data fields within QLS that are used for the HESA and HESES returns are not commonly known by Course Administrators. In the absence of emphasis on key fields for Course Administrators they may not understand the impact of poor quality data in these fields.</li> </ol>	<p>A succinct centralised policy document should be produced detailing:</p> <ol style="list-style-type: none"> <li>1. The course creation procedure that must be followed including the expected naming convention.</li> <li>2. The Crystal reports that should be run by Course Administrators and Faculty Quality Administrators (FQAs) during the academic year (as detailed in the academic wheel).</li> <li>3. Clear lines of accountability introduced through ownership of course, module and student data being explicitly defined.</li> <li>4. The key fields within QLS which are used to populate the HESA and HESES returns, in order to allow Course Administrators to focus on the accuracy and timeliness of these data fields.</li> </ol>

Obs. No.	Title	Insight	Recommendations
3	Dummy Modules	<p>There is a requirement that all students have their modules assigned to them for the University to ensure the appropriate modules have been selected against the mode of study declared. Checks are performed by the central registry to identify students who are assigned a number of modules inconsistent with their mode of study, with these exceptions fed back to the faculties for follow up. The assignment of dummy modules or a module picked at random that has not been selected by the student would not be identified in exception reports as requiring follow up.</p> <p>Data analytics performed over the mode of study and number of credits assigned to a student identified 1,431 out of 25,216 (5.67%) records studying as full time on the return did not have enough credits assigned to them to be full time.</p> <p>The assignment of dummy modules distorts data for data quality monitoring purposes. As a result students may not be chased to confirm their module selection and would not be signed up to the correct number of true modules for their course and mode of study.</p> <p>We recognise the progress that has been made in tackling the culture of Course Administrators assigning dummy modules or inaccurate modules as holding modules to students. A Crystal report has also been created to aide Course Administrators to ensure all dummy modules that have been assigned are removed during the academic year they were created. This report would not capture where a student had been assigned to a holding module.</p> <p>This observation applies only to Course Administrators who are responsible for courses which have elective modules. Faculties such as Health and Social Care would not have as many relevant courses. Our discussions with staff noted where electives are part of the course structure and students have failed to make a decision on the electives dummy modules are still being assigned.</p>	<p>Continue the current programme of enhancing the awareness among Course Administrators that the allocation of dummy modules contravenes university policy and should not be performed.</p> <p>In addition, the Crystal report generated to highlight the assignment of dummy modules should be routinely run on a formalised basis. All instances appearing on the report should be investigated and staff held to account for use of dummy modules where appropriate.</p>

Obs. No.	Title	Insight	Recommendations
4	Quality of Data Capture	<p>Student data is an integral part of the HESA return. It is important that student's personal information is accurate and timely in order for student fee calculations to be made accurately. Moreover, if student addresses are inaccurate this can prevent contact being made with students who have failed to attend courses and should potentially be considered for withdrawal.</p> <p>The completeness and accuracy of core Student record data is felt to have increased in recent years following the introduction of online admission, enrolment and self-service update services made available to students.</p> <p>Areas where further improvements could be made were identified including names, addresses, contact numbers and ELQ status identification. Forename and Surnames may be populated into a single field. Addresses are not cross-referenced against a post-office database. There is no mandatory format requirement for phone numbers therefore they may not be the correct length.</p> <p>Registry has flagged the quality of the ELQ data being collected during enrolment as a specific concern.</p> <p>Moreover, Course Administrators do not perform source documentation checks for student results that have been inputted into QLS.</p>	<p>The University should continue its attempts to improve the enrolment and admissions process to ensure the student data is collated accurately in the first instance. There should be a continued emphasis to ensure the ELQ data collected and stored in QLS is complete and accurate.</p> <p>Moreover, the University should encourage Course Administrators to utilise Crystal reports to ensure student data is complete and encourage students to actively maintain their personal record.</p>

Obs. No.	Title	Insights	Recommendations
5	Withdrawals and Attendance Monitoring	<p>The student withdrawal process is closely linked to the attendance of a student being monitored in an accurate and timely manner.</p> <p>The recently introduced Electronic Attendance Register System has experienced difficulties since its introduction in the University. The electronic system has struggled to manage the volumes of data it receives, especially during periods of increased activity such as lunchtime where a large volume of students are exiting classes at the same time.</p> <p>This has led to departments relying on varying methods to maintain their attendance registers. The Faculty of Health and Social Care still require written attendance registers to be maintained, which are collated and entered into a central attendance record for the faculty. There is generally a delay on the completion of a register and its submission for central data entry. The Business Faculty has continued to use a web-portal to record attendance which is populated by Course Administrators. However, inconsistency has materialised as lecturers place reliance on the electronic registration system and therefore omit to update the information within the web-based attendance application.</p> <p>Testing performed as part of our Data Accuracy exercise found the sample of students flagged as withdrawn had been withdrawn in a timely manner following their last attendance.</p>	<p>The University should continue to explore new attendance monitoring system or potentially solutions for the current system.</p> <p>In the interim, the University should introduce a universal policy of recording attendance using either the Business Faculties web-portal or reverting to handwritten registers. This would ensure that all data is captured and recorded until a solution to the Electronic Attendance Register System can be sourced.</p> <p>In relation to accuracy and completeness of current systems of attendance monitoring; the University should consider the implications of this over above withdrawals including compliance with UKBA attendance monitoring requirements.</p>

Obs. No.	Title	Insights	Recommendations
6	Data Quality Awareness of Course Administrators	<p>We recognise the Registry have worked to improve the data quality awareness of staff members across the University. In particular, the faculty managers interviewed showed a good appreciation for the importance of ensuring data quality and the implications of the HESA return on university funding and job security. The central registry are continuing to lead Continued Professional Development courses based on areas staff have identified as needing additional support in.</p> <p>There is a risk staff members remain unaware of the importance of data quality and training initiatives being held by the Registry. This could lead to staff inputting data into QLS without the correct level of training or concentration. This would increase the risk of mistakes and errors in student records. This could, in turn, impact upon the return and those students identified as being eligible for HEFCE funding.</p> <p>Our discussions across the various job roles within the University highlighted that Course Administrators were weaker in this area. Not all Course Administrators were aware of training initiatives and were not clear on the concepts surrounding data quality improvement.</p> <p>This can be seen to have contributed to the inconsistent approach taken across departments with responses to Registry requests to complete key data fields in QLS. However, it was also suggested the Registry could increase their pro-active follow-up of these requests in order to ensure compliance and reprimand where necessary.</p>	<p>The University should continue to increase the awareness of data quality amongst all staff members, focusing especially on Course Administrators.</p> <p>Moreover, the completion of specific training courses, such as assessment entry, should be made compulsory for all Course Administrators. This would increase awareness of data quality as well as increasing the continuity and quality of data inputted across the university into QLS.</p>

## Follow-up Assessment



# 5. Follow-Up Assessment

## Findings Follow Up

An update was received from the Academic Registrar on each of the findings raised in the 2009 Student Records Review report. We have reviewed these responses and supporting evidence during the course of this review. Of the 16 findings identified previously, 11 were resolved to a satisfactory level and some progress has been made on the remaining five observations.

Finding Reference	Finding Description	Update for 2014	Completion Status
1	In the years, 2005/06 and 2006/07, rules applied by the university to the data did not effectively reflect HEFCE guidelines on non-completions.	No update required, observation had been resolved at time of testing.	
2	Noted areas of weakness in the criteria used in 2008/09 to identify non-completions: <ul style="list-style-type: none"> <li>Some characteristics that may have suggested non-completion were not used in the scripts</li> <li>The default was 'completion (FUNDCOMP=1)'</li> <li>Clean progressing students were set to complete (FUNDCOMP=1) regardless of module grades</li> </ul>	<p>FUNDCOMP is calculated only by reference to MODOUT values and all modules are returned to HESA. Progression codes play no role whatsoever.</p> <p>FUNDCOMP 1 is never used as a default value. Where FUNDCOMP is unable to be assessed a value of 3 is returned.</p>	
3	<p>SQL scripts were used extensively to extract data from the student records system and to transform data into the return format.</p> <p>The scripts were not thoroughly documented.</p> <p>The code did not appear to work as intended or to interpret HEFCE guidelines effectively.</p>	<p>SQL scripts are no longer used in preparation of the HESA return. Data are extracted and transformed into the return format using the HESA Workbench functionality within the student records system.</p> <p>Some work is done in MS Access to analyse data and calculate values for certain fields (e.g. MODOUTs), which are then populated back to the QLS system. These processes are fully documented.</p>	



Finding Reference	Finding Description	Update for 2014	Completion Status
4	<p>Non-standard years were not included in the tables of data to be analysed.</p> <p>The script used to extract data to assess for ELQs and non-completions did not include records if certain fields were blank.</p>	<p>Non-standard years are now included in the data tables.</p> <p>The University no longer use scripts process to extract from the student record system, there is now a built in extract routine.</p>	
5	<p>Independent review of the return prior to submission was not adequate.</p>	<p>HESA and HESES returns are routinely reviewed by the Academic Registrar prior to submission. These returns underline the recommendations and the Academic Registrar is not involved in day-to-day returns work.</p> <p>Internal Audit review returns or related data on at least an annual basis (KIS, HESES and Module Registration have been reviewed since 2011).</p>	
6	<p>In 2006/07 and 2007/08 there was only one person involved in preparation of the return. In 2008/09 two people were involved but they would not be able to perform each other's roles. There was limited documentation in relation to the processes for preparing the return.</p>	<p>The External Returns team and Planning team work closely together (5 FTE). The Deputy Registrar leads this work and has a thorough technical grasp of requirements.</p> <p>Other staff from the broader Student Records team have the required skills and knowledge of the University's student data to perform work on HESA returns if there were a need for cover in an emergency. The returns are documented.</p>	
7	<p>Inconsistent use of unit grade codes within the student records system.</p>	<p>Criteria for assigning codes are defined in the Registry Handbook and apply to all Faculties consistently User training is undertaken routinely. Compliance is checked by regular monitoring undertaken by Registry.</p>	
8	<p>Insights were noted in relation to the module intentionality of part time students.</p>	<p>The student's intention is treated as all the modules for which they register. Extensive checks are undertaken to ensure that module registrations are in line with the validated study rate in</p>	

Finding Reference	Finding Description	Update for 2014	Completion Status
		<p>the course.</p> <p>Issues have been noted with dummy modules being assigned to students which skew the intentionality of modules to be taken. This is supported by the findings in relation to dummy modules identified in our data quality awareness work and the data analytics showing 5.67% student records studying as full time on the return didn't have enough credits assigned to them to be full time.</p>	
9	Processes for assessing ELQ status were poorly documented.	<p>QUALENT codes are set by Admissions staff and ELQ status is assigned by comparing those QUALENT codes to the COURSEAIM. The process is fully documented, but the University has experienced issues in staff training (considering the diversity of qualifications and consequent complexity of the QUALENT coding frame).</p> <p>The data accuracy testing identified inaccuracies in the completion of the ELQ and QUALENT fields in the QLS system.</p>	
10	Final assessments were not separately identified on the student records system.	Final assessments are identified on the QLS student records system.	
11	Attendance records were not kept.	Attendance records are kept via SPOC and SAM electronic attendance monitoring systems, as well as paper records in certain courses. However, issues have been experienced to date with the electronic attendance monitoring.	
12	There were 250 instances on collaborative courses where the University's student records systems did not contain the module grades.	There are still a number of collaborative courses where we have limited module data.	
13	There was not consistent evidence of arrangements to defer	Deferrals are not performed.	

Finding Reference	Finding Description	Update for 2014	Completion Status
	to a second sitting of an examination.		
14	There appeared to be 1,700 unprocessed withdrawals.	This is no longer an issue. Faculties are encouraged to be active in withdrawing students who are not in attendance. Withdrawal processing is managed through the Course Change log.	
15	Duplications, omissions and data quality.	<p>The University undertake routine checks to ensure that all students who should be included in HESA are included and periodic checks are undertaken to ensure that courses not to be included are correctly excluded. Validation reports are regularly run, for instance numbers dates of commencement. There is early checking of missing and 'not known' values on key fields.</p> <p>Current activities are mainly driven centrally and further improvement could be made in the ownership of data quality activities across all faculties.</p>	
16	2,704 instances were FT but with STULOAD less than 100.	The approach to coding MODE was thoroughly reviewed in 2012 and aligned across the University.	

# Appendices

# Appendix 1

Individuals interviewed in support of the Interview Based Student Data Quality Awareness Assessment are shown below. We specifically thank them for their support:

Name	Faculty	Position
Nicola Hallas	Faculty of Arts and Human Sciences	Faculty Manager: Academic and Quality
Anisa Salim	Faculty of Health and Social Care	Registry Manager
Yasmin Malik	Business Faculty	Faculty Course Administrator
Laura Mohan	Central Registry	Planning Officer
Clive Case	Central Registry	Student Information Coordinator
Tracy Preston	Central Registry	Assistant Registrar (Reports)
Veronica Leacock	Faculty of Arts and Human Sciences	Faculty Administrator
Jermaine Edwards	Faculty of Health and Social Care	Faculty Administrator
Jonathan Tanner	Business Faculty	Head of Operations and Resources
Lisa Upton	Central Registry	Deputy Academic Registrar (Acting)
Katherine Marlow	Faculty of Arts and Human Sciences	Faculty Administrator
Zakirah Begum	Faculty of Engineering, Science and the Built Environment	Course Administrator (Did not attend interview)

# Appendix 2

## Statistical sampling terms

The statistical sampling terms used in the data accuracy testing were as follows: Confidence Level (%) – the reliability that the sample is required to generate. For example, 95% confidence level indicates 95% confidence in the sample i.e. it is likely to be erroneous only one in 20 times.

Precision Level (%) – the error rate you want to prove is not exceeded in the population. Also known as Margin of Error, and Maximum Tolerable Error.

Expected Error Rate – expected occurrence of errors in the sample i.e. how many errors are acceptable to meet the desired upper precision limit.

## Number of students sampled from each department

Department	Number of students	% of sample
Accounting & Finance	7	5.46
Adult Nursing	5	4.27
Applied Health Professions	5	3.84
Applied Science	6	4.89
Arts and Media	2	1.84
Built Environment	8	6.68
Business	1	0.05
Business Studies	7	5.76
Children's Nursing	2	1.93
Culture Writing And Performance	4	3.05
Education	4	3.15
Engineering & Design	6	4.72
Engineering, Science & the Built Environment	1	0.02
Foundation Studies	1	0.03

Department	Number of students	% of sample
Health & Social Care	25	22.90
Informatics	3	2.52
Law	4	2.95
LLU+	1	0.01
Management	5	3.87
Mental Health Nursing	2	1.59
Midwifery & Women's Health	2	1.24
National Bakery School (ESBE)	1	0.41
Primary & Social Care	8	6.15
Psychology	3	2.10
Social Sciences	4	3.18
Urban Engineering	6	4.85
Urban, Environment and Leisure Studies	3	2.54
<b>Total</b>	<b>126</b>	<b>100</b>



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	PAPER NO: AC.24(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Internal Audit Re-tender	
Author:	Rob Ager, Acting Head of Procurement	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	<p>The Audit Committee is asked to consider and agree the following recommendations.</p> <ol style="list-style-type: none"> <li>1. A fully OJEU compliant tender process is undertaken for a single supplier contract for the provision of internal audit services. The initial period of the contract will be three years with the possibility of a further 2 one year extensions. The first 3 years of the contract (and any subsequent extension) to be subject to annual performance review against agreed KPIs.</li> <li>2. The selection panel to be chaired by the Chair of the Audit Committee and include the Chief Financial Officer, one further member of the Finance Department (and one further member of Audit Committee if required). A representative from Procurement Services will act as moderator throughout the process.</li> </ol>	
Aspect of the Corporate Plan to which this will help deliver?	Creating an environment in which excellence can thrive.	
Matter previously considered by:	N/A	N/A
Further approval required?	N/A	N/A
Communications – who should be made aware of the decision?	None at this stage	



## **Background**

2015 is the final year of the 5 year contract for our internal audit services. A new internal audit contract will need to be in place by 1 August 2015 to enable an effective internal audit programme for 2015/16.

The current contract for internal audit was awarded to PWC and their contract expires on 31 July 2015 having used up all available extension options.

In the previous re-tender, the requirement for internal and external audit was split. The current contract for external audit is with Grant Thornton and expires on 31 July 2018.

## **Procurement Options:**

There are three procurement options for internal audit.

1. The first option is a mini competition through a pre-tendered pan-government framework. This would reduce the time spent on the tender process by running a mini competition with pre-selected suppliers rather than a full EU process. The only framework currently available is via APUC (Advanced Procurement for Universities and Colleges) which is available for London Universities Purchasing Consortium (LUPC) members to access. The additional benefit of using this agreement is that we can further our compliance with the 'Diamond Report' target of 30% of spend to be with collaborative agreements by 2016. The suppliers on the APUC framework are:
  - Scott Moncrieff
  - TIAA
  - BDO
  - Henderson Loggie
  - KPMG
  - Mazars
  - PCW
  - Ernst & Young
2. The second option is a full OJEU tender process using a restricted procedure, undertaken within the legal timescales. Using the Restricted procedure would allow us to shortlist only those suppliers that could demonstrate the capability to provide the services that we require although the timescale is slightly lengthier.
3. The third option is a full OJEU tender process using the open procedure. The Internal Audit market is not large and a carefully worded specification document should identify the level of resource and experience required - thereby reducing the number of applicants and negating the need for a pre-qualification stage.

*Recommendation: A mini-competition from the eight suppliers on the APUC framework. The period of the contract will be three years with the possibility of 2 one year extensions. All subject to annual performance review.*

**Tender Approach:**

In order to secure the most advantageous commercial terms and ensure that the most qualified supplier is awarded the business, it is recommended that a mini-competition is held amongst the eight suppliers. Suppliers on the framework are already signed up to a set of ceiling rates which can be improved upon by the mini-competition.

The specific award criteria to be used for a mini-competition under this Framework Agreement should align to the same overarching criteria used to establish it. These were:

- Commercial 40%
- Environment, culture & risk 9%
- Service delivery management 13%
- Staff 12%
- Value-added services 3%
- Quality Assurance & Continuous Improvement 10%
- Agreement Management 4%
- Complaints & dispute resolution 4%
- Corporate Social Responsibility 5%

These percentages can be refined to suit individual requirement but the overall concept of purchasing based on a mix of quality and price factors should be retained.

Indicative dates are as follows:

Audit committee approval to proceed	
Issue Invitations to Tender (ITT)	5 January 2015
Deadline for ITT returns	23 January 2015
Panel evaluation and decision	6 February 2015
Audit committee approval to award	February Meeting
Award and supplier briefings	February/March
Planning meeting	May 2015
Presentation of 2015/16 plan	June meeting
Contract start date	1 August 2015



# London South Bank University

	PAPER NO: AC.25(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2013	
Paper title:	Corporate Risk Register	
Author:	John Baker, Corporate & Business Planning Manager	
Executive sponsor:	Richard Flatman, Executive Director of Finance	
<b>Recommendation by the Executive:</b>	The Executive recommends that the Committee note the updated risk register.	
Aspect of the Corporate Plan to which this will help deliver?	The corporate risk framework is aligned to the new corporate plan and effective management of corporate risk underpins successful delivery of all aspects of the plan.	
Matter previously considered by:	Executive	On: 5 May 2014
Further approval required?	n/a	
Communications – decision notice?	n/a	

## Executive summary

Material changes since the Register was presented at the February meeting are outlined in the paper below.

The Committee is requested to note the revised Corporate Risk Register.

**Attachments:** Corporate Risk Register

# LSBU Corporate Risk Register cover sheet: Risk overview on matrix of impact & residual likelihood

**Date:** 12 June 2014

**Author:** John Baker – Corporate & Business Planning Manager

**Executive Lead:** Richard Flatman – Chief Financial Officer

	2: Loss of revenue if recruitment targets not met (BJ)	1: Failure to position the university to effectively respond to changes in government policy & the competitive landscape (DP)	4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty / closure</i>	<b>Impact</b>
397: Effectiveness of delivery impaired as institution goes through restructuring process (DP)	6: Ineffective data systems provide Management Information that is not meaningful and reliable, either for internal decision or for external reporting (RF)  14: Potential loss of NHS contract income (JE)  305: Data not used / maintained securely (IM)  362: Poor staff engagement (DP)  3: Increasing pensions deficit (RF)  402: Income from 20:20 Programme unrealised (BJ)	37: Potential impact of estates strategy delivery on financial position (RF)	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>	
	398: Academic programmes do not remain engaged with technological and pedagogic developments which support students and promote progression and achievement (PC)		2 Medium <i>failure to meet operational objectives of the University</i>	
			1 Low <i>little effect on operational objectives</i>	
<b>3 - High</b>	<b>2 - Medium</b>	<b>1 - Low</b>		
<i>The risk is likely to occur short term</i>	<i>This risk may occur in the medium to long term.</i>	<i>This risk is highly unlikely to occur</i>		
<b>Residual Likelihood</b>				

**Changes since presentation at February Audit Committee meeting detailed below:**

Updated items:

Risk reference	Risk area	Changes made
1	Response to changes in environment	Controls updated to reflect current terminology.
2	Recruitment & income targets including International	Causes updated to include reference to tariff policy during clearing. Effects updated to remove Hefce penalty relating to over recruitment.  Controls: Internationalisation control removed due to ongoing action around plan development. League table action plan amended to include the HESA Board. 16-20 Control relocated to new risk #402 on 2020 income growth through Research & Enterprise.  New actions created regarding the Business Intelligence Unit & creation of a clearing strategy.
3	Pensions deficit	Action to review pension funding statement completed. Residual likelihood reduced to 2 as potential impact is mid term.
6	Ineffective data	Action removed – Data Management project now replaced by the IBM programme. Master Data View action updated and awaiting progress update from David Swayne.
14	Loss of NHS income	No changes made.
37	Estates strategy £ impact	Control regarding recently completed projects removed and project management control restated to cover projects methodology & governance. Business case controls merged for clarity.
305	Data Security	Control re-phrased as an allocation of responsibility. Action on mobile device policy re-allocated to Rob McGeechan.
362	Staff Engagement	Engagement survey control removed as measures engagement but does not impact on it. Action around staff contribution to Corporate Strategy marked as complete. New action recorded relating to ideas gathering phase of Corporate Plan development.
397	Restructuring impact on service	New action - 15 Workstream areas to be monitored by the Executive through the Project Office, with regular updates to the Board.
398	Academic programmes do not remain engaged and promote progression and achievement	No amendment.
402	2020 income growth through Research & Enterprise	New risk Created to draw out non student recruitment related income growth areas from risk #2.

