

## Meeting of the Group Audit and Risk Committee

3.30 - 6.30 pm on Tuesday, 5 October 2021  
in 1B16 - Technopark, SE1 6LN

\*Monday, 12.30pm: Chair's briefing via MS Teams  
\*Monday, 2.00pm: committee only pre-meet via MS Teams  
\*Tuesday, 3.10pm: pre-meet with the auditors in 1B16

### Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		DB
2.	Declarations of interest		DB
3.	Minutes of the previous meeting	5 - 10	DB
4.	Matters arising <ul style="list-style-type: none"> <li>• Update on committee effectiveness review</li> </ul>	11 - 16	DB
<b>External audit</b>			
5.	External audit progress update	To Follow	KPMG
6.	External audit: review of non-audit services	17 - 20	RF
<b>Internal audit</b>			
7.	Internal audit progress report and plan	21 - 32	BDO
8.	Internal audit follow-up report	To Follow	BDO
9.	Internal audit report: health and safety	33 - 34	JS
10.	Internal audit report: finance systems review	35 - 36	RF
11.	Draft internal audit annual report 2020/21	37 - 54	BDO
<b>Risk and control</b>			
12.	Risk strategy and appetite	55 - 70	RF
13.	Corporate risk report	To Follow	RF
<b>Year end matters</b>			
14.	Fixed asset impairment	71 - 72	RF

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
15.	Pensions assumptions and results	73 - 76	RF
16.	Going concern assessment	77 - 82	RF
17.	Draft sections for annual report and accounts 2020/21	83 - 84	RF
<b>Other matters</b>			
18.	Anti-fraud policy review	85 - 92	RF
19.	Anti-bribery policy review	93 - 100	JS
20.	Annual debt write-off	101 - 102	RF
<b>Matters to note</b>			
21.	Fire doors update	103 - 112	JS
22.	Anti-fraud, bribery and corruption report	113 - 114	RF
23.	Speak up report	115 - 116	JS
24.	Reportable events update	117 - 118	JS
25.	Data protection report	119 - 120	JS
26.	GARC terms of reference and membership	121 - 128	JS
27.	Committee business plan	129 - 132	KJ
28.	Matters to report to the Board following the meeting		KJ

**Date of next meeting  
3.30 pm on Thursday, 11 November 2021**

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

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

**External auditors:** Jessie Spencer and Fleur Nieboer (KPMG)

**Internal auditors:** Ruth Ireland and Gemma Wright (BDO)

**Supplement 1:**

- Draft accounts sections
- Draft corporate governance statement
- Pensions assumptions appendices

*No. Item*

*Pages*

*Presenter*

**Supplement 2:**

Full internal audit reports:

- Health and safety
- Finance systems review

**Supplement 3:**

- SBA audit committee minutes of 25 May 2021
- SBC audit committee minutes of 8 July 2021

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**Minutes of the meeting of the Group Audit and Risk Committee  
held at 4.00 pm on Tuesday, 15 June 2021  
via MS Teams**

**Present**

Duncan Brown (Chair)  
John Cole  
Mark Lemmon  
Rob Orr

**Apologies**

David Phoenix

**With**

Peter Fidler, SIG (minute 5 only)

**In attendance**

Natalie Ferer  
Richard Flatman  
Kerry Johnson  
Nicole Louis  
James Stevenson

**External auditors**

Fleur Nieboer

**Internal auditors**

Ruth Ireland  
Gemma Wright

**1. Welcome and apologies**

The Chair welcomed members to the meeting.

The above apologies were noted.

**2. Declarations of interest**

No interests were declared on any item on the agenda.

**3. Minutes of the previous meeting**

The committee approved the minutes of the meeting of 11 February 2021 and 6 May 2021 and their publication as redacted.

The committee approved the written resolution of 29 March 2021.

#### 4. **Matters arising**

##### Internal audit follow-up report

The committee noted that the internal audit follow-up report would be discussed by the Executive, as there were many actions still outstanding. An updated report would be circulated to the committee following Executive review.

The committee noted that the Executive would review the follow-up report on a monthly basis in order to track actions more closely.

##### IT recovery

The committee noted the update on IT recovery following the cyber attack of December 2020. The committee noted that the majority of systems were now recovered, and the target for full recovery was the end of June 2021.

The committee noted that the campus CCTV system was still offline. An external contractor had been appointed and the work was due for completion during June 2021.

The committee noted that an additional paper on the recovery of finance systems following the IT outage would be circulated following the meeting.

*{Secretary's note: the finance systems updated was circulated on 16 June 2021.}*

##### UKVI compliance

The committee noted the update on UKVI compliance and the work undertaken for those tier 4 students who had left LSBU before the date on their visa. Registry staff were in the process of adding and updating manual records to track the destinations of those students in order to ensure compliance with UKVI requirements, and follow-up work was due to begin shortly. A further update would be brought back to the committee when this work was complete.

All other matters arising were noted as being complete or in progress.

#### 5. **Committee effectiveness review: draft report**

The committee discussed the results of the GARC effectiveness review and associated action plan.

The