## Corporate Level - Risk Register

<b>Date</b>	05/06/2014
<b>Risk Status</b>	Open
<b>Risk Area</b>	Corporate

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
1	<p>Failure to position the university to effectively respond to changes in government policy and the competitive landscape</p> <p><b>Risk Owner: David Phoenix</b></p> <p><b>Last Updated: 30/05/2014</b></p>	<p><b>Cause &amp; Effect:</b></p> <p><b>Causes:</b></p> <ul style="list-style-type: none"> <li>- Changes to fees and funding models</li> <li>- Increased competition from Private Providers</li> <li>- Government policy changes and SNC cap removal</li> <li>- Failure to anticipate change</li> <li>- Failure to position (politically)</li> <li>- Failure to position (capacity/structure)</li> <li>- Failure to improve League Table position</li> </ul> <p><b>Effects:</b></p> <ul style="list-style-type: none"> <li>- Further loss of public funding</li> <li>- Loss of HEFCE contract numbers</li> <li>- Failure to recruit students</li> <li>- Business model becomes unsustainable</li> </ul>	<p>4 3</p> <p><b>Critical</b></p>	<p>Financial controls (inc. forecasting/modelling, restructure) to enable achievement of operating surplus target</p> <hr/> <p>Regular scrutiny of press packs by Board &amp; Executive to monitor Institutional Esteem, and direct PR activity as appropriate.</p> <hr/> <p>Maintain relationships with key politicians/influencers, boroughs and local FE</p> <hr/> <p>Annual review of corporate strategy by Executive and Board of Governors</p> <hr/> <p>Student Access &amp; Success Strategy for 14/15 through OFFA</p> <hr/> <p>Modelling work regularly updated to establish a fee position net of fee waivers less than £7500 for the 12/13 entry cohort, using allocation of fee waivers and bursaries as required.</p>	<p>4 1</p> <p><b>High</b></p>	<p>Ensure appropriate leadership for the organisation through an open range of senior appointments and a more strategic approach to Business Intelligence.</p> <p><b>Person Responsible: David Phoenix</b></p> <p><b>To be implemented by: 01/08/2014</b></p> <hr/> <p>Consider potential impact of significant reduction in Student Opportunity Funding.</p> <p><b>Person Responsible: Richard Flatman</b></p> <p><b>To be implemented by: 30/06/2014</b></p> <hr/> <p>Conduct full consultation with staff to enable development of Medium Term Strategy from 2015 - 2020.</p> <p><b>Person Responsible: David Phoenix</b></p> <p><b>To be implemented by: 30/06/2014</b></p> <hr/> <p>Realign academic offering to market through restructuring of Faculties into Schools and appointment of new Deans &amp; Deputy Vice Chancellor.</p> <p><b>Person Responsible: David Phoenix</b></p> <p><b>To be implemented by: 29/08/2014</b></p> <hr/> <p>Full review of organisational structures to ensure clarity of roles and alignment with key deliverables.</p> <p><b>Person Responsible: David Phoenix</b></p>



Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
<b>To be implemented by: 01/08/2014</b>						
2	Loss of revenue if recruitment targets not met  <b>Risk Owner: Beverley Jullien</b>  <b>Last Updated: 02/06/2014</b>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Changes to fees mechanisms for UGFT</li> <li>- Increased competition (removal of SNC cap in 15/16)</li> <li>- Failure to develop and communicate brand &amp; lsbu graduate attributes</li> <li>- Lack of accurate real-time reporting mechanisms</li> <li>- LSBU late entrant to international student market and fails to catch-up</li> <li>- Poor league table position</li> <li>- Portfolio or modes of delivery do not reflect market need</li> <li>- Tighter tariff policy during clearing</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Under recruitment</li> <li>- Loss of HEFCE contract numbers</li> <li>- Failure to meet income targets for non-HEFCE students</li> </ul>	4 3 <b>Critical</b>	<p>Report on student recruitment presented to every monthly Executive meeting and also reviewed by Board of Governors</p> <hr/> <p>League Table action plan &amp; related actions and monitoring by the HESA Board</p> <hr/> <p>Modelling of student recruitment numbers, including worse case scenarios which aid the planning process.</p> <hr/> <p>Differentiated campaigns started for postgraduate and part-time students</p>	4 2 <b>Critical</b>	<p>Business Intelligence Unit to produce analysis / reports for Executive to guide internal process and reporting changes with the aim of supporting League Table score improvement.</p> <p><b>Person Responsible: James Stevenson</b></p> <p><b>To be implemented by: 29/08/2014</b></p> <hr/> <p>Develop strategy for Clearing for 14/15 Entry with Executive.</p> <p><b>Person Responsible: David Phoenix</b></p> <p><b>To be implemented by: 31/07/2014</b></p> <hr/> <p>Develop partnership strategy for working with local schools</p> <p><b>Person Responsible: Beverley Jullien</b></p> <p><b>To be implemented by: 31/07/2014</b></p> <hr/> <p>Develop generic LSBU student outcomes at all award levels to ensure continued course competitiveness.</p> <p><b>Person Responsible: Phil Cardew</b></p> <p><b>To be implemented by: 30/11/2014</b></p> <hr/> <p>International strategy to be refocused into an Internationalisation Plan to deliver a step-change in recruitment at both UG and PG.</p> <p><b>Person Responsible: Beverley Jullien</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
						<p><b>To be implemented by: 30/09/2014</b></p> <hr/> <p>Support and engage with University Engineering Academy &amp; support development of University Technical College.</p> <p><b>Person Responsible: Rao Bhamidimarri</b></p> <p><b>To be implemented by: 28/11/2014</b></p>
3	<p>Staff pension scheme deficit increases</p> <p><b>Risk Owner: Richard Flatman</b></p> <p><b>Last Updated: 05/06/2014</b></p>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Increased life expectancies</li> <li>- Reductions to long term bond yields, which drive the discount rate</li> <li>- Poor stock market performance</li> <li>- Poor performance of the LPFA fund manager relative to the market</li> <li>- TPS/USS schemes may also become subject to FRS17 accounting</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Increased I&amp;E pension cost means other resources are restricted further if a surplus is to be maintained</li> <li>- Balance sheet is weakened and may move to a net liabilities position, though pension liability is disregarded by HEFCE</li> <li>- Significant cash injections into schemes may be required in the long term</li> </ul>	<p>3 3</p> <p><b>High</b></p>	<p>Switch of inflator from RPI to CPI (expected to be lower in the long term)</p> <hr/> <p>Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars</p> <hr/> <p>Regular valuation of pension scheme (actuarial and FRS 17).</p> <hr/> <p>Regular Reporting to HR committee.</p> <hr/> <p>DC pension scheme now established for SBUEL staff.</p> <hr/> <p>Tight control of staff costs in all areas (and reported to committee and Board via agreed KPIs)</p> <hr/> <p>New LPFA scheme, effective April 2014</p> <hr/> <p>Strict control on early access to pension at redundancy/restructure</p>	<p>3 2</p> <p><b>High</b></p>	<p>Ongoing participation in sector discussions regarding employer categorisation.</p> <p><b>Person Responsible: Richard Flatman</b></p> <p><b>To be implemented by: 31/03/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
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Active monitoring in year of trends in discount rate, life expectancy assumptions etc to ensure year-end adjustments are minimised

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
6	<p>Ineffective data systems provide Management Information that is not meaningful and reliable, either for internal decision or for external reporting</p> <p><b>Risk Owner: Richard Flatman</b></p> <p><b>Last Updated: 05/06/2014</b></p>	<p><b>Cause &amp; Effect:</b></p> <p><b>Causes:</b></p> <ul style="list-style-type: none"> <li>- Data in systems is inaccurate</li> <li>- Data systems are insufficient to support effective delivery of linked management information</li> <li>- Resource constraints &amp; insufficient staff capability delay system improvement</li> <li>- unclear data during clearing</li> <li>- Lack of data quality control and assurance mechanisms</li> </ul> <p><b>Effects:</b></p> <ul style="list-style-type: none"> <li>- Insufficient evidence to support effective decision-making at all levels</li> <li>- Inability to track trends or benchmark performance</li> <li>- Internal management information insufficient to verify external reporting</li> <li>- over-recruitment penalties</li> <li>- HESA/HESES returns not credible</li> <li>- League table position impaired by wrong data</li> <li>- UKBA licence revocation if conditions not satisfied = loss of £8m+ revenue/year, &amp; reputation damage</li> <li>- Failure to satisfy requirements of Professional, Statutory and Regulatory bodies (NHS, course accreditation etc)</li> </ul>	<p>3 3</p> <p><b>High</b></p>	<p>Regular Engagement with internal auditors &amp; 3 year IA cycle to systematically check data in key systems (and related processes):</p> <ul style="list-style-type: none"> <li>- Finance (including student fees)</li> <li>- Student data (&amp; data Quality)</li> <li>- HR systems</li> <li>- Space management systems</li> <li>- UKBA requirements &amp; compliance</li> </ul> <hr/> <p>Systematic data quality checks of staff returns by HR in conjunction with faculties.</p> <hr/> <p>Engagement between International Office, Registry &amp; Faculties to ensure UKVI requirement compliance, specifically regarding:</p> <ul style="list-style-type: none"> <li>- Visa applications and issue of Certificate of Acceptance to Study</li> <li>- English language requirements</li> <li>- Reporting of absence or withdrawal</li> </ul> <hr/> <p>Systematic data quality checks of student returns by Registry in conjunction with faculties.</p> <hr/> <p>International Office runs annual cycle of training events with staff to ensure knowledge of &amp; compliance with UKVI processes.</p>	<p>3 2</p> <p><b>High</b></p>	<p>Internal Audit Review of UKVI Compliance</p> <p><b>Person Responsible: Richard Flatman</b></p> <p><b>To be implemented by: 31/10/2014</b></p> <hr/> <p>Construct a 'master data view' for all student data as part of IBM project &amp; report system exceptions, including:</p> <ul style="list-style-type: none"> <li>* Student Records</li> <li>* Student Engagement / Progression</li> <li>* Admissions (especially during clearing and enrolment)</li> <li>* Curriculum</li> <li>* Timetable &amp; Estate teaching spaces</li> <li>* VLE and other learning systems usage</li> <li>* Finance Records</li> </ul> <p><b>Person Responsible: David Swayne</b></p> <p><b>To be implemented by: 30/05/2014</b></p> <hr/> <p>Restructure to bring central control environment for finance and student data management and reporting</p> <p><b>Person Responsible: Richard Flatman</b></p> <p><b>To be implemented by: 31/07/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
14	Loss of NHS contract income	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b> NHS financial challenges/ structural change is resulting in a total review of educational commissioning by Health Education England ( and 3 London HEE) with an expected overall 40% reduction in available funding. In addition late decision making over community programmes.</p> <p>Failure to recruit to target inspite of increased applications due to low numeracy and literacy pass rates.</p> <p>Failure to maintain student numbers on the contract resulting in clawback</p> <p><b>Effect:</b> Reduction in income Reduced staff numbers Negative impact on reputation</p>	3 3 <b>High</b>	<p>Named Customer Manager roles with NHS Trusts, CCGs and HEE.</p> <hr/> <p>Monitor quality of courses (CPM and NMC) annually in autumn (CPM) and winter (NMC)</p> <hr/> <p>Support with numeracy and literacy test preparation Develop BSc Health and Social Care by Spetmebr 2015 for applicants not meeting course tariffs requirments and to support PGDip recruitment.</p> <hr/> <p>Regular contact with HEE DEQs, None Medical Deans and commissioning contract managers.</p>	3 2 <b>High</b>	<p>Attend consultation events with CoD and HEE (review of NHS Pre-reg contract benchmark price / move to Outcome Based Commissioning could = drop in NHS income)</p> <p><b>Person Responsible: Judith Ellis</b> <b>To be implemented by: 01/08/2014</b></p> <hr/> <p>Ensure a quality campus in each HEE/ LETB area.</p> <p><b>Person Responsible: Warren Turner</b> <b>To be implemented by: 01/09/2014</b></p> <hr/> <p>Grow into new markets for medical and private sector CPPD provision</p> <p><b>Person Responsible: Warren Turner</b> <b>To be implemented by: 31/08/2014</b></p> <hr/> <p>Develop opportunities for further International 'in-country' activity.</p> <p><b>Person Responsible: Mary Lovegrove</b> <b>To be implemented by: 30/09/2014</b></p> <hr/> <p>Increase uptake in band 1-4 activitiy Support Trusts in seeking external (non NHS) funding</p> <p><b>Person Responsible: Sheelagh Mealing</b> <b>To be implemented by: 01/09/2014</b></p> <hr/> <p>Improve NSS participation &amp; scores</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
						<b>Person Responsible: Sue Mullaney</b> <b>To be implemented by: 31/07/2014</b>
37	Negative impact of estates strategy delivery on financial position	<b>Cause &amp; Effect:</b> <b>Causes:</b> <ul style="list-style-type: none"> <li>- Poor project controls</li> <li>- Lack of capacity to manage/deliver projects</li> <li>- Reduction in agreed/assumed capital funding</li> <li>- Reduction in other government funding</li> </ul> <b>Effects:</b> <ul style="list-style-type: none"> <li>- Adverse financial impact</li> <li>- Reputational damage</li> <li>- Reduced surplus</li> <li>- Planned improvement to student experience not delivered</li> <li>- Inability to attract new students</li> </ul>	3 3 <b>High</b>	<p>Regular Reports are provided to both P&amp;R and the Board on planned capital expenditure.</p> <hr/> <p>Full Business Cases prepared; using guidance and process approved by Executive - including clarity on cost and funding, for each element of Estates Strategy, and approved by Board of Governors where cost = &gt;£1M.</p> <hr/> <p>ncluding all capital spend. Guidance developed as part of new process.</p> <hr/> <p>Clear requirement (including authority levels) for all major (&gt;£1m) capital expenditure to have Board approval</p> <hr/> <p>Property Committee is a sub-committee of the Board of Governors and has a remit to review all property related capital decisions.</p> <hr/> <p>Capex reporting routines established and embedded into regularly updated financial forecasts &amp; management accounts and regular Board reports.</p> <hr/> <p>LSBU Project methodology &amp; Estates &amp; Facilities Dept project controls, including Governance arrangements applied to all Capex projects.</p>	3 1 <b>Medium</b>	<p>Terraces Project completes Anchor Projects in current development plan. The potential acquisition of the Hugh Astor Court (Peabody Building) on Keyworth Street opens up the opportunity for the redevelopment of the North West quarter of the campus and the creation of a clear University 'front door'. Plans have been developed for a major redevelopment scheme that was shared with the Executive in July and with Governors in Autumn 2013. The plan will be developed and cross referenced with the Capex schedule of the Five year plan.</p> <hr/> <p><b>Person Responsible: Ian Mehrtens</b>  <b>To be implemented by: 30/11/2013</b></p> <hr/> <p>Complete and report on the final negotiations for the Student Centre. Update: the 12 month defects liability period has past &amp; we're working through the final defect list. No progress on Final Account completion until works are done to ensure completion. POE by the end of Feb.</p> <hr/> <p><b>Person Responsible: Ian Mehrtens</b>  <b>To be implemented by: 30/04/2013</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
305	Student & other data not used and maintained securely or appropriately  <b>Risk Owner: Ian Mehtens</b>  <b>Last Updated: 04/06/2014</b>	<b>Cause &amp; Effect:</b> Loss of student data security either en masse (e.g. address harvesting) or in specific cases (e.g. loss of sensitive personal files)	3 2 <b>High</b>	Responsibility for control over data protection risks at an institutional level allocated to Director of ICT.	3 2 <b>High</b>	Review course administration process around data entry and approval, to ensure appropriate levels of approval and monitoring of amendment.  <b>Person Responsible: Andrew Fisher</b>  <b>To be implemented by: 27/06/2014</b> <hr/> 1. Define Mobile Device Policy - this is agreed and published 2. Prepare and deliver a training course on this topic - this is in progress in collaboration between ICT and OSDT 3. Ensure that all mobile devices have adequate protection - laptop encryption tool being selected, mobile device management tool purchased and being deployed  <b>Person Responsible: Rob McGeechan</b>  <b>To be implemented by: 29/11/2013</b>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
362	Poor staff engagement with University	<p><b>Cause &amp; Effect:</b>  <b>Causes:</b></p> <ul style="list-style-type: none"> <li>•Bureaucracy involved in decision making at the University</li> <li>•No teamwork amongst departments at the University</li> <li>•Staff feeling that they do not receive relevant information directly linked to them and their jobs</li> <li>•Poor pay and reward packages</li> <li>•Poor diversity and inclusion practises</li> </ul> <p><b>Effects:</b></p> <ul style="list-style-type: none"> <li>•Decreased customer (student) satisfaction</li> <li>•Overall University performance decreases</li> <li>•Low staff satisfaction results</li> <li>•Increased staff turnover</li> <li>•Quality of service delivered decreases</li> </ul>	3 3 High	<p>Departmental Business Planning process</p> <hr/> <p>Direct staff feedback is encouraged through the "asktheVC@" email address and through feedback forms on intranet and 'developing our structures' microsite.</p> <hr/> <p>Scheduled Team meetings</p> <hr/> <p>Regular Business review meetings</p>	3 2 High	<p>The Executive and SMG will develop and implement relevant action plans to address outcomes from the survey, having access to an interactive tool to aid the action planning process. Least positive survey areas will be addressed in the Organisational Development Strategy.</p> <p><b>Person Responsible: Mrs Vongai Nyahunzvi</b>  <b>To be implemented by: 27/06/2014</b></p> <hr/> <p>Ideas Gathering phase of Corporate Plan Development to be managed by OSDT, with project room, central workshop sessions, and HOD facilitation offer input processes.</p> <p><b>Person Responsible: Mrs Vongai Nyahunzvi</b>  <b>To be implemented by: 27/06/2014</b></p> <hr/> <p>Launch Behavioural Framework &amp; embed within HR processes and documents at start of 14/15 Academic Year</p> <p><b>Person Responsible: Mike Molan</b>  <b>To be implemented by: 15/10/2014</b></p>



Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
397	Effectiveness of delivery impaired as Institution goes through restructuring process  <b>Risk Owner: David Phoenix</b>  <b>Last Updated: 02/06/2014</b>	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b> The structural re-organisation of academic groupings from 4 faculties to 7 schools. The re-focusing of support departments into professional service clusters. - undertaken to underpin academic and business effectiveness.</p> <p><b>Effect:</b> Staff morale could be impacted negatively by process of change, and by perceived threats to job security, which impairs enthusiasm and contribution in role. In turn this can cause high performing staff to seek employment elsewhere, which can cause skills shortages and loss to the institutional knowledge base. Service levels - to staff and students - could be impacted negatively by teams trying to deliver business as usual whilst also going through the change process. Data reliability might be impaired if the translation process encounters issues such as limitations with the flexibility of existing software solutions, unforeseen time or money resource implications or error in the relocation process.</p>	3 3 <b>High</b>	<p>The Executive team have taken a Project Management Approach to the Change, appointing as Executive Director of HR an expert on Organisational change, and freeing up staff from within the organisation to act as a change team for the Programme Director, whom reports directly to the Executive.</p> <hr/> <p>The Executive have developed a Communications Strategy to ensure significant consultation with internal and external stakeholders.</p> <hr/> <p>New Professional Service groupings will be created from existing business units to minimise impact on service delivery.</p>	3 2 <b>High</b>	<p>New action - 15 Workstream areas to be monitored by the Executive through the Project Office, with regular updates to the Board.</p> <p><b>Person Responsible: Amir Rashid</b> <b>To be implemented by: 30/03/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
398	Academic programmes do not remain engaged with technological and pedagogic developments which support students and promote progression and achievement  <b>Risk Owner: Phil Cardew</b>  <b>Last Updated: 29/01/2014</b>	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b> LSBU does not effectively exploit the learning potential of new technologies. Curriculum do not adapt sufficiently to give students the knowledge and skills valued by employers Support mechanisms do not provide some students with the learning support they need to navigate and succeed in the learning environment.</p> <p><b>Effect:</b> Retention does not meet the targets within the 5 year forecast. Employability of LSBU graduates does not improve. Market appeal of courses is impaired</p>	2 3 <b>Medium</b>	Delivery of the Teaching Enhanced Learning Strategy (TEL) through Academic Board and related committees.	2 2 <b>Medium</b>	<p>Implement 'Exceptional Student Experience' aspect of the IBM Investment programme to deliver a step change in the institutional use of personal in year data to drive communications to students concerning their academic performance.</p> <p><b>Person Responsible: David Swayne</b> <b>To be implemented by: 31/07/2015</b></p> <hr/> <p>Oversee delivery of BUILT change Programme to switch to Moodle VLE (Virtual Learning Environment) for all students</p> <p><b>Person Responsible: Phil Cardew</b> <b>To be implemented by: 01/08/2014</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
402	<p>New income expectations from 20/20-2020 programme are not met</p> <p><b>Risk Owner: David Phoenix</b></p> <p><b>Last Updated: 02/06/2014</b></p>	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b> Academic staff Fail to engage with research and enterprise activities that have potential to deliver additional income. Enterprise department encounter resistance from academic staff to a more commercial approach or are not able to provide the support or development required. The outcome of the REF is not as positive as was hoped.</p> <p><b>Effect:</b> Income growth expectations of the 5 year forecast are unrealised. Research funding opportunities are harder to come by. A market based approach to costing academic activity to slow to develop.</p>	<p>3 2</p> <p><b>High</b></p>	<p>Reports on the 16-20 Challenge Programme (Financial &amp; Narrative) will be provided to each Executive Meeting to aid constant scrutiny of this initiative and review of progress against 5 year income targets.</p> <hr/> <p>Enterprise Business Plan &amp; strategy submitted for approval annually to SBUEL Board (which has 2 Non-Executive Directors) for monitoring &amp; quarterly updates provided at LSBU Board meetings.</p>	<p>3 1</p> <p><b>Medium</b></p>	<p>2020 Pipeline: research, identify, prioritise &amp; develop a range of major long term Research &amp; Enterprise investment opportunities with potential to generate significant income and contribution over 5 years, progress to be reported to Executive monthly.</p> <p><b>Person Responsible: Beverley Jullien</b></p> <p><b>To be implemented by: 31/07/2014</b></p>

# London South Bank University

	PAPER NO: AC.26(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Risk Strategy & Appetite statement	
Author:	John Baker, Corporate & Business Planning Manager	
Executive sponsor:	Richard Flatman; Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends that the Audit Committee approve the attached strategy and appetite statement.	
Corporate Plan aspect which this will impact?	<ul style="list-style-type: none"> <li>• Creating an environment in which excellence can thrive.</li> </ul>	
Matter previously considered by:	n/a	n/a
Further approval required?	n/a	n/a
Communications – decision information?	n/a	

## Executive summary

The attached Risk Strategy and Appetite statement have been revised and is presented for approval.

The previous strategy has been updated to reflect the terminology relating to the new structures of the institution from 2014/15, and the current strategic planning process. The section regarding staff awareness of risk has been expanded to provide more information on internal process. The risk appetite statement has been revised through consideration of the average risk score on the Corporate Risk Register over the past year.

The Executive recommends that the Audit Committee approve the attached Risk Strategy and Statement of Risk Appetite.

**Attachment.** Risk Strategy & Statement of Risk Appetite

**London South Bank University: Risk Appetite**

**Proposal: June 2014**

**Background**

Risk Appetite has been defined as *‘The amount of risk, on a broad level, an entity is willing to accept in pursuit of value. It reflects the entity’s risk management philosophy, and in turn influences the entity’s culture and operating style’.*

The concept of developing a risk appetite for a higher education institution, by HEFCE’s own admission as published in its Risk Management in higher education paper in 2008, is under-developed and not always clearly or constantly defined. This paper states “...that there is no one correct way of defining risk appetite and this will be heavily influenced by an institution’s circumstances.” However the report makes it clear that the risk appetite statement should:

- Be aligned to the organisation’s strategic framework
- Comprise part of the corporate governance processes
- Guide the attitude towards risk, and
- Be continuously monitored along with the individual risks of the corporate risk register

There are two main methods for defining an institution’s risk appetite. A **scoring matrix** and the implementation of a **defining statement**. After research and consultation with the University’s internal auditors (PwC), it is recommended that we to use the **scoring matrix** method, as this is widely seen as the method that allows for a transparent and logical framework within which to operate.

The scoring matrix method includes finding an overall score for each corporate risk - by multiplying the individual scores for ‘Impact’ and ‘Residual likelihood’ together for that risk, then finding the average risk value for all the risks present on the corporate risk register by dividing the total score for all risks by the total number of risks to calculate the average risk score, which is then compared to the score within the risk appetite statement.

<b>Impact</b>	<b>4 - Critical</b>	High	Critical	Critical
	<b>3 - High</b>	Medium	High	High
	<b>2 - Medium</b>	Low	Medium	Medium
	<b>1 - Low</b>	Low	Low	Low
		<b>1 - Low</b>	<b>2 - Medium</b>	<b>3 - High</b>
		<b>Inherent Likelihood</b>		

LSBU Risk Scoring matrix & definitions:

## Impact

- *4: 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.
- *3: 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.
- *2: 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.
- *1: Low* – occurrence would have little effect on operational or corporate objectives.

## Likelihood

- *3: High* – likely within 1 year
- *2: Medium* – may occur medium to long term
- *1: Low* – unlikely to occur

The scores from a selection of 9 corporate risk registers dating between May 2010 and November 2012 were initially calculated in this way and examined to find the level at which LSBU had been operating historically. From the data collected the highest average score recorded was 6.9, and the lowest was 4.5. This gave a range within which the corporate risk register had fluctuated during this period, and it was on that basis on consultation with PWC that the suggested risk appetite for the University be set at an average score of 7.

A review of Corporate Risk Register average score during 2013/14 Academic year confirmed this to be an appropriate level for the institution.

Corporate risk register	Average score
September 2013	5.6
January 2014	5.3
May 2014	6.1

**Table 1: Risk register average scores**

If however, the average risk matrix score is found to be above the risk appetite score of 7, careful consideration by the Executive will be given on what further steps could be taken. Risks will be subjected to rigorous monitoring and managed closely by the Executive and Board of Governors and decisions made accordingly.

## Monitoring and Updating risk appetite

The method of a scoring matrix allows for flexibility with regards to the ‘Residual Risk Priority’ of individual risk found on the corporate risk register which means that annual review of risk appetite is not necessarily required. It allows for individual risk to reflect the highest ‘Residual Risk Priority’ rating, when absolutely warranted, and approved by the

# London South Bank University

Board of Governors and the Executive, without jeopardising the integrity or validity of the risk appetite set by the University.

However HEFCE's Risk Management in higher education paper noted that institutional risk appetites were being reviewed and adjusted to address the fact that the sector is undergoing a period of change; influenced by a range of factors such as variable tuition fees, increased competition for students, diversification of institutional income and restructuring.

It is therefore proposed that the risk appetite, once set, be monitored and reviewed on an annual basis by the Board of Governors to ensure that it reflects the constant changes within the higher educational sector as well as the University's activities within that sector.

## **Recommendations:**

That the risk appetite threshold be maintained at 7 for the 14/15 academic year.

That the risk appetite, once set, be monitored and reviewed on an annual basis by the Board of Governors

It is recommended that this risk appetite statement is included in the University's Risk Strategy at paragraph 27 in the section on Corporate Risk:

***'London South Bank University recognises that it is impossible to deliver its services and achieve positive outcomes for its students and stakeholders without taking some degree of risk. Indeed, only by taking risk can the University realise the aims as set out in the University's Corporate Strategy . Risk associated with activity will be managed through an effective risk management system, to ensure that risk is taken in a controlled manner, thus the University has deemed an average corporate risk register matrix score greater than 7 as unacceptable and every effort will be attempted to reduce it below this score.'***

## **Risk Strategy**

Originating Department:	Executive Office
Enquiries to:	John Baker – Corporate & Business Planning Manager
Approving Committee/Body:	Board of Governors
Current Version No:	2
Last Approved:	Version 2 approved May 2011
Next due for approval:	Version 3 submitted for approval June 2014
Document Type (delete as appropriate):	STRATEGY
Mandatory Target Audience:	Risk Champions (Executive), Faculty Management, Heads of Department
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 sections

A: Strategy Purpose	1
B: Risk management & Governance	2
C: Risk Management – Overview	2
D: Risk Management – Process	3
E: Risk Management – Responsibilities	5
F: Risk Management – Software	6
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## A: Purpose of the Risk Strategy

1. The Risk Strategy explains 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 the risk management process at LSBU and the main reporting procedures.
2. The Risk Strategy is part of the University's **internal control** and **corporate governance arrangements**.
3. It is approved by the Executive, the Audit Committee, the Policy & Resources Committee and the Board of Governors.

## **B: Risk management & governance**

4. 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.
5. The Board of Governors has a fundamental role to play in setting the risk appetite and strategy of the University, and in oversight of the management of risk. Its role is to:
  - Approve the risk threshold of the University both as a whole and on any relevant individual issue
  - Agree what types of risk are acceptable and which are not
  - Approve 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
  - Review at each meeting the corporate risk register

## **C: Risk Management – Overview & Objectives**

6. 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”.**
7. This could be any event 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 business plans
  - Impact negatively on student experience or achievement

8. Risk management is the process of identifying, defining and analysing these risks, and deciding on an appropriate course of action to minimise the potential impact of these risks, or to establish controls to reduce the likelihood of their occurrence whilst still achieving the objectives of the Corporate Plan.
9. 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.

The Risk Strategy document and Appetite statement will be made available on 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**

10. 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 - Process**

11. The University has adopted a two tier system to risk management, with risks defined as Corporate or Operational.
12. *Corporate risks*: could cause financial or reputational damage to the University as a whole, or prevent or hinder the achievement of corporate plan objectives.

13. *Operational risks*: could prevent achievement of School and /or Professional Service Group objectives as set out in respective business plans.
14. The risk management process as set out below applies to both corporate and operational risks.
15. 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 at all key management meetings
  - **Assess the potential impact and inherent likelihood** of each risk to give a total risk priority of low, medium, high or critical. See section 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
  - **Identify the existing controls** that are in place. Controls are ongoing processes or regular checks that serve to reduce the impact of the risk and/or the likelihood of occurrence
  - **Assess the residual likelihood** of each risk to give a total risk priority of low, medium, high or critical. The residual priority should represent the impact and likelihood after all controls have been taken into account
  - **Identify any required actions** that should be taken by management to reduce the potential impact or likelihood of the risk occurring
  - **Implement any identified actions** to reduce residual impact/likelihood to an acceptable level
  - **Record the actions** taken by management in the relevant risk registers
  - **Regularly review risk registers**

## **E: Risk Management - Responsibilities**

16. *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. Risk management will be a standing item at all monthly Executive meetings.

17. *Quarterly Corporate Risk Review:*

In addition to the monthly Executive reviews a quarterly risk review is undertaken by a sub-group of the Executive ahead of the Audit Committee and the Board of Governors meetings.

18. *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 the 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 Corporate and Business Plans
- 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 to the Executive as appropriate

19. *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

20. *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.

## **F: Risk Management - Software**

21. The University uses a web-based system called 4Risk ([www.4risk.co.uk](http://www.4risk.co.uk)) to record and report risk management activity. All Risk Champions will be provided with training in the use of 4Risk and should use the software to manage the corporate risks they own and the operational risks in their areas.
22. If you require training in the use of 4-Risk, or if you have technical problems, please contact John Baker, Corporate & Business Planning Manager (x 6003).

## **G: Corporate Risk**

23. 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.
24. The corporate risk register will determine the focus of the annual internal audit plan. It is maintained by the Executive and will:
- Provide details of the impact and likelihood of each of the risks identified;
  - Indicate which member of the Executive is the Risk Owner, 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 improve management of each risk.
25. Monthly assessment of corporate risk exposure should be made by the Executive and reported to each meeting of the Audit Committee and the Board of Governors.
  26. Any corporate risk that is rated 'Low' or 'Medium' should be considered for downgrading to an appropriate Operational Risk Register. The Executive are responsible for downgrading corporate risks through the normal structure of the Executive team meetings.
  27. 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.
  28. The University Strategy will be used to develop a Corporate Plan which will be revised on an annual basis, and the Corporate Risk Register will be updated in response to this.
  29. The Transition Programme team will be taking a lead on the Corporate Projects identified in this Corporate Planning process. We should expect there to be real linkage between the risks to delivery of these projects, which by their very nature address the key issues which the University is facing, and the Corporate risks for the institution. The delivery of these projects will be closely monitored by the Executive (monthly) and the Board of Governors (quarterly) and it is the responsibility of the Executive to ensure that the Corporate Risk Register is updated in a timely way to reflect any changes to project deliverables.

## **H: Operational Risk**

30. Operational risks could prevent achievement of faculty and support department objectives, as identified in Business Plans.
31. An operational risk register is maintained by each faculty and support department. It is the responsibility of the relevant Executive member, in their role as Risk Champion for their own area of responsibility, to ensure that operational risk registers are maintained.

32. Management of individual operational risks may be delegated within each Faculty/Support Department 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.
33. The impact and likelihood of each operational risk is rated using the same methodology as that applied to corporate risks.
34. All operational risks with a 'high' or 'critical' risk priority should be referred to the Executive for consideration and potential escalation to the corporate risk register.
35. Risk Champions are responsible for escalating operational risks. Escalation is through the normal structure of Executive team meetings although matters of a more fundamental nature should be reported immediately.
36. Regular review through business review meetings.

### **Risk Management and Business Planning & Review**

37. Business Planning at an Operational level (School and Professional Support Group) takes place on an annual basis, with plans reviewed through the annual Planning & Budgeting process between March and May each year.
38. The Business Plan template requires managers to identify and prioritise their top 3 risks, and to identify mitigating actions. These top three risks should be included in the relevant operational risk register and, together with any other operational risks, should be reviewed and updated according to the usual process.
39. Risk management is a standing item at every Business Review Meeting, and risks and mitigating actions should be reviewed alongside progress against the delivery of plans, KPIs and financial performance.
40. Mitigating actions identified in operational risk registers should be cross-referenced to the deliverables identified in Business Plans and reviewed alongside delivery of those actions and projects.



## I: Risk Priority - Rating methodology

41. 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

<b>Impact</b>	<b>4 - Critical</b>	High	Critical	Critical
	<b>3 - High</b>	Medium	High	High
	<b>2 - Medium</b>	Low	Medium	Medium
	<b>1 - Low</b>	Low	Low	Low
		<b>1 - Low</b>	<b>2 - Medium</b>	<b>3 - High</b>
		<b>Inherent Likelihood</b>		

	PAPER NO: AC.27(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	HEFCE assessment of institutional risk	
Author:	Richard Flatman, Chief Financial Officer	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Recommendation by the Executive:	The Executive recommends that the Audit Committee notes HEFCE's assessment of risk and the associated financial benchmarking data.	
Aspect of the Corporate Plan to which this will help deliver?	Financial sustainability  Creating an environment in which excellence can thrive.	
Matter previously considered by:	Board of Governors	On: 22 May 2014
Further approval required?	No	N/A
Communications – who should be made aware of the decision?	N/A	

### **Executive summary**

HEFCE assesses on an annual basis the accountability, risk and sustainability of institutions which it funds. A small number are deemed to be at “higher risk” with the vast majority being “not at higher risk”.

Based on the accountability returns for 2012-13, HEFCE's assessment is that LSBU is “not at higher risk” at this time.

*Attachment: Risk assessment letter from HEFCE dated 3/04/13*

7 April 2014

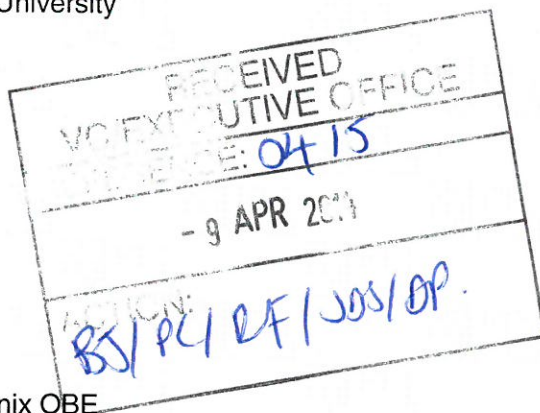
HIGHER EDUCATION

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FOR ENGLAND

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Dear Professor Phoenix OBE

### HEFCE's annual assessment of institutional risk: London South Bank University

1. The purpose of this letter is to inform you of the risk status of London South Bank University as determined by HEFCE, and of any failure to comply with the accountability obligations set out in the Financial Memorandum (HEFCE publication 2010/19) and other HEFCE guidance. We have copied this letter to Mr David Longbottom, Chair of the Board of Governors, and request that you formally submit this letter to the next meeting of the governing body.
2. Based on the accountability returns submitted for 2012-13 our overall assessment at this time is that London South Bank University is **not at higher risk**. In making this assessment we also conclude that the institution is meeting the accountability obligations set out in the Financial Memorandum and other HEFCE guidance.
3. We have been engaging with the University over the last 18 months over student number trends and the financial consequences of these. We will continue to engage constructively with the University's senior management to further our understanding of recruitment for 2013-14 and 2014-15, trends in education (NCTL) funding and the University's expectations for the future (including its strategic direction under new leadership).

#### Risk assessment process

4. The annual accountability returns submitted to HEFCE by higher education institutions (HEIs) are the primary means by which HEFCE assesses the accountability, risk and sustainability of institutions. These annual risk assessments are based on current information in a number of areas of activity, including: financial performance, student recruitment and retention, audit findings, and compliance with HEFCE accountability requirements (including the Financial Memorandum).



5. In relation to the 2012-13 annual accountability returns, we intend to send every institution a risk letter in the period March to May 2014. We may issue a further risk letter to some institutions following the assessment of July forecasts, but only if that assessment makes a material change to the earlier risk assessment. Although the risk assessment is an annual process, issues emerging during the year can lead to a review of an institution's risk status and a change to its risk assessment at any point in the year. We currently assess a small number of institutions as being 'at higher risk', with the vast majority 'not at higher risk'. In addition some institutions 'not at higher risk' may have a specific risk issue highlighted for their attention. It is the responsibility of the governing body of the institution to ensure that risks are being managed effectively.

#### Adverse changes in circumstances

6. We require institutions to report material adverse changes in the institution's circumstances, such as a significant and immediate threat to the financial position, significant fraud or major accounting breakdown. The Financial Memorandum<sup>1</sup> (Annex B paragraphs 14-17) provides more detail on the specific requirement. Whilst we fully respect the autonomy of institutions, we remind you of this requirement and that timely reporting of material adverse changes is an important element of the accountability framework for higher education. Given the scale of the current changes to higher education funding and possible impacts on student recruitment, it is especially important that you inform HEFCE of any material adverse changes at the earliest stage.

#### Future context and feedback on financial performance

7. As the sector faces a squeeze on the level of direct government funding as well as changes to student number control arrangements and expectations of greater efficiency, we encourage you to continue to assess the potential impacts of these changes on operations and, where necessary, to implement mitigating actions. Your scenario planning will need to consider the financial and non-financial impact of all these changes, including changes in student recruitment and retention, and staff pay and pensions pressures. These are among the many factors that will need to be monitored by you, your senior team and governing body, and we are happy to discuss these with you as part of our regular engagements with the institution.

8. The Annexes provide feedback on the relative financial performance of the institution compared to the rest of the higher education sector. Inclusion of this information is intended to be helpful, rather than flagging areas of significant concern to us. For contextual information, additional financial benchmarking data has been made available to the institution's head of finance.

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<sup>1</sup> The Financial Memorandum is currently being revised. The revised version will apply with effect from 1 August 2014.

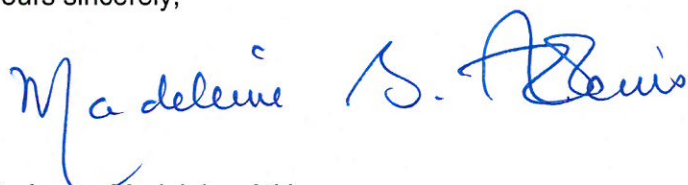
Who to contact

9. For further feedback from the annual accountability process, or if you would like to discuss any issues relating to risk assessment or accountability, contact the HEFCE Assurance Consultant, Jacqui Brasted (0117 931 7389, j.brasted@hefce.ac.uk) in the first instance, or Regional Consultant, Derek Hicks (0117 931 7460, d.hicks@hefce.ac.uk).

Freedom of information

10. This letter is provided in confidence to London South Bank University. While we have no objection to it being made available to third parties, we do not accept responsibility for any reliance they may place upon it. Though we have no plans proactively to release this information we ask you to consider carefully the implications of any public disclosure you may wish to make or are asked to make. As you know we are subject to the Freedom of Information Act 2000, and the content of this letter may ultimately be disclosable if a request is made to us under that Act.

Yours sincerely,



Professor Madeleine Atkins  
Chief Executive

cc: Mr David Longbottom, Chair of the Board of Governors



## Annex A – Table of benchmarking of key financial metrics

**Institution: London South Bank University**

Indicators:		2011-12	2012-13	2013-14
		Actual	Actual	Forecast
<b>1. Historical cost surplus / (deficit) as % of total income</b>	<b>Institution</b>	<b>5.3</b>	<b>4.6</b>	<b>2.4</b>
	Overall sector mean	4.8	5.0	2.8
	1 <sup>st</sup> quartile	2.4	2.7	1.7
	Median Value	5.3	4.6	3.2
	3 <sup>rd</sup> quartile	7.8	7.3	5.1
<b>2. Net liquidity / (total expenditure – depreciation) (days)</b>	<b>Institution</b>	<b>209</b>	<b>177</b>	<b>139</b>
	Overall sector mean	117	123	98
	1 <sup>st</sup> quartile	76	80	63
	Median Value	109	117	92
	3 <sup>rd</sup> quartile	157	170	139
<b>3. External borrowing (on balance sheet) as % of total income</b>	<b>Institution</b>	<b>24.1</b>	<b>22.5</b>	<b>21.1</b>
	Overall sector mean	23.6	25.8	27.0
	1 <sup>st</sup> quartile	9.8	9.0	9.8
	Median Value	22.7	23.0	25.9
	3 <sup>rd</sup> quartile	34.7	34.7	38.2
<b>4. Discretionary reserves (excl. pension asset/(liability)) as % of total income</b>	<b>Institution</b>	<b>77.1</b>	<b>83.2</b>	<b>88.3</b>
	Overall sector mean	58.0	61.7	62.9
	1 <sup>st</sup> quartile	39.0	42.6	43.8
	Median Value	55.5	59.1	59.2
	3 <sup>rd</sup> quartile	74.5	79.8	83.4
<b>5. Net cash flow as % of total income</b>	<b>Institution</b>	<b>14.5</b>	<b>9.2</b>	<b>10.0</b>
	Overall sector mean	8.1	8.3	6.6
	1 <sup>st</sup> quartile	6.1	5.8	4.6
	Median Value	8.4	8.9	7.3
	3 <sup>rd</sup> quartile	11.6	12.8	10.3
<b>6. Staff costs as % of total income</b>	<b>Institution</b>	<b>52.6</b>	<b>53.4</b>	<b>55.1</b>
	Overall sector mean	52.7	52.4	53.8
	1 <sup>st</sup> quartile	49.6	49.6	50.6
	Median Value	53.0	53.2	54.2
	3 <sup>rd</sup> quartile	55.9	55.8	57.1
<b>7. Estates: percentage of estate classified in condition categories C and D in 2011-12</b>	<b>Institution</b>	<b>40.8</b>		
	Overall sector mean	21.1		
	1 <sup>st</sup> quartile	9.5		
	Median Value	15.4		
	3 <sup>rd</sup> quartile	27.0		

Source of data: Indicators 1 to 6 are calculated from the 2013 financial results and forecasts data as submitted to HEFCE in December 2013. Further details on this and on how the indicators are calculated are available on the HEFCE extranet under '2013 financial results and forecasts – summary statistics'. Details on how to access this benchmarking information will be sent to Directors of Finance.

Indicator 7: 2011-12 Estates data provided from Estates Management Statistics. For further information see HEFCE publication 2011/17 or

[http://www.hesa.ac.uk/index.php?option=com\\_collns&task=show\\_colln&Itemid=232&c=C11042&s=10&wvy=any&wvs=1&isme=1](http://www.hesa.ac.uk/index.php?option=com_collns&task=show_colln&Itemid=232&c=C11042&s=10&wvy=any&wvs=1&isme=1)

Although not comprehensive, these indicators were chosen to provide an overall view of financial performance:

- Historical cost surplus: generation of surplus for investment
- Net liquidity: coverage of, and ability to respond quickly to, short-term financial pressures
- External borrowing (on-balance sheet): reliance on borrowings for development, balancing need for growth/development with increased costs of borrowing
- Discretionary reserves (excluding pension asset/(liability)): provision of a buffer against large unexpected financial pressures
- Net cash flow from operating activities: financial sustainability of the institution's core business
- Staff costs: appropriateness and significance of the staff cost structure for the institution
- Estates: indication of possible future estates costs

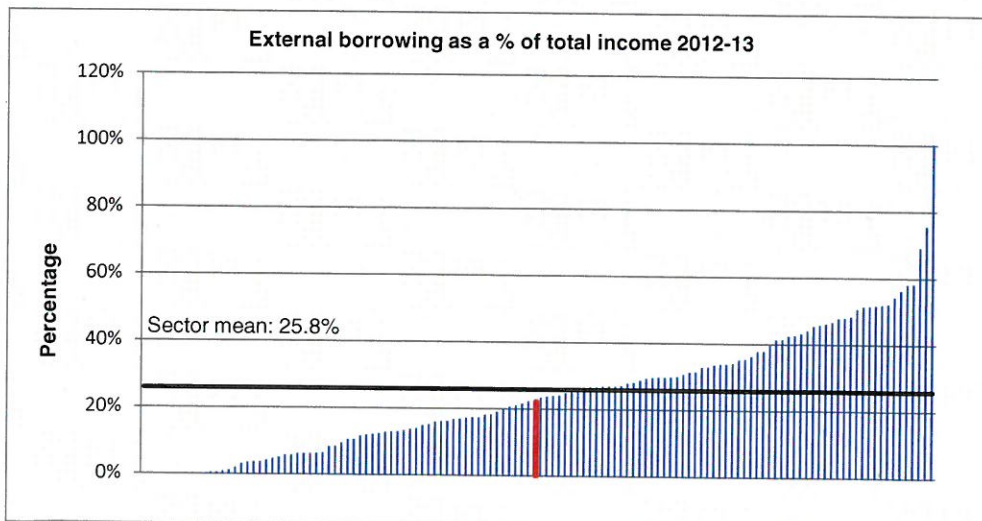
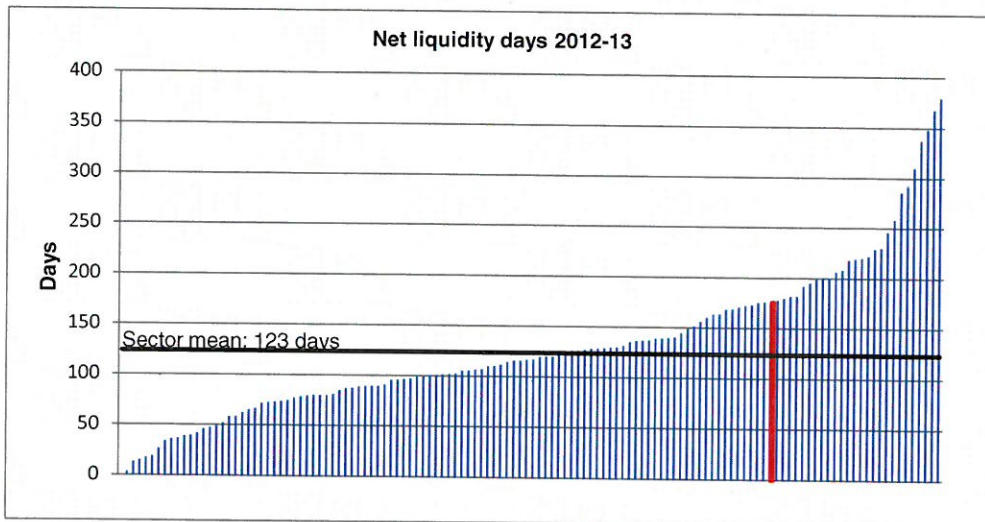
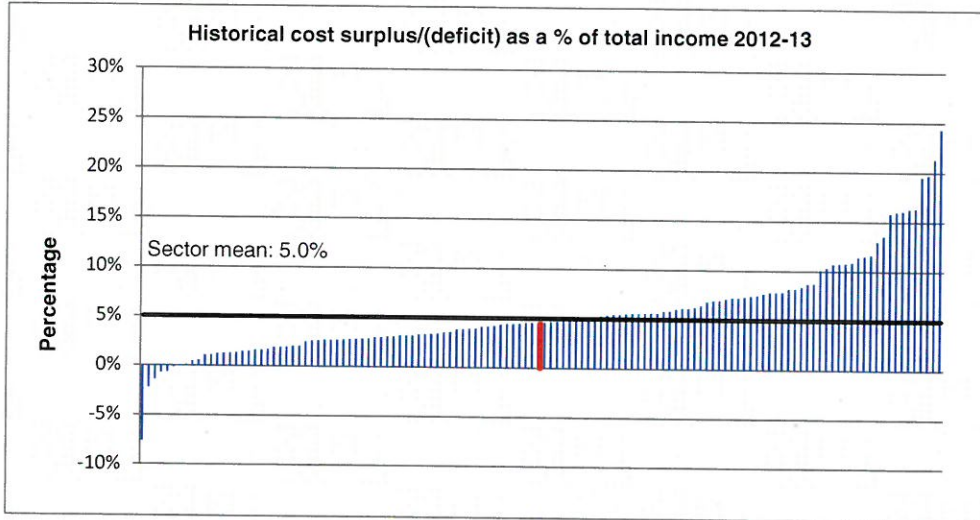


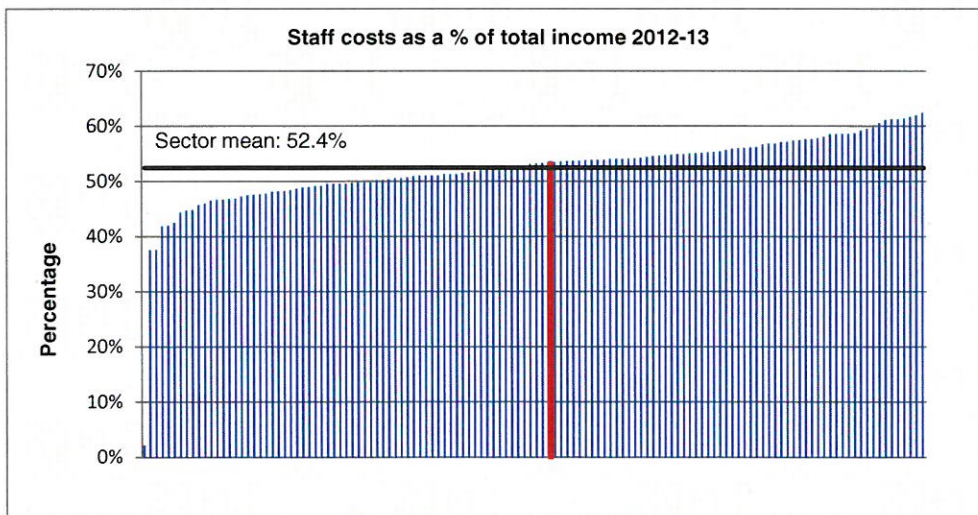
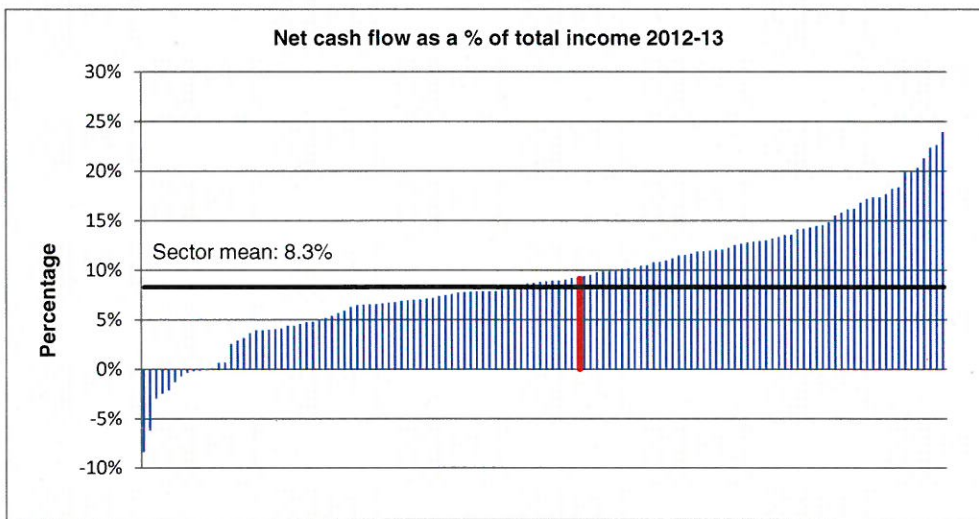
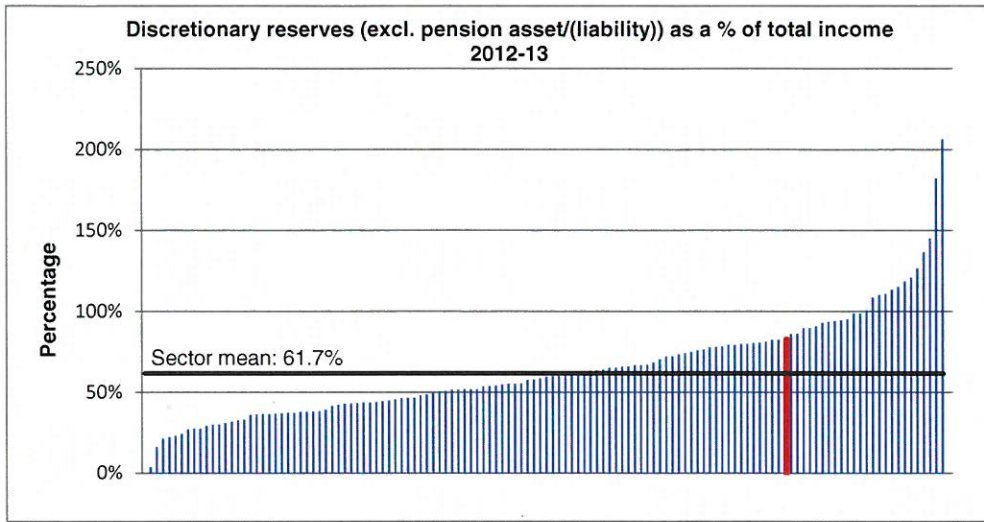


## Annex B - Benchmarking of key financial indicators for 2012-13

Institution: London South Bank University

The figures below show the key financial information for 2012-13 relative to the sector. The data for London South Bank University are highlighted in red.





Source of data: Financial indicators are calculated from the 2013 financial results and forecasts data as submitted to HEFCE in December 2013. Further details on this and on how the indicators are calculated are available on the HEFCE extranet under "2013 financial results and forecasts – summary statistics". Details on how to access this benchmarking information will be sent to Directors of Finance.

	PAPER NO: AC.28(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Home Office Higher Education Assurance Team (HEAT) audit	
Author:	Jennifer Parsons, Director of Internationalisation	
Executive sponsor:	Beverley Jullien, Pro Vice Chancellor (External)	
<b>Recommendation by the Executive:</b>	that Audit committee notes the outcome of the HEAT audit	
Aspect of the Corporate Plan to which this will help deliver?		
Matter previously considered by:	N/A	N/A
Further approval required?	No	N/A
Communications – who should be made aware of the decision?	All Staff	

### **Executive Summary**

The University underwent a spot check by the Home Office Higher Education Assurance Team (HEAT). The International Office was given 48 working hours to pull together 11 specific files of international students for inspection. The purpose of this activity was to gather English language qualifications used by students to enter the university, with particular reference to Test of English as a Foreign Language (TOEFL) and Test of English for International Communication (TOEIC) scores.

HEAT was scheduled to visit a wide variety of institutions over a two week period, of which LSBU was one. The International Office team was able to provide the evidence needed by the Home Office and are not expecting there to be further action following this.

The committee is requested to note the outcome of this audit.

# London South Bank

University

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		PAPER NO: AC.29(14)
Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Transparent Approach to Costing – TRAC(T) Sign off	
Author:	David Kotula, Reporting Analyst (Special Projects)	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends, based on the assurances provided herein, that the committee retrospectively approves the attached return which was made to HEFCE on 10 <sup>th</sup> April 2014.	
Aspect of the Corporate Plan to which this will help deliver?	Financial sustainability.	
Matter previously considered by:	N/A	
Further approval required?	N/A	
Communications – who should be made aware of the decision?	HEFCE (Already Advised)	

## Executive summary

The Transparent Approach to Costing (Teaching) return - TRAC(T), is a sub-analysis of the Transparent Approach to Costing (TRAC) return and has been made annually since 2007.

TRAC (T) has three main aims:

- to enable higher education institutions (HEIs) to understand their own costs better, so that they can use cost information for planning, decision-making and management;
- to inform HEFCE's allocation of funds for teaching;
- to assist in understanding the total costs of sustainable teaching.

A reconciliation of the total costs in TRAC(T) to the figures published in the TRAC return is shown in table A (see Appendix 1). LSBU is benchmarked against a group of universities with similar levels of income from Teaching. For this purpose we are included in Peer Group E. (see Appendix 2). The return analyses the costs of HEFCE fundable teaching into HESA cost centres and then divides this cost by the total student numbers in each of those cost centres as reported in the HESA return to give *Subject-FACTS* for each of the current HESA cost centres (Full Average Annual Subject-related Cost of Teaching a HEFCE-fundable FTE student in a HESA academic cost centre). This output forms table B of the return (see Appendix 1).

The outcome of the benchmarking exercise was that LSBU has a lower mean Subject-FACT of £6,075, compared to the peer group mean of £6,841 (peer group 2011/12 was £6,240). Compared to 2012/13 the mean for LSBU is 13.8% higher than the prior year mean of £5,338. The variance can be attributed to a reduction in student FTE's of 5.2%, and an increase in costs by 8.0%.

The draft benchmark figures (Appendix 3 and 4) have been reviewed and we are satisfied that we have complied in full with the requirements. The report was signed off and has been submitted to HEFCE. We have had confirmation from HEFCE that the return relating to TRAC(T) has been received and no detailed issues have been raised following submission.

## Assurances regarding process

The following assurances are provided to Committee with regard to process:

### 1. Reconciliation to accounts

- The TRAC(T) return is an annual return based on the teaching element of the TRAC annual return. The basis for the 2012/13 return was the financial accounts for year ending 31/07/2013.  
The return has been checked and reconciles to the published financial accounts for the year ending 31/07/2013.
- The financial information used is a sub-set of the TRAC return. All costs that do not relate to publicly funded teaching are extracted. This information includes costs down to individual staff level for teaching staff and to cost centre level for faculty support staff. The individual staff costs are extracted from establishment data used in the budgeting process. All figures are reconcilable back to the published accounts and the 2012/13 TRAC return.

### 2. Compliance with guidelines/regulations

- The return has been prepared by the University's Reporting Analyst (Special Projects) in accordance with the regulations set down by HEFCE for the preparation of the TRAC(T) return. This includes any updated regulations or issues raised at TRAC self help groups organised by the TRAC Development Group and BUFDG.
- The report has been shared with faculties and input received as appropriate.
- A draft report was issued to HEFCE by the end of February. This was followed by a benchmarking exercise with our peer group. This exercise allows for adjustments to be made prior to the final report sign off. The final report was then issued to HEFCE.
- The core costing information is based on the amount of time spent teaching for each academic member of staff. This is derived from a Time Allocation Survey (TAS) that is completed four times a year. The results have been reviewed and verified by faculty managers to allow for any adjustments to be made prior to using the data in the TRAC return.
- The TRAC(T) requirement is for all costs to be allocated based on the relevant HESA Cost centres. Staff HESA cost centres are derived from a report collated by the HR department and then reviewed by faculty managers at a department level.

- Non-Staff costs are derived from the TRAC return that is sourced from the Agresso finance system at a cost centre level. HESA cost centres are applied on a department level.
- The robustness and accuracy of the data is verified during a reconciliation process by a suitably qualified colleague.
- A member of the Audit Committee has reviewed the TRAC process and a copy of the TRAC ( T) return.

The committee is requested to retrospectively approve the attached return made to HEFCE on 10th April 2014

**TRAC(T) 2012-13****Institution: London South Bank University****Code: H-0076****UKPRN: 10004078**

This form should be completed by the Head of the institution or an appropriate deputy and not by the individual responsible for completing the return.

With reference to the TRAC(T) data loaded on: 10/04/2014 16:05

I confirm that the data held by the HEFCE for this institution are correct.

I understand that this data may be used by the funding councils to inform their teaching funding methods.

Signed:



Name:

Prof. DAVID PHOENIX

Position:

VICE CHANCELLOR

Date (dd/mm/yyyy):

10/04/2014

Please print out and fill in the confirmation sheet and then scan and upload this document to the funding councils via the secure area of the HEFCE website no later than Monday 14 April 2014. The funding councils no longer require a paper copy.



This workbook contains two sections: A and B (in 2 worksheets)  
 A provides source data for Subject-FACTs  
 B is the calculation of Subject-FACTs

Sections A and B are mandatory (part of the **minimum requirements**).

Institution: London South Bank University  
 Code: H-0076  
 UKPRN: 10004078

**A Source Data**

MANDATORY

This section **should** be completed by all institutions.  
 The purpose of this section is to provide a reconciliation to the figures returned under annual TRAC.

	£000		
Total expenditure in financial statements	131,798		per annual TRAC report
plus target surplus for sustainable operations	12,452		per annual TRAC report (infrastructure adjustment + return for financing and investment adjustment)
gives TRAC costs	144,250		per annual TRAC report
less Research	15,256		per annual TRAC report
Other	17,257		per annual TRAC report
gives Teaching	111,738		per annual TRAC report
less NPFT	8,198	% of Teaching 7.3%	per annual TRAC report
non-Funding Council-fundable PFT	42,569	38.1%	
gives Funding Council-fundable PFT	60,971	54.6%	
		% of Funding Council-fundable	
less non-subject related			per funding table (Appendix 10 or Appendix 12-2) (note 1)
funding proxy	9,660	15.8%	actual costs and charges included in financial statements
bursaries (note 2)	2,626	4.3%	
total non-subject related	12,286	20.1%	
gives Subject-related costs of Funding Council-fundable provision	48,686		

Notes:

1. The funding proxy total **should** agree to the total costs of non-subject related areas where Funding Council funding is used as the proxy, provided at the bottom of the table in Appendix 10/Appendix 12-2 of the TRAC(T) guidance. The main exceptions to this are listed on the JCPSG website in Part VIII, Section C, paragraph 9 ([www.jcpsg.ac.uk/guidance/2008/](http://www.jcpsg.ac.uk/guidance/2008/)), and are:

- institutions with collaborative awards or arrangements e.g. Summer Schools, Strategic Alliance Partnership
- institutions with 'London whole institution' funding
- three named institutions
- institutions with negative funding
- institutions who are carrying forward or bringing forward some of this income, or who are capitalising it.

Please note that the figures in Appendix 10/Appendix 12-2 are displayed to the nearest £ and need to be divided by 1000 before entering in this table.

Appendix 10 and Appendix 12-2 for 2012-13 can be found on the JCPSG website ([www.jcpsg.ac.uk/guidance/2008/](http://www.jcpsg.ac.uk/guidance/2008/))

Please give reasons for differences to Appendix 10/Appendix 12-2 in the "Validation" worksheet or on a separate word document if necessary.

2. The non-subject related bursaries figure comprises the actual costs or charges made to the financial statements for bursaries, hardship payments and scholarships of Funding Council-fundable taught students. Please note that any scholarships relating to research students or non-Funding Council-fundable students should not be included in this figure - those are research costs or non-Funding Council-fundable Teaching costs and should be deducted under the lines "less Research" or "less non-Funding Council-fundable PFT" or "less NPFT" in the table above. Also note that fee waivers should not be included in this figure - they should instead be netted off against income.

**A.1 Cost recording methods**

MANDATORY

Do you believe that you have met all of the minimum requirements (once your figures have been benchmarked and reviewed for reasonableness)?

Please select Yes or No from the drop-down list

Yes

To inform their teaching funding methods, the Funding Councils need representative data for the sector (covering all subject areas) on the costs of different subjects. Do you believe that your TRAC(T) figures are fit for the purpose of informing the relevant Funding Councils' teaching funding methods?

Please select Yes or No from the drop-down list

Yes

Do you consider your figures to be robust at the level of department? (Robustness is defined as: meeting the minimum requirements and recording academic time allocation data that are statistically robust at the level of department)

Please select Yes or No from the drop-down list

Yes

Do you produce a cost per student by department for use by institutional managers?

Please select Yes or No from the drop-down list

Yes

Are you reporting that you recover more than 105% of your costs on PFT activity on your Annual TRAC return and if so have you assessed the impact of this on your Subject-FACTs?

Please select Yes, No or n/a from the drop-down list

n/a

Institution: London South Bank University  
 Code: H-0076  
 UKPRN: 10004078

**B. Report to Funding Councils**

MANDATORY

This section should be completed by all institutions.

The purpose of this section is to collect the information that could be used by the Funding Councils.

		Price groups in use for 2012-13 reporting	Total subject- related costs of Funding Council- fundable provision (a)	Funding Council- fundable student FTEs from HESA (b)	Subject-FACTS (c)=((a)/(b))*1000
HESA academic cost centre			£000	FTEs	£
101	Clinical medicine	A	0	0.00	0
		B	0	0.00	0
		Total	0	0.00	0
102	Clinical dentistry	A	0	0.00	0
		B	0	0.00	0
		Total	0	0.00	0
103	Nursing and allied health professions		2,053	266.05	7,718
	Professional qualifications (Scottish institutions only)		0	0.00	0
		Total	2,053	266.05	7,718
104	Psychology and behavioural sciences		2,037	349.67	5,825
105	Health and community studies		525	67.17	7,813
106	Anatomy and physiology		0	0.00	0
107	Pharmacy and pharmacology		0	0.00	0
108	Sports science and leisure studies		539	69.38	7,771
109	Veterinary science	A	0	0.00	0
		B	0	0.00	0
		Total	0	0.00	0
110	Agriculture, forestry and food science		0	0.00	0
111	Earth, marine and environmental sciences		0	0.00	0
112	Biosciences		2,647	321.59	8,232
113	Chemistry		0	0.00	0
114	Physics		0	0.00	0
115	General engineering		1,843	205.43	8,972
116	Chemical engineering		1,703	295.17	5,770
117	Mineral, metallurgy and materials engineering		0	0.00	0
118	Civil engineering		1,688	298.14	5,661
119	Electrical, electronic and computer engineering		2,293	280.67	8,171
120	Mechanical, aero and production engineering		2,246	447.22	5,023
121	Information technology, systems sciences and computer software engineering		2,148	336.34	6,387
122	Mathematics		0	0.00	0
123	Architecture, built environment and planning		5,770	959.99	6,011
124	Geography and environmental studies		0	0.00	0
125	Area studies		0	0.00	0
126	Archaeology		0	0.00	0
127	Anthropology and development studies		163	31.67	5,150
128	Politics and international studies		0	0.00	0
129	Economics and econometrics		0	0.00	0
130	Law		2,229	472.51	4,717
131	Social work and social policy	C	1,157	246.51	4,694
		D	0	0.00	0
		Total	1,157	246.51	4,694
132	Sociology		2,100	439.74	4,777
133	Business and management studies		11,974	1,884.48	6,354
134	Catering and hospitality management		380	47.09	8,060
135	Education	C	312	58.75	5,315
		D	314	55.15	5,685
	Professional qualifications (Scottish institutions only)		0	0.00	0
		Total	626	113.90	5,495
136	Continuing education		0	0.00	0
137	Modern languages		0	0.00	0
138	English language and literature		623	130.50	4,776
139	History		0	0.00	0
140	Classics		0	0.00	0
141	Philosophy		0	0.00	0
142	Theology and religious studies		0	0.00	0
143	Art and design		1,836	355.85	5,160
144	Music, drama, dance and performing arts		932	188.21	4,953
145	Media studies		1,172	207.04	5,659
Total in HESA academic cost centres			48,686	8,014.33	6,075
999	Cost centre not assignable			0.00	
Total			48,686	8,014.33	6,075



## TRAC(T) 2012-13 Validation report

Your workbook has passed all validation checks

Please ensure that your return shows "Validation passed" for checks 1 to 5 before submitting your workbook to HEFCE.

1. Total subject-related costs of Funding Council-fundable provision in Section A should equal those returned in Section B.

Validation passed

2. The cost of bursaries should be completed in Section A. If you have a genuine reason for having no bursary costs please provide commentary in the box below.

Validation passed

Comments box on no bursary costs.

3. Section A.1 is mandatory and should be completed.

Validation passed

4. Funding proxy figures provided in Section A should agree to the total provided in Appendix 10/Appendix 12-2. If you have a genuine reason for altering the income proxy figure used (eg. institutions with collaborative awards) please provide commentary on this in the box below.

Validation passed

Comments box on funding proxy differences.

5. Section B should not be showing cost centre(s) with costs but no students, or students but no costs. If it is, please amend or provide commentary on this in the box below.

Validation passed

Comments box on cost centre(s) with costs but no students, or students but no costs.

Data will be subject to some additional validation checks on submitting the data to HEFCE. The results of these will appear below in the results package.

6. Total expenditure reported in Section A should equal total expenditure returned through the annual TRAC return in January 2014.

Validation passed

7. Target surplus for sustainable operations (total cost adjustments) reported in Section A should equal the target surplus for sustainable operations returned through the annual TRAC return in January 2014.

Validation passed

8. Research costs reported in Section A should equal Research costs returned through the annual TRAC return in January 2014.

Validation passed

9. Other costs reported in Section A should equal Other costs returned through the annual TRAC return in January 2014.

Validation passed

10. NPFT costs reported in Section A should equal NPFT costs returned through the annual TRAC return in January 2014.

Validation passed

11. The cost of bursaries reported in section A should be less than or equal to the cost of bursaries returned in Table 7 of the HESA Finance Statistic Return in December 2013.

Data warning Bursaries returned in your 2012-13 HESA return are £0k.

If you find that any of the data returned in your annual TRAC return at the end of January 2014 are incorrect please contact Henry Dorrian (e-mail: h.dorrian@hefce.ac.uk, tel: 0117 931 7259).

### Peer Groups for annual TRAC, TRAC fEC and TRAC (T) benchmarking 2010/11

#### **Criteria (references to income are to 2004/05 data)**

Peer group A: Russell Group (all have medical schools) excluding LSE plus specialist medical schools

Peer group B: All other institutions with Research income of 22% or more of total income

Peer group C: Institutions with a Research income of 8%-21% of total income

Peer group D: Institutions with a Research income of between 5% and 8% of total income and those with a total income > £120m

Peer group E: Teaching institutions with a turnover of between £40m and £119m

Peer group F: Smaller teaching institutions

Peer group G: Specialist music/arts teaching institutions

#### **Peer Group E**

H-0047 Anglia Ruskin University

H-0026 University of Bedfordshire

H-0049 University of Bolton

H-0050 Bournemouth University

H-0009 Buckinghamshire New University

H-0012 Canterbury Christ Church University

H-0011 University of Chester

H-0056 Coventry University

H-0038 University of Cumbria

H-0057 University of Derby

H-0058 University of East London

H-0016 Edge Hill University

H-0061 University of Huddersfield

H-0062 University of Lincoln

H-0023 Liverpool Hope University

H-0076 London South Bank University

H-0027 University of Northampton

H-0031 Roehampton University

H-0037 Southampton Solent University

H-0077 Staffordshire University

H-0078 University of Sunderland

H-0079 University of Teesside

H-0080 Thames Valley University

H-0105 University of the West of Scotland

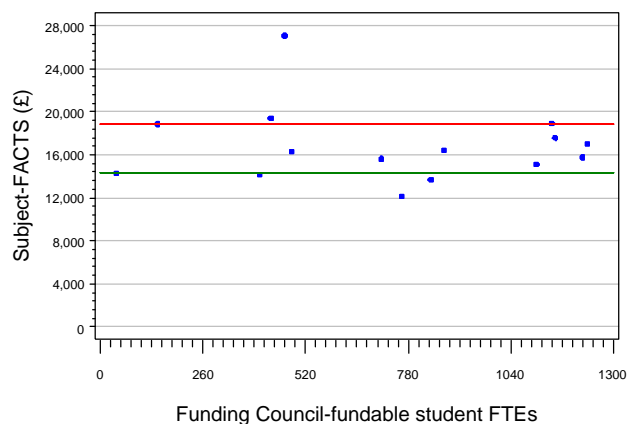
## TRAC(T) 2012-13: summary

### Plots of subject-FACTS against Funding Council-fundable FTEs data for each cost centre

Each plot is a scatter graph of subject-FACTS against Funding Council-fundable FTE students. The data have been displayed in this way so that the reader can appreciate the spread of data in any particular cost centre. There is one point marked for each institution. Data from all institutions, including those in Scotland, are shown in the plots. The upper and lower quartile values are represented by the red and green lines respectively. Also shown for comparison between cost centres are the mean (total subject-related costs divided by total HEFCE-fundable FTEs) and both the median and standard deviation\* (Stdv) of the individual rates associated with each observation. Caution should be used when comparing different charts, as the scales of the axes vary across cost centres/price groups.

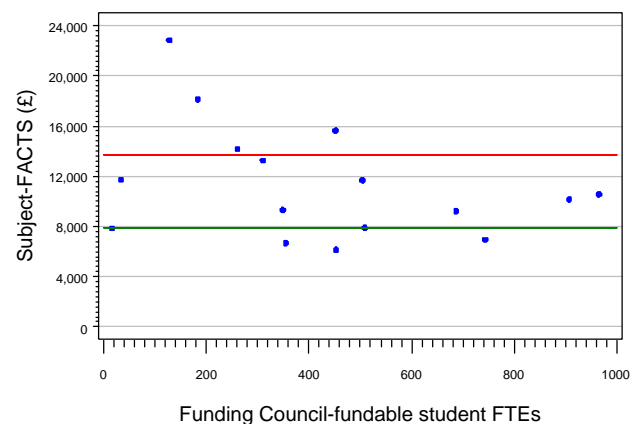
Source: 2012-13 TRAC(T) returns, Section B

101 Clinical Medicine  
Price group A



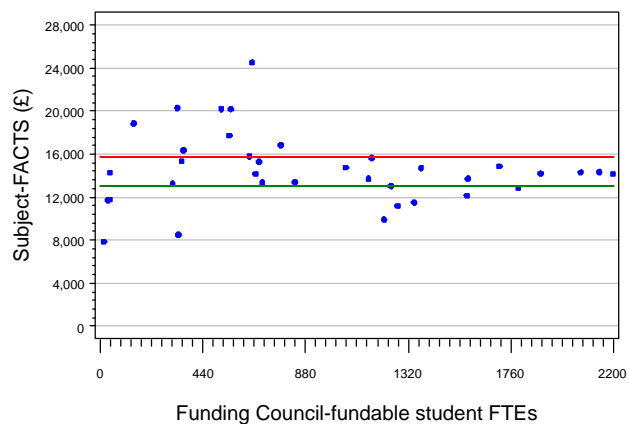
Mean	Median	Stdv
16,635	16,325	3,504

101 Clinical Medicine  
Price group B



Mean	Median	Stdv
10,359	10,384	4,558

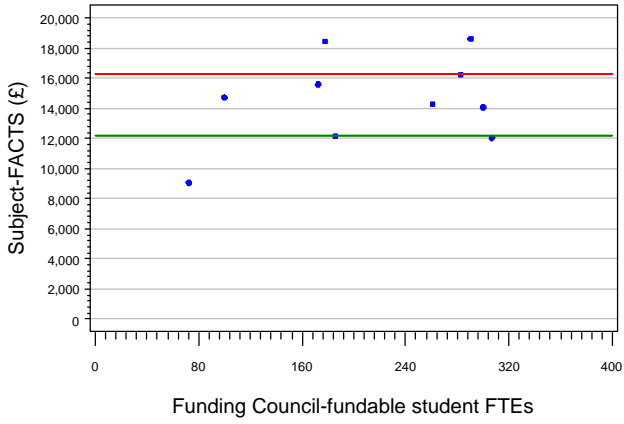
101 Clinical Medicine  
Price group Total



Mean	Median	Stdv
14,299	14,260	3,358

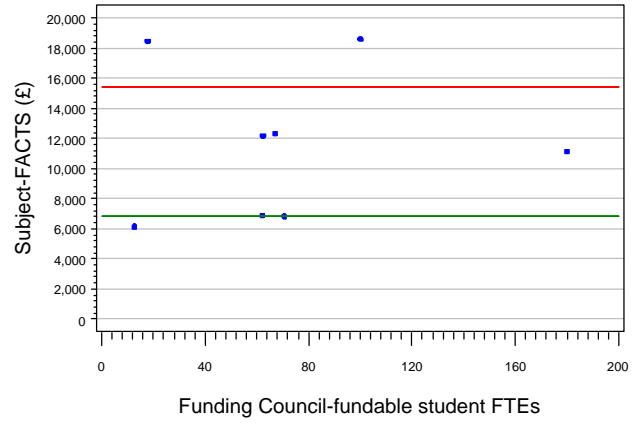
\* The standard deviation is a measure of the spread of data about the mean value. It is calculated by taking the square root of the variance. The variance is calculated by taking the average of the squared deviation of each observation from the mean.

102 Clinical Dentistry  
Price group A



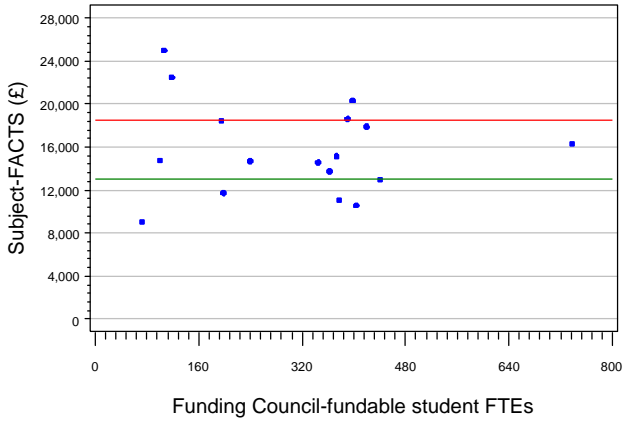
Mean	Median	Stdv
14,899	14,517	2,950

102 Clinical Dentistry  
Price group B



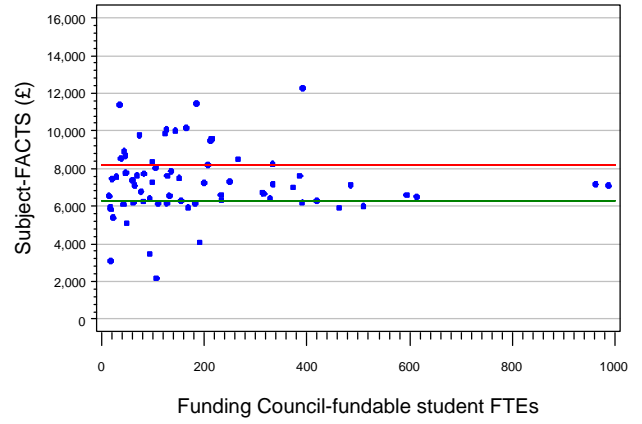
Mean	Median	Stdv
11,836	11,673	4,956

102 Clinical Dentistry  
Price group Total



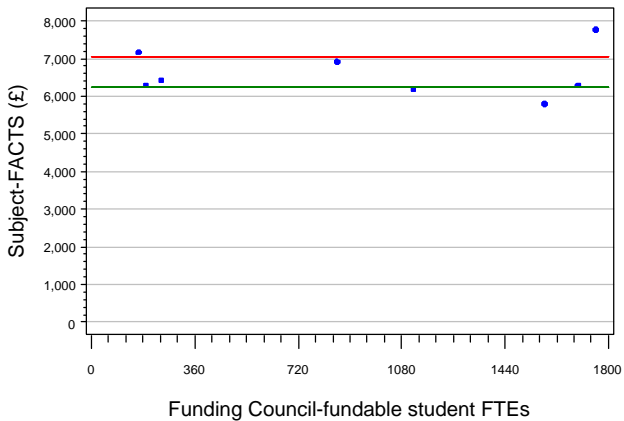
Mean	Median	Stdv
15,486	14,801	4,314

103 Nursing and allied health professions  
Price group C



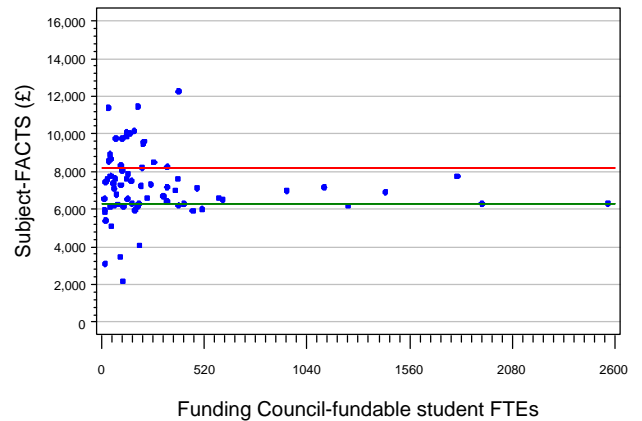
Mean	Median	Stdv
7,295	7,156	1,810

103 Nursing and allied health professions  
Professional Qualifications (Scottish institutions only)



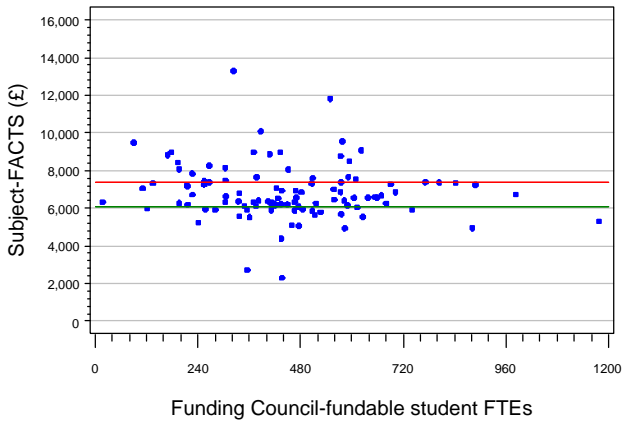
Mean	Median	Stdv
6,618	6,365	634

103 Nursing and allied health professions  
Price group Total



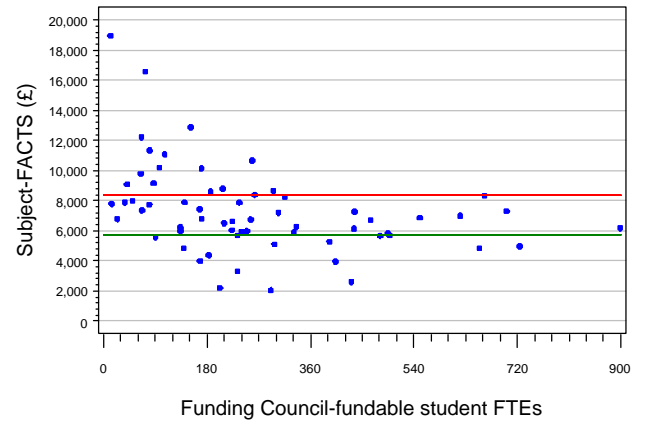
Mean	Median	Stdv
7,062	7,109	1,804

104 Psychology and behavioural sciences



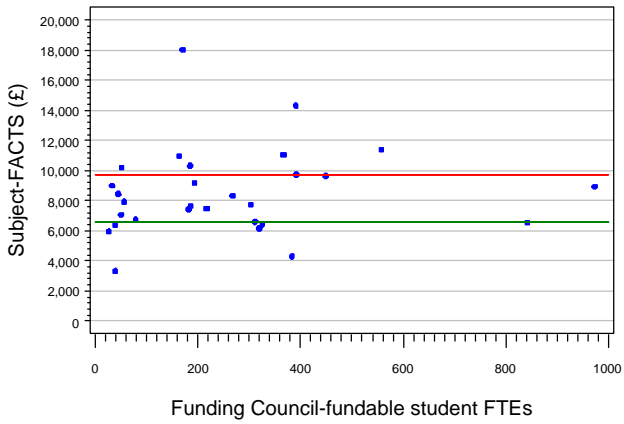
Mean	Median	Stdv
6,785	6,577	1,489

105 Health and community studies



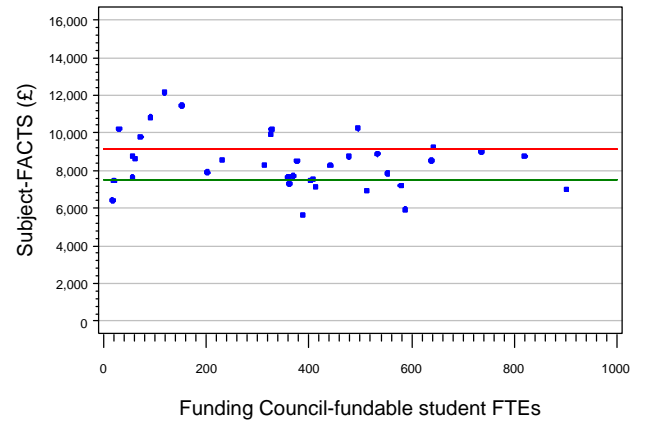
Mean	Median	Stdv
6,514	6,811	2,942

106 Anatomy and physiology



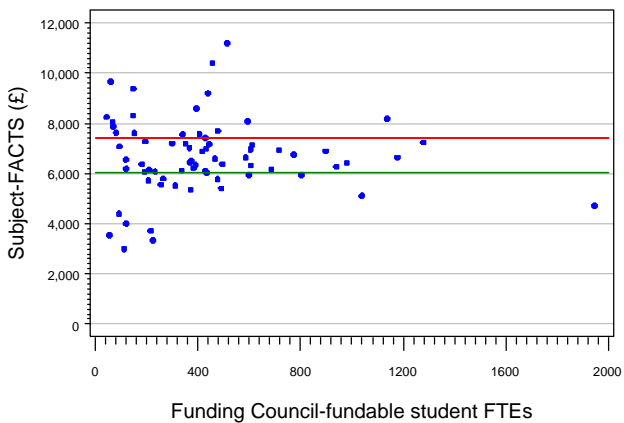
Mean	Median	Stdv
8,791	7,945	2,908

107 Pharmacy and pharmacology



Mean	Median	Stdv
8,204	8,418	1,474

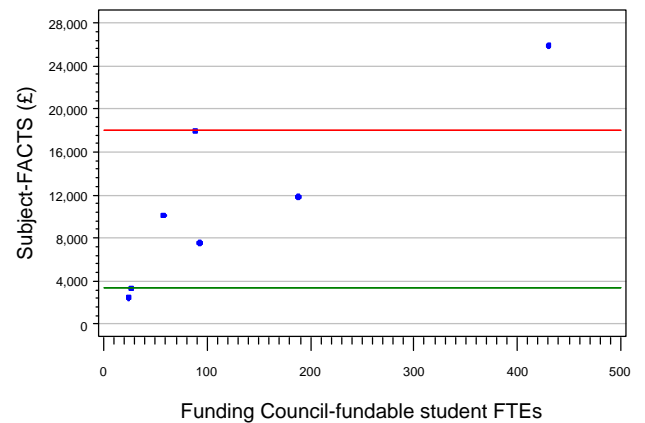
108 Sports science and leisure studies



Mean	Median	Stdv
6,659	6,588	1,502

109 Veterinary science

Price group B

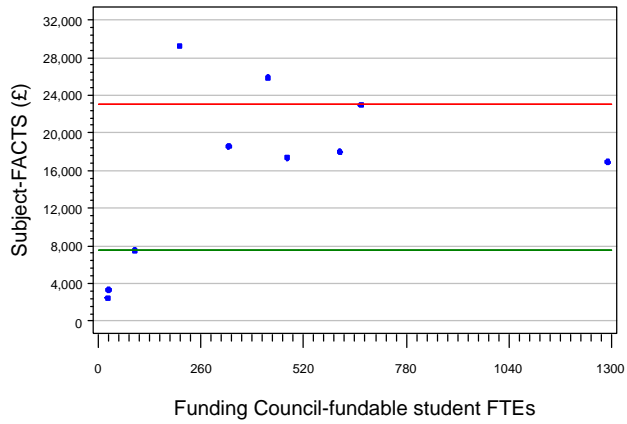


Mean	Median	Stdv
18,060	10,133	8,321



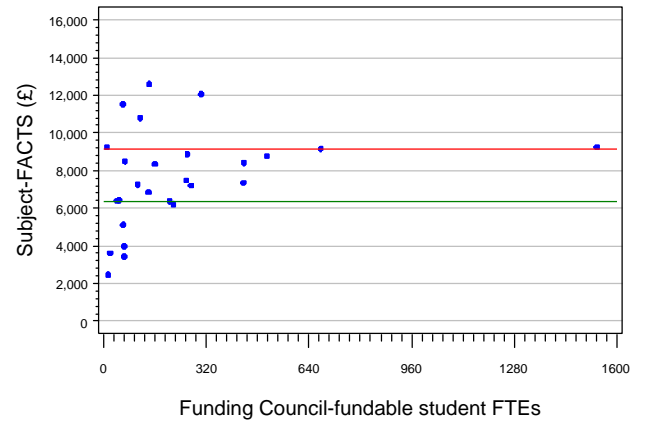
109 Veterinary science

Price group Total



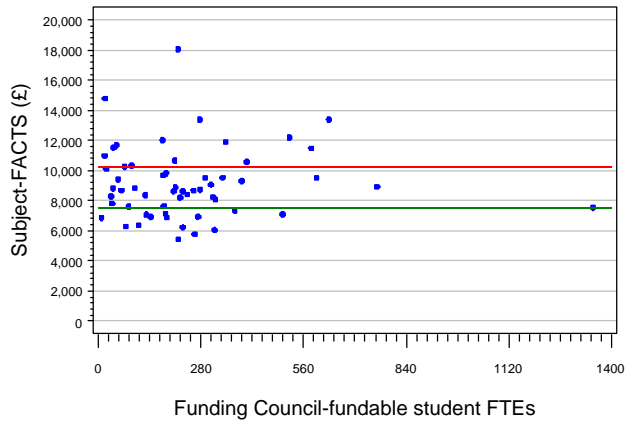
Mean	Median	Stdv
19,416	17,700	9,135

110 Agriculture, forestry and food science



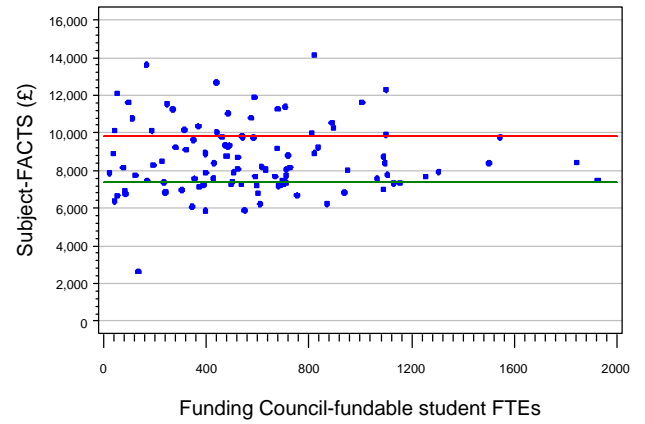
Mean	Median	Stdv
8,557	7,431	2,605

111 Earth, marine and environmental sciences



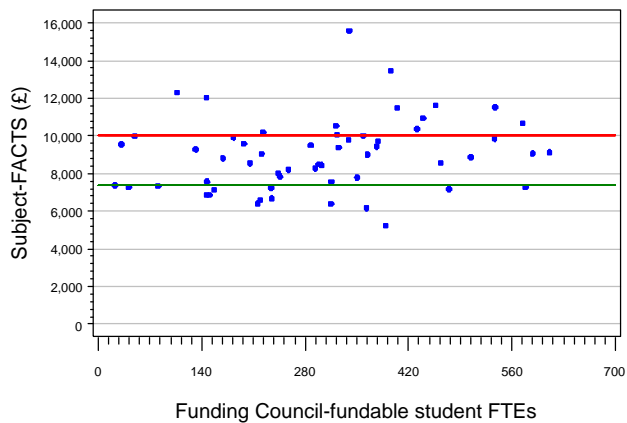
Mean	Median	Stdv
9,184	8,746	2,364

112 Biosciences



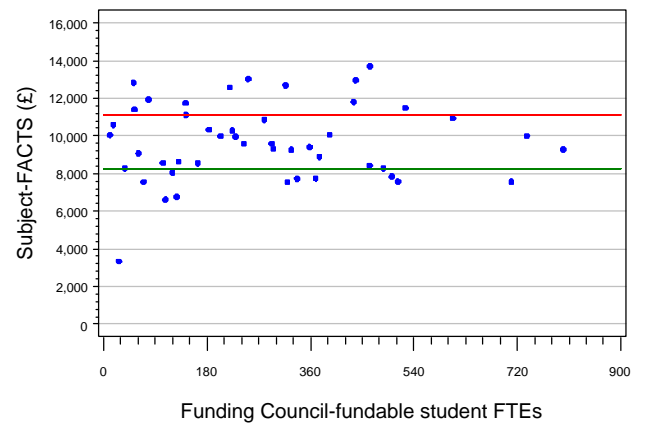
Mean	Median	Stdv
8,622	8,197	1,844

113 Chemistry



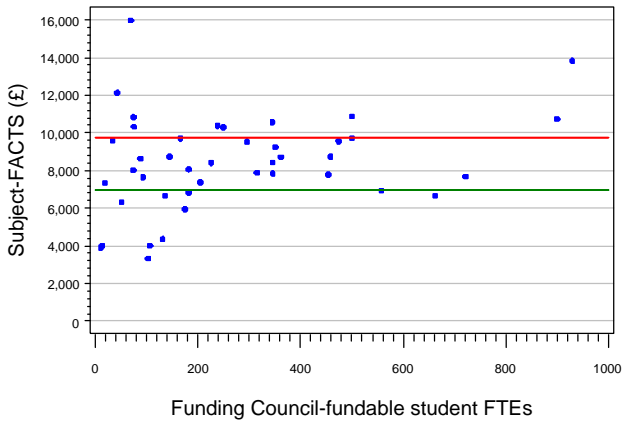
Mean	Median	Stdv
9,191	9,024	1,935

114 Physics



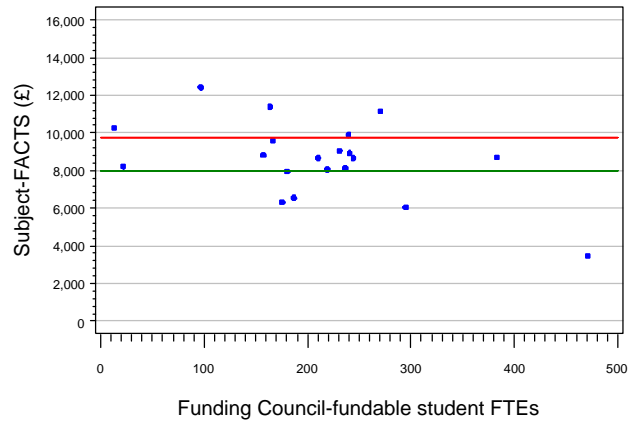
Mean	Median	Stdv
9,758	9,603	2,050

115 General engineering



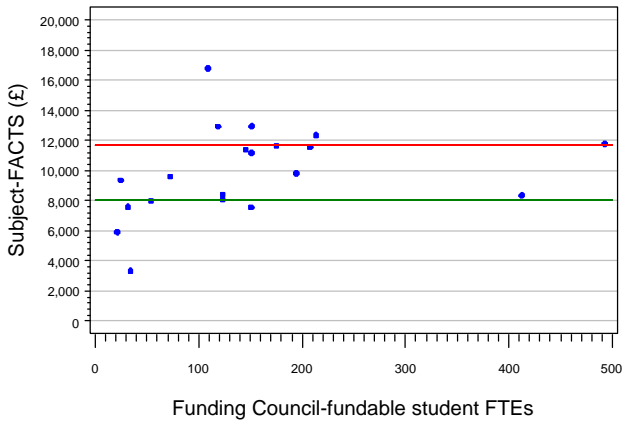
Mean	Median	Stdv
9,057	8,437	2,562

116 Chemical engineering



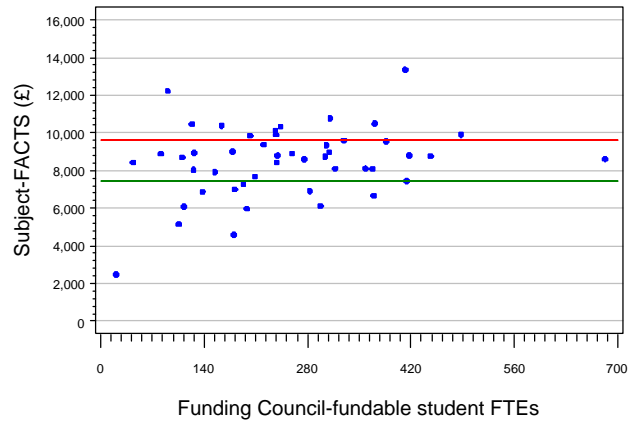
Mean	Median	Stdv
8,138	8,700	2,027

117 Mineral, metallurgy and materials engineering



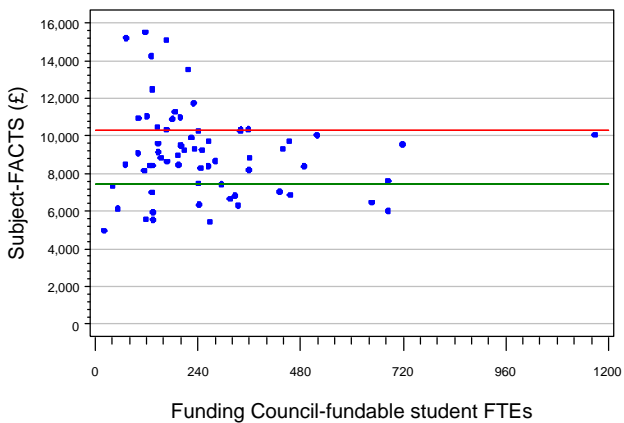
Mean	Median	Stdv
10,625	9,722	2,962

118 Civil engineering



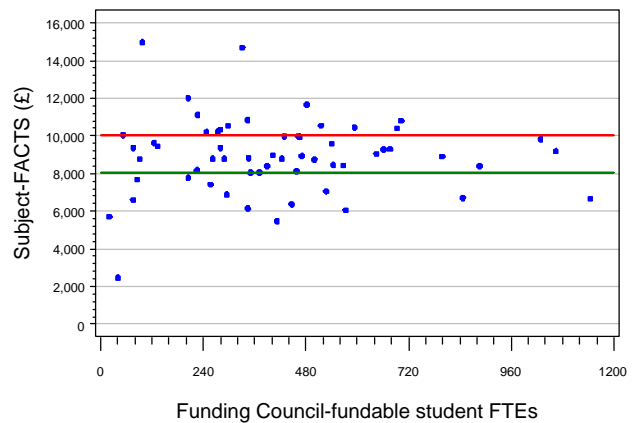
Mean	Median	Stdv
8,758	8,751	1,905

119 Electrical, electronic and computer engineering



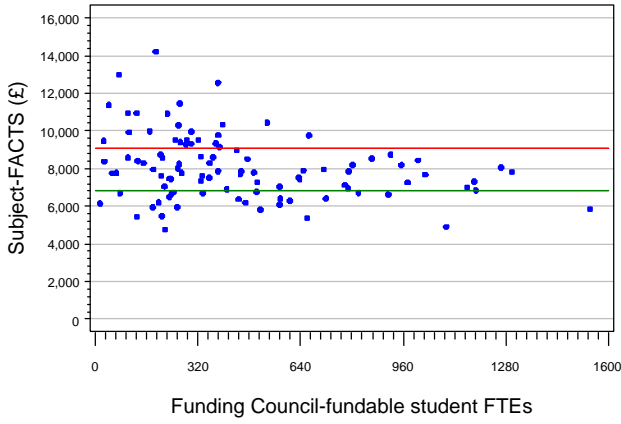
Mean	Median	Stdv
8,879	9,034	2,348

120 Mechanical, aero and production engineering



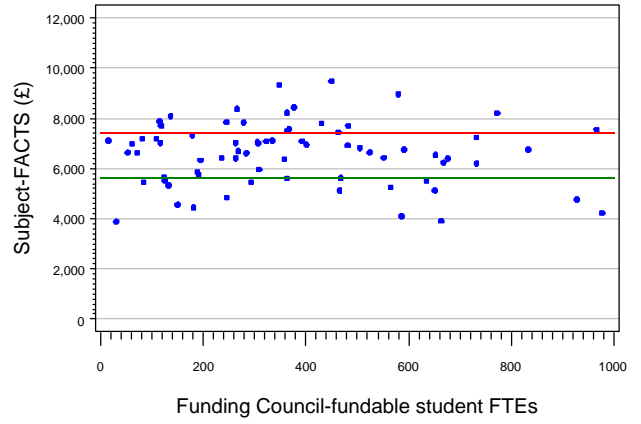
Mean	Median	Stdv
8,942	8,938	2,035

121 Information technology, systems sciences and computer software engineering



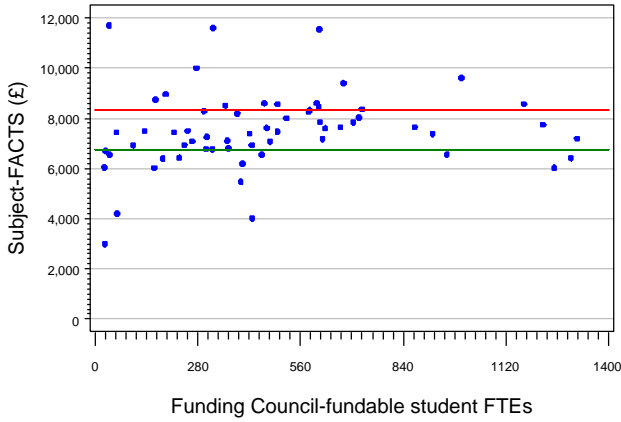
Mean	Median	Stdv
7,704	7,840	1,736

122 Mathematics



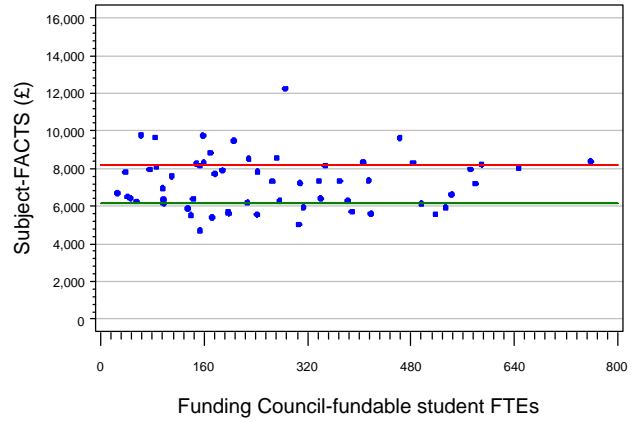
Mean	Median	Stdv
6,552	6,734	1,248

123 Architecture, built environment and planning



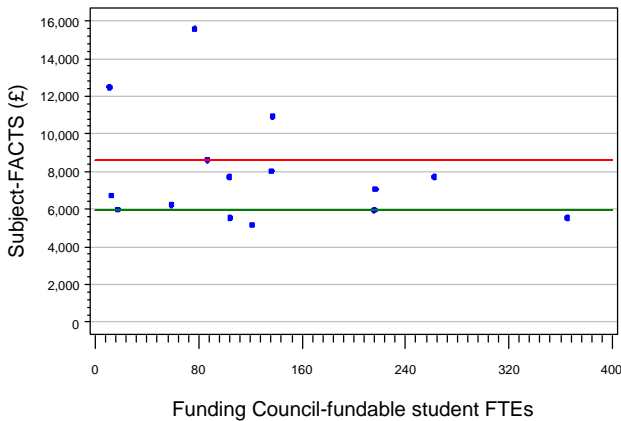
Mean	Median	Stdv
7,690	7,470	1,545

124 Geography and environmental studies



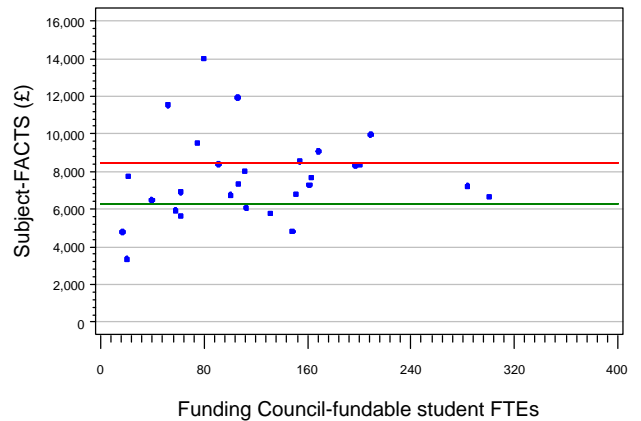
Mean	Median	Stdv
7,308	7,349	1,446

125 Area studies



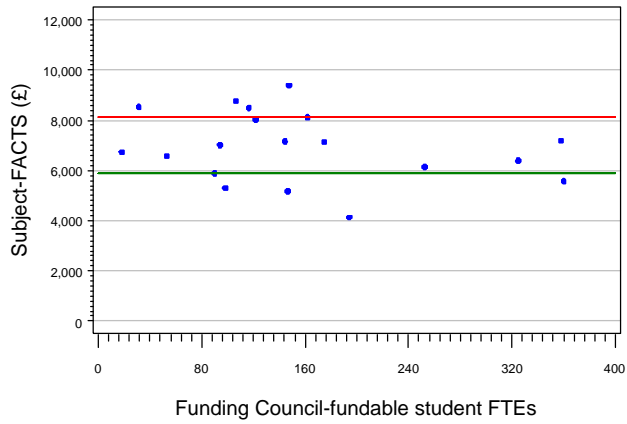
Mean	Median	Stdv
7,334	7,082	2,937

126 Archaeology



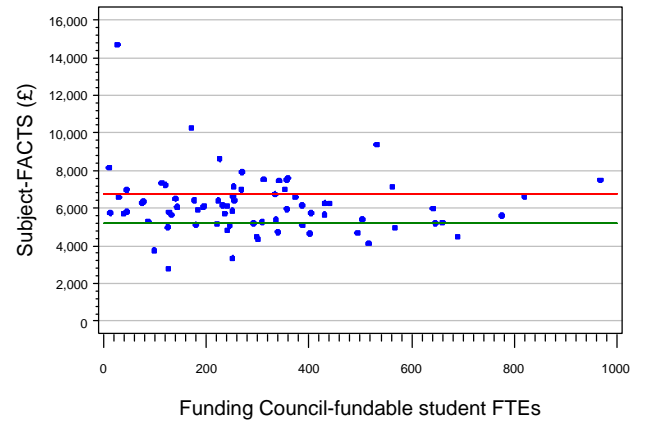
Mean	Median	Stdv
7,823	7,324	2,276

127 Anthropology and development studies



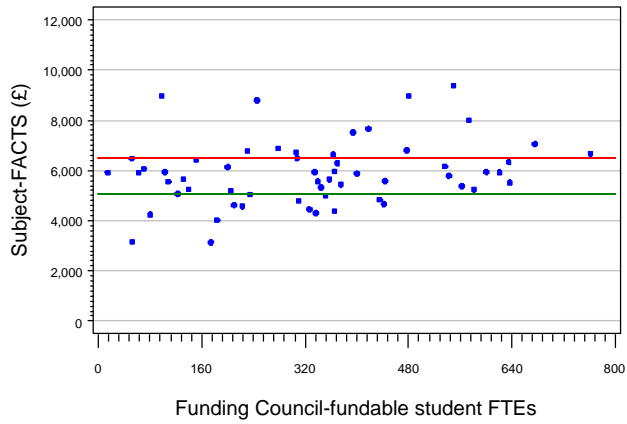
Mean	Median	Stdv
6,727	7,027	1,390

128 Politics and international studies



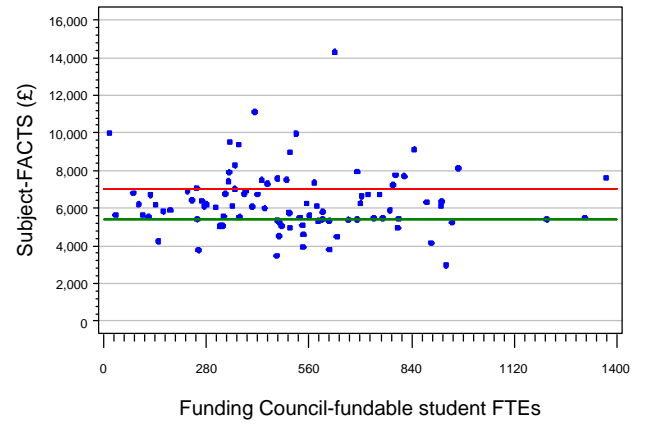
Mean	Median	Stdv
6,045	6,059	1,610

129 Economics and econometrics



Mean	Median	Stdv
6,094	5,915	1,297

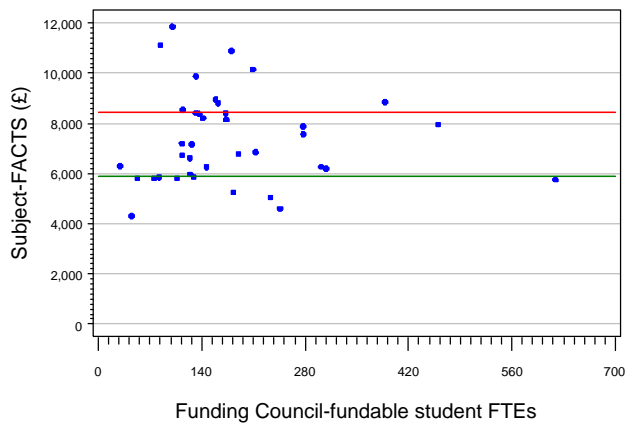
130 Law



Mean	Median	Stdv
6,305	6,097	1,683

131 Social work and social policy

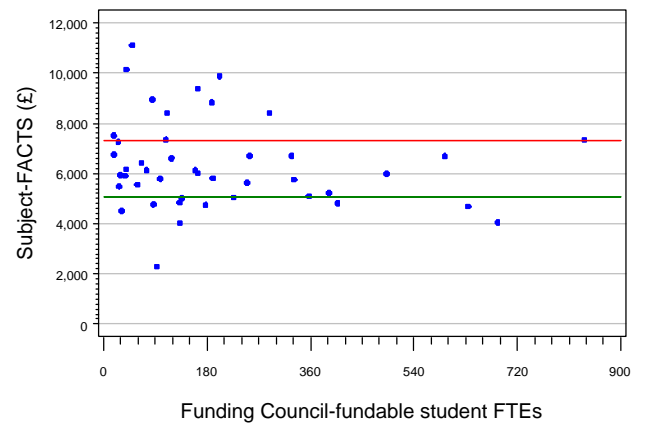
Price group C



Mean	Median	Stdv
7,342	7,019	1,829

131 Social work and social policy

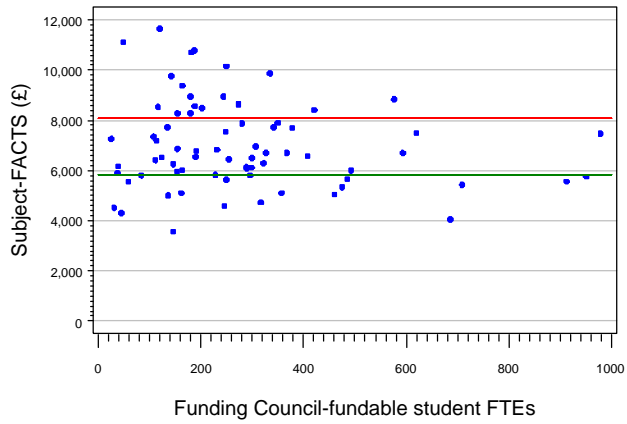
Price group D



Mean	Median	Stdv
6,098	6,023	1,790

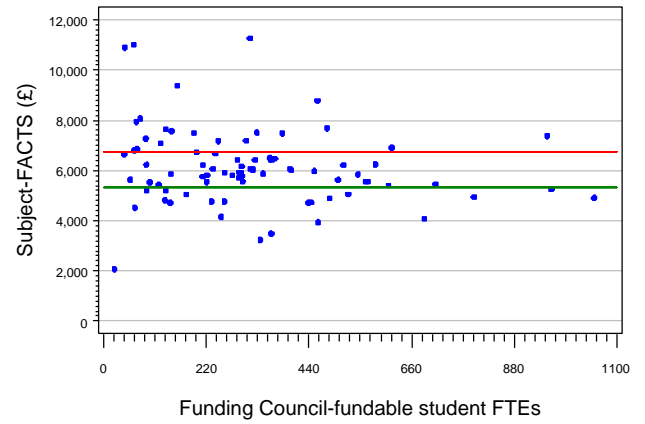
131 Social work and social policy

Price group Total



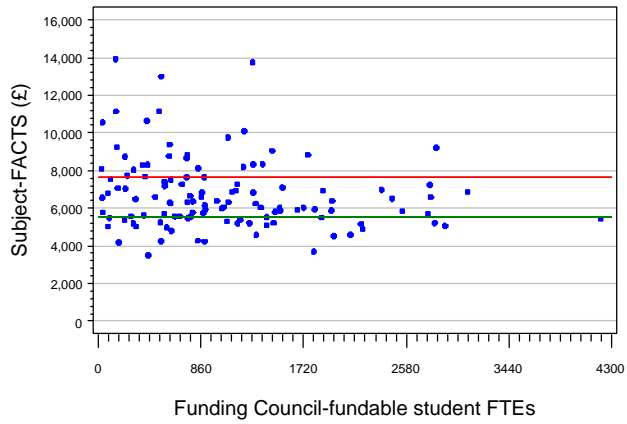
Mean	Median	Stdv
6,786	6,645	1,748

132 Sociology



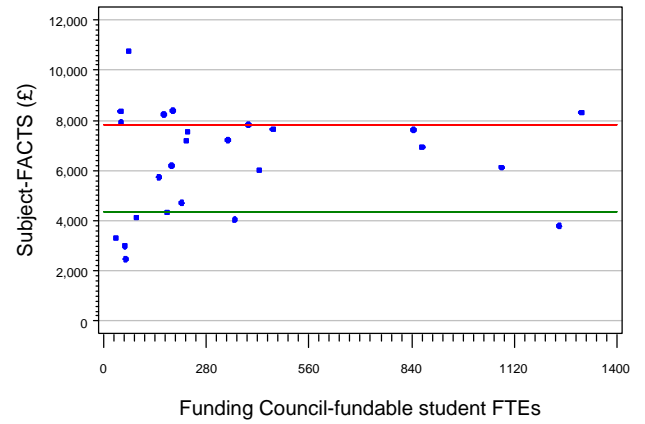
Mean	Median	Stdv
5,949	5,961	1,522

133 Business and management studies



Mean	Median	Stdv
6,491	6,366	1,920

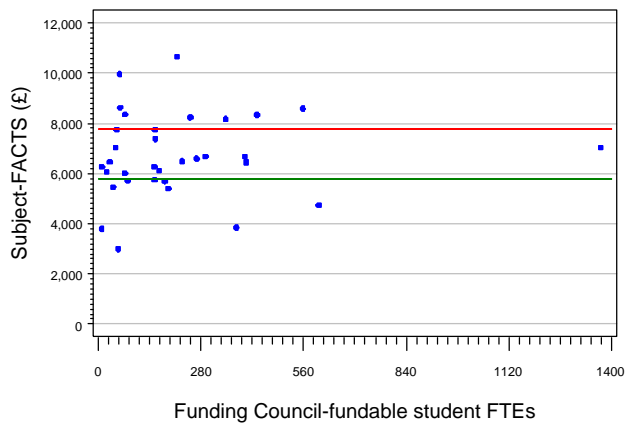
134 Catering and hospitality management



Mean	Median	Stdv
6,505	6,951	2,100

135 Education

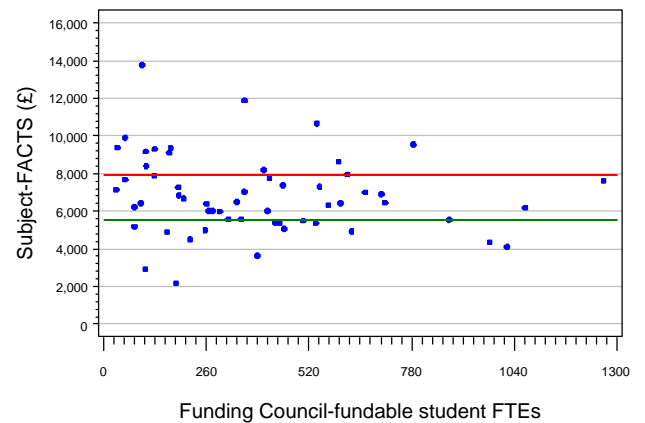
Price group C



Mean	Median	Stdv
6,858	6,504	1,664

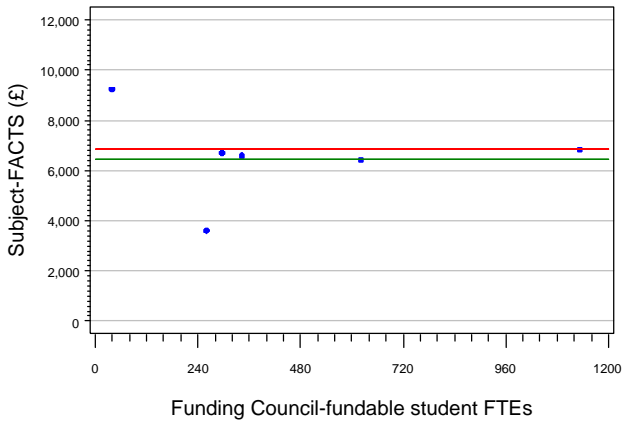
135 Education

Price group D



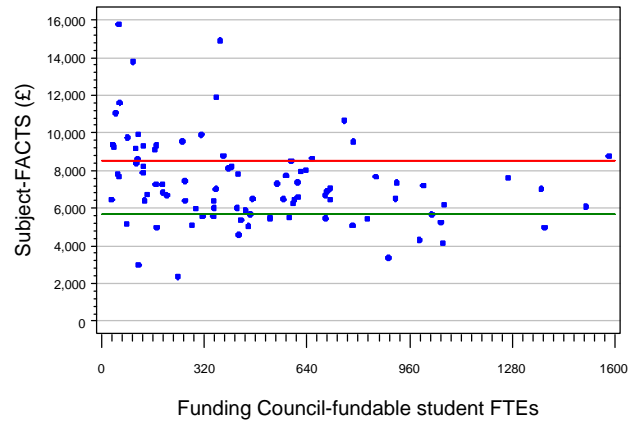
Mean	Median	Stdv
6,595	6,457	2,106

135 Education  
Professional Qualifications (Scottish institutions only)



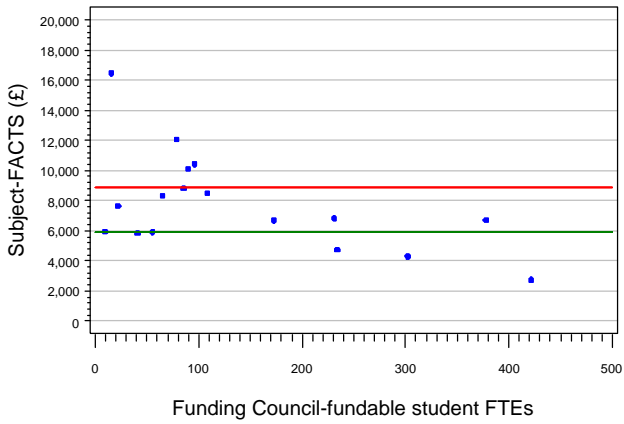
Mean	Median	Stdv
6,428	6,660	1,790

135 Education  
Price group Total



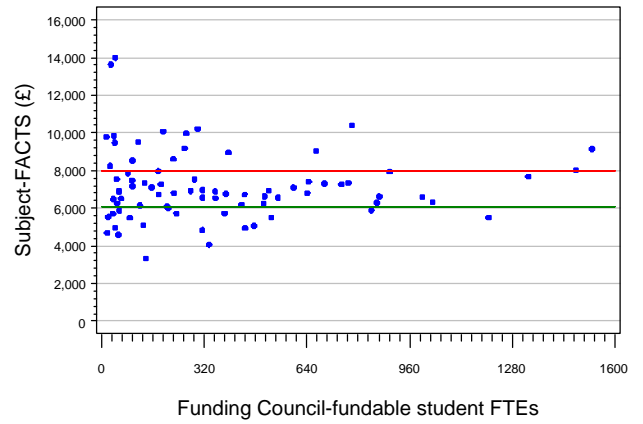
Mean	Median	Stdv
6,809	7,035	2,299

136 Continuing education



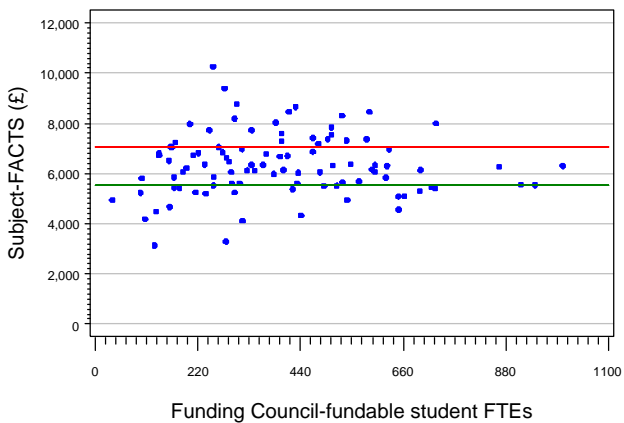
Mean	Median	Stdv
6,238	6,851	3,248

137 Modern languages



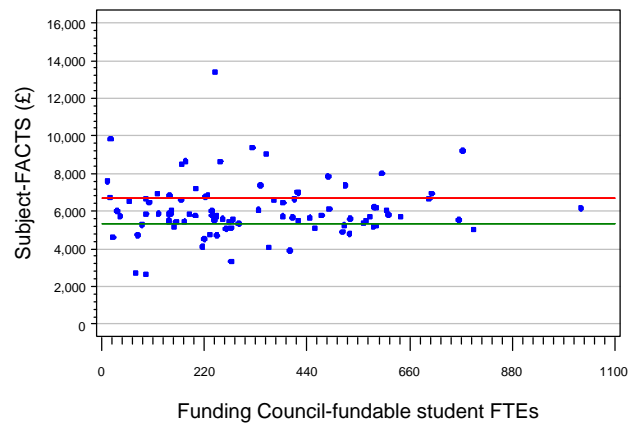
Mean	Median	Stdv
7,140	6,872	1,848

138 English language and literature



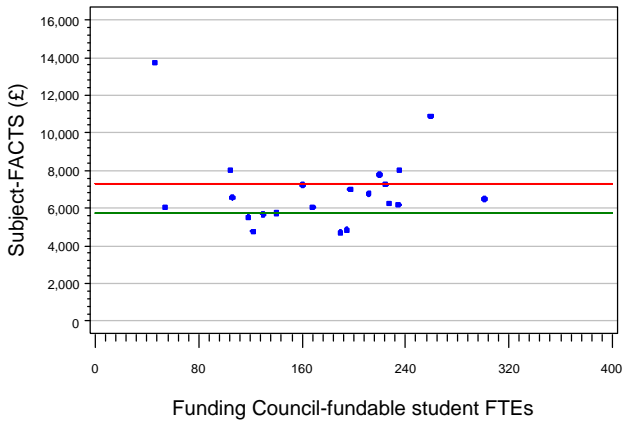
Mean	Median	Stdv
6,371	6,281	1,241

139 History



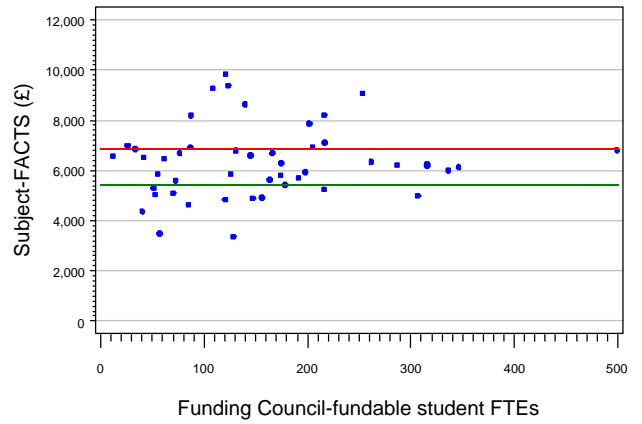
Mean	Median	Stdv
6,124	5,797	1,519

140 Classics



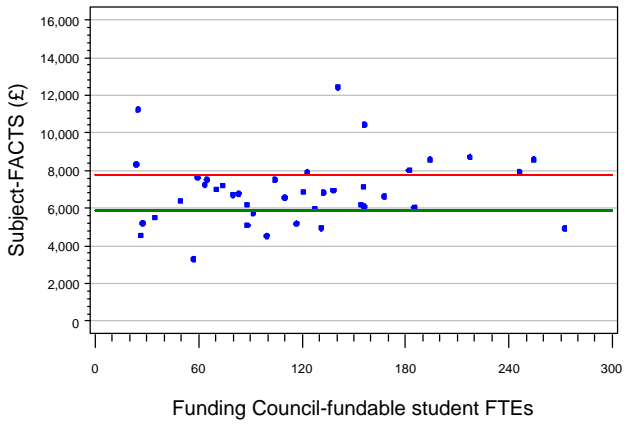
Mean	Median	Stdv
6,868	6,496	2,087

141 Philosophy



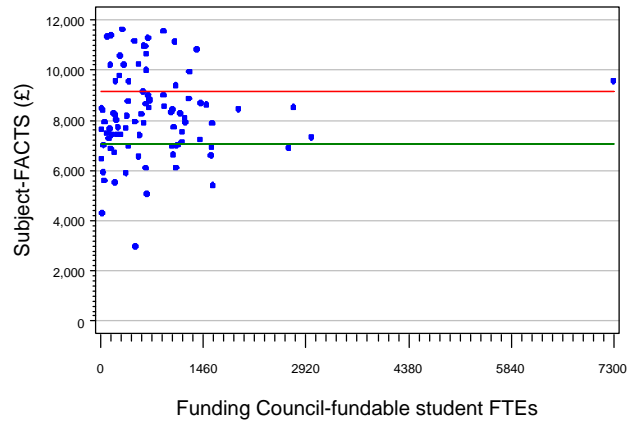
Mean	Median	Stdv
6,431	6,276	1,413

142 Theology and religious studies



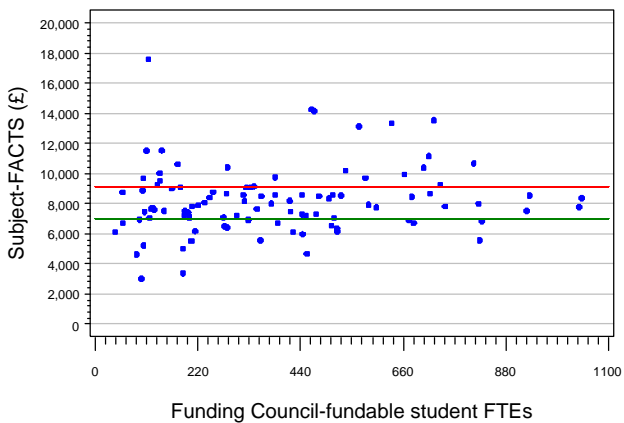
Mean	Median	Stdv
7,098	6,812	1,796

143 Art and design



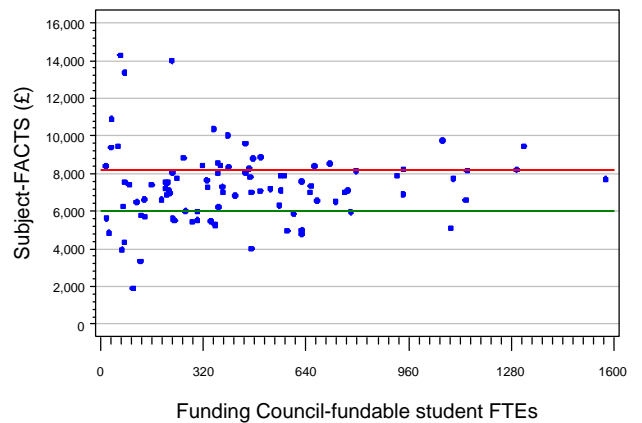
Mean	Median	Stdv
8,323	8,148	1,722

144 Music, drama, dance and performing arts



Mean	Median	Stdv
8,422	7,932	2,246

145 Media studies



Mean	Median	Stdv
7,376	7,245	1,977

## TRAC (T) 2012-13: summary

Peer group: E  
Date produced: 31/03/2014

Number of institutions who responded to sections A and B

Peer group E  
24

Sector  
145

## B. Subject-related Full Average Costs of Teaching a Student (Subject-FACTS) (£ per student)

HESA academic cost centre	Price groups currently in use	Peer group E						Sector						
		Number of HEIs	Average (mean) FTE of FC-fundable	Subject-FACTS				Number of HEIs	Average (mean) FTE of FC-fundable students	Subject-FACTS				
				Mean	1st Quartile	Median value	3rd Quartile			Mean	1st Quartile	Median value	3rd Quartile	
101	Clinical medicine	A						15	735	16,635	14,308	16,325	18,878	
		B						16	429	10,359	7,896	10,384	13,729	
		Total						36	926	14,299	12,983	14,260	15,733	
102	Clinical dentistry	A						10	215	14,899	12,157	14,517	16,260	
		B						8	72	11,836	6,874	11,673	15,410	
		Total						17	311	15,486	13,013	14,801	18,476	
103	Nursing and allied health professions		21	203	6,923	6,023	6,560	7,642	70	202	7,295	6,280	7,156	8,214
	Professional qualifications (Scottish institutions only)		1						8	951	6,618	6,251	6,365	7,049
		Total	21	286	7,173	6,023	6,560	7,642	73	319	7,062	6,298	7,109	8,214
104	Psychology and behavioural sciences		24	503	6,061	5,619	6,191	6,993	104	453	6,785	6,112	6,577	7,402
105	Health and community studies		20	330	5,571	5,124	6,092	6,784	63	264	6,514	5,714	6,811	8,408
106	Anatomy and physiology		3						29	262	8,791	6,618	7,945	9,751
107	Pharmacy and pharmacology		3						36	364	8,204	7,492	8,418	9,144
108	Sports science and leisure studies		20	479	6,517	5,799	6,647	7,166	70	440	6,659	6,031	6,588	7,429
109	Veterinary science	A							3					
		B							7	130	18,060	3,345	10,133	18,018
		Total							10	416	19,416	7,560	17,700	22,996
110	Agriculture, forestry and food science		6	83	7,142	5,130	6,388	6,432	26	240	8,557	6,385	7,431	9,171
111	Earth, marine and environmental sciences		12	150	8,037	6,673	8,666	8,832	57	248	9,184	7,556	8,746	10,269
112	Biosciences		23	358	7,471	6,768	7,332	8,409	104	586	8,622	7,349	8,197	9,797
113	Chemistry		7	200	6,581	6,176	7,296	7,395	57	300	9,191	7,395	9,024	10,008
114	Physics		2						47	284	9,758	8,287	9,603	11,133
115	General engineering		10	176	8,596	7,384	8,573	10,845	42	272	9,057	6,944	8,437	9,738
116	Chemical engineering		2						20	210	8,138	8,011	8,700	9,762
117	Mineral, metallurgy and materials engineering		4						20	151	10,625	8,048	9,722	11,723
118	Civil engineering		9	209	8,741	6,128	8,429	8,915	47	253	8,758	7,457	8,751	9,613
119	Electrical, electronic and computer engineering		15	268	7,301	6,156	7,021	8,681	66	265	8,879	7,451	9,034	10,287
120	Mechanical, aero and production engineering		12	287	8,177	6,491	7,614	9,412	59	417	8,942	8,063	8,938	10,055
	Information technology, systems sciences and computer software engineering		23	512	7,457	6,693	7,447	8,741	100	453	7,704	6,812	7,840	9,078
122	Mathematics		8	123	6,136	5,402	5,605	6,881	72	376	6,552	5,656	6,734	7,397
123	Architecture, built environment and planning		12	300	7,491	6,507	7,040	7,986	62	477	7,690	6,774	7,470	8,336
124	Geography and environmental studies		9	117	6,088	5,638	6,393	6,524	59	271	7,308	6,181	7,349	8,223
125	Area studies								15	129	7,334	5,975	7,082	8,630
126	Archaeology		4						28	121	7,823	6,291	7,324	8,485
127	Anthropology and development studies		2						19	158	6,727	5,904	7,027	8,139
128	Politics and international studies		11	97	5,821	5,720	5,923	6,439	75	299	6,045	5,215	6,059	6,761
129	Economics and econometrics		4						59	334	6,094	5,089	5,915	6,508
130	Law		23	360	5,643	5,113	5,569	6,418	94	516	6,305	5,423	6,097	7,042
131	Social work and social policy	C	11	179	7,103	5,858	6,265	8,232	38	181	7,342	5,866	7,019	8,416
		D	11	228	5,893	5,236	5,808	6,767	44	203	6,098	5,084	6,023	7,311
		Total	18	289	6,644	5,577	6,366	7,730	72	283	6,786	5,820	6,645	8,100
132	Sociology		17	350	5,845	4,777	5,802	6,230	84	322	5,949	5,346	5,961	6,777
133	Business and management studies		24	1,162	6,236	5,359	5,886	6,968	118	1,063	6,491	5,510	6,366	7,657
134	Catering and hospitality management		6	312	6,960	7,205	7,591	8,253	25	371	6,505	4,352	6,951	7,831
135	Education	C	12	175	6,446	5,614	6,531	8,273	33	228	6,858	5,767	6,504	7,770
		D	15	456	6,029	4,364	6,417	7,014	57	392	6,595	5,504	6,457	7,900
	Professional qualifications (Scottish institutions only)		1						6	449	6,428	6,435	6,660	6,841
		Total	21	609	5,977	5,098	6,417	7,276	91	484	6,809	5,700	7,035	8,521
136	Continuing education		2						17	142	6,238	5,926	6,851	8,842
137	Modern languages		13	85	7,471	5,716	7,128	8,265	79	372	7,140	6,095	6,872	7,961
138	English language and literature		20	244	6,354	5,111	5,878	6,975	97	399	6,371	5,539	6,281	7,067
139	History		16	164	5,808	5,534	5,834	6,581	91	329	6,124	5,361	5,797	6,688
140	Classics								21	174	6,868	5,753	6,496	7,278
141	Philosophy		5						49	158	6,431	5,437	6,276	6,875
142	Theology and religious studies		7	129	6,483	4,956	5,985	7,264	40	117	7,098	5,870	6,812	7,786
143	Art and design		22	609	8,124	6,997	8,230	9,576	90	788	8,323	7,050	8,148	9,163
144	Music, drama, dance and performing arts		22	363	7,408	5,585	7,335	8,582	100	389	8,422	6,965	7,932	9,099
145	Media studies		24	538	7,723	6,763	7,682	8,263	93	444	7,376	6,017	7,245	8,223



## TRAC (T) 2012-13: summary

	Peer group E	Sector
Number of institutions who responded to sections A and	24	145

**A.1 Cost recording methods**

Do you believe that you have met all of the minimum requirements (once your figures have been benchmarked and reviewed

	Peer group E	Sector
% of respondents who said yes to this question	100.0%	98.6%

To inform their teaching funding methods, the Funding Councils need representative data for the sector covering all

	Peer group E	Sector
% of respondents who said yes to this question	83.3%	88.3%

Do you consider your figures to be robust at the level of department? (Robustness is defined as: meeting the

	Peer group E	Sector
% of respondents who said yes to this question	83.3%	86.2%

Do you produce a cost per student by department for use by institutional managers?

	Peer group E	Sector
% of respondents who said yes to this question	41.7%	42.8%

**A.2 Teaching costs by activity**

	Peer group E				Sector			
	Mean	1st Quartile	Median value	3rd Quartile	Mean	1st Quartile	Median value	3rd Quartile
<b>% of Teaching</b>								
NPFT	12.3%	5.6%	10.0%	13.6%	19.4%	8.7%	16.4%	24.0%
non-FC-fundable	19.2%	9.8%	16.1%	29.4%	11.6%	2.5%	10.4%	17.5%
FC-fundable	68.5%	60.7%	69.6%	77.9%	69.0%	63.9%	70.3%	77.8%
<b>% of FC-fundable Teaching</b>								
bursaries	4.8%	3.6%	4.4%	6.4%	5.1%	3.2%	4.6%	6.6%
other non-subject	9.8%	7.4%	9.3%	11.1%	6.7%	5.1%	7.1%	9.7%
subject-related	85.4%	84.0%	85.1%	88.2%	88.2%	84.6%	88.1%	90.5%

	PAPER NO: AC.30(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Review of Anti-Fraud Policy	
Author:	Natalie Ferer, Financial Controller	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends that Audit committee approve changes to the Anti-Fraud and Fraud Response plan as set out below in the Executive summary	
Aspect of the Corporate Plan to which this will help deliver?	Creating an environment in which excellence can thrive.	
Matter previously considered by:	Audit Committee	Annually
Further approval required?		
Communications – who should be made aware of the decision?	All Staff	

### **Executive Summary**

This policy is intended to ensure that all cases of suspected fraud are promptly reported, investigated and dealt with as necessary, thereby safeguarding the finances and resources of the University. The policy is subject to annual review and approval.

Proposed changes to the Anti-Fraud Policy and Fraud Response plan as follows:

- Remove the requirement for the Chief Financial Officer to immediately decide if the matter should be reported to the police, as in practice the decision may only be possible once the investigation has begun.
- Changes to wording to set out the action to be taken if it is suspected that a fraud may be significant. Previously this action, which includes informing the Chairs of

# **London South Bank University**

Audit Committee and the Board and HEFCE, was only required once it is proven that the fraud is significant

- Requirement to consider carefully at the outset the role of internal audit in any investigation when it is suspected that the fraud may be significant.

The Committee is asked approve the policy attached.

# Anti Fraud Policy and Fraud Response Plan

## 1. Introduction

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

This policy applies to all staff and students.

## 2. Policy

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

The University requires all staff and students to act honestly, with integrity and to safeguard any University resources for which they are responsible.

Holders of Letters of Delegated Authority are formally responsible for ensuring that all staff under their management are aware of the University's fraud reporting protocols and that all incidents of suspected theft, fraud, misuse of the University's assets or serious weaknesses in internal control are reported in accordance with the processes set out in this document.

## 3. Definition of fraud

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

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

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

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

- Attempting to make payments to the University with a stolen or unauthorised credit/debit card.

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

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

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

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

Managers should be aware that certain patterns of behavior may indicate a desire for concealment. These include, but are not limited to:

- Taking few holidays
- Resistance to delegation
- Resentment to normal discussion of work issues
- Frequently working alone late or at weekends

Managers should consider the risk of fraud when these patterns of behavior are apparent in their staff.

#### **5. Reporting a suspected fraud**

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

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

All reported cases of suspected fraud will be investigated.

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

## 6. Fraud Response plan

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

If a member of staff discovers or suspects a fraud, theft, corruption or other financial irregularity, they must immediately inform their ~~Executive~~ Dean or Head of Support Department and the ~~Executive Director of Finance~~ Chief Financial Officer. Failure to do so will result in disciplinary action. The ~~Executive Director of Finance~~ Chief Financial Officer will instigate the following response:

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

### If a fraud is significant:

- The chair of the Audit Committee, the Chair of the Board of Governors and the University's HEFCE accounting officer should also be informed (The Accountability and Audit: HEFCE Code of Practice, which flows from the HEFCE Financial Memorandum, contains a mandatory requirement that any significant fraud must be reported to the HEFCE Accounting Officer)
- The Chair of Audit Committee will decide if he wants to convene and extraordinary meeting of Audit Committee to consider action already taken, or proposed to be taken.
- The Chief Financial Officer will liaise with the Vice Chancellor, Chair of Audit Committee and Head of Internal Audit as appropriate to determine the role of Internal Audit in the investigation.

### A significant fraud is one where:

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

In the event of a suspected fraud involving the Finance Department, the Vice Chancellor will initiate action. The ~~Executive Director of Finance~~Chief Financial Officer will not be involved in the subsequent investigations.

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

### **Investigation of a suspected fraud**

~~The Executive Director of Finance, the University Secretary and the Internal Auditors must conduct an~~The investigation must be conducted on a timely basis, observing the principles of natural justice and preserving confidentiality.

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

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

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

### **Result of investigation**

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

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

# London South Bank University

	PAPER NO: AC.31(14)	
Board/Committee:	Audit Committee	
Date:	12 June 2014	
Paper title:	Anti fraud, bribery and corruption report	
Author:	Richard Flatman, Chief Financial Officer	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
<b>Recommendation by the Executive:</b>	The Executive recommends that Audit committee note the position as reported below.	
Aspect of the Corporate Plan to which this will help deliver?	Creating an environment in which excellence can thrive.	
Matter previously considered by:	Audit Committee	At each meeting
Further approval required?	N/A	
Communications – who should be made aware of the decision?	N/A	

## Executive summary

This paper is presented to each meeting of Audit Committee to alert members to any instances of fraud, bribery or corruption arising in the period since committee last met.



Two matters has been reported since the last meeting

## **1. Confucius Institute**

A report was received in February 2014 from an external source claiming financial irregularities within the Confucius Institute. These allegations concerned:

1. Visiting teachers being obliged by the Director of the Confucius Institute to stay in accommodation provided by 'Simu Enterprises' at a rent above the market rent for these properties.
2. That the Director of the Confucius Institute and another LSBU employee have connections with Simu Enterprises and that some of the properties in which visiting teachers were obliged to stay were owed by the Director of the Confucius Institute.
3. That an invoice from Simu Enterprises to LSBU for transport included journeys where and LSBU employee's husband was the driver and that the fee charged for that journey was excessive
4. There was an attempt to set up a new payee on Agresso for a company in Beijing to deal with personal income tax matters

During the course of the investigation it was also alleged that:

1. The Deputy Director of the Institute arranged for a false reference to be obtained for an employee in the Faculty of Health and Social Care
2. There were breaches of procedures concerning the use of purchasing cards
3. There was a failure to make disclosures on the Register of Interests
4. There was a failure to report gifts given and received on the Gifts and Hospitality Register
5. There was a failure to disclose connections with a company being set up as a supplier on Agresso

A full investigation into those allegations was conducted by the Chief Financial Officer and as a consequence the Executive Director of the Confucius Institute resigned with immediate effect whilst on suspension. The Deputy Director was not suspended but has also resigned and her resignation has been accepted. An employee of the University within the International office was formally suspended as a result of the investigation and has also subsequently resigned.

In addition to the staffing issues, the key operational issue that has arisen relates to the practice of channelling some of the money for teacher's accommodation through the University (from November 2013) whereas the majority goes (and has in the past gone) direct to a company called SIMU Enterprises. Revised arrangements have been recommended, effective from the new academic year, whereby these transactions are not the responsibility of LSBU and will not flow through the University. Because the investigation has not revealed any further information about Simu Enterprises we have also contacted HMRC to flag our concerns about this company.

Whilst a number of serious issues have been identified during the course of the investigation it is important to note that:

- This is more in the nature of a breach of trust concerning some senior members of staff. There is no evidence of significant fraud or loss on the part of the University. The principal loss is to Hanban (which provides the funding for the visiting teachers) through the charging of rent at higher than market rate.
- Whilst recommendations for control improvements have been made, in many cases these involve reinforcing and raising awareness of existing controls and procedures. In the key areas of the investigation procedures already exist - for example for registering gifts and hospitality and flagging potential conflicts of interest. These had not been followed by senior staff in the Confucius Institute.

## **2. Theft from Halls of Residences**

A member of staff was suspected of stealing packages sent from Amazon to students living in the McLaren House halls of residence. An investigation took place and in February 2014 the member of staff concerned resigned her post. The matter was reported to the police. There was no evidence of theft of university property and the fraud response plan was not invoked.

### **Follow up on previous matters**

Matters, reported to Audit Committee at the last meeting are updated below:

## **3. Student records matter**

A potential fraud was identified in ESBE whereby 24 students had their 2012/13 student records falsely amended by one Faculty Administrator. Evidence was found to suggest

that students may have made payments to the Administrator in return for records being changed. In addition a number of documents were found which suggested that the same Administrator was fraudulently claiming exemption from council tax due to both him and his wife being full time students at the University.

The administrator has since resigned and is no longer an employee of the University. HEFCE, QAA and OIA have been notified and the matter was reported to both the police and the council concerned.

The University has now concluded the academic misconduct hearings. The panel found that the students had no case to answer with reference to the issue of misconduct (they were victims, rather than perpetrators, of the fraud) but the examination board needs to determine their academic outcomes, following reversal of the fraudulent actions perpetrated by the administrator.

The University has made formal statements to the police and two students have also provided statements stating that the administrator offered to change their marks in exchange for money. The police have reported that they are looking to arrest the administrator shortly and question him on both the falsification of council tax exemption certificates and his dealings with our students.

#### **4. Estates Purchasing matter**

A project manager working in Estates authorised a supplier, Pulsar Electrical, to carry out an additional £140,000 (excl VAT) of boiler replacement work in London Road without the correct authorisation and without issuing a purchase order in advance of commencement of the additional work. A disciplinary hearing took place and the member of staff concerned has been dismissed on the grounds of gross misconduct due to a breach of financial regulations and procedures. There is no evidence to suggest a fraud or that there was any collusion with the contractor, therefore the fraud response procedure was not invoked.

	PAPER NO: AC.32(14)	
Committee:	Audit Committee	
Date:	12 June 2014	
Subject:	Speak up report	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Board sponsor:	Andrew Owen, Chairman of the Audit Committee	
Recommendation:	That the committee notes the speak up report.	
Aspect of the Corporate Plan to which this will help deliver?	N/a. The policy enables employees and students to report any concerns about malpractice, helping to create an open ethical culture in the workplace.	
Matter previously considered by:	Audit Committee	6 <sup>th</sup> February 2014
Further approval required?	N/a	N/a
Communications – who should be made aware of the decision?	Na	

### **Speak up report**

Under the speak up reporting procedure, since the last meeting of the Audit Committee on 7<sup>th</sup> February 2014, there have been no new speak up matters raised with the University Secretary, Director of HR or the Deputy Director of HR.

There is one matter raised directly with the Chairman of the Audit Committee. The Chairman will give an update to members of the committee at the meeting.

*University Secretary*  
5<sup>th</sup> June 2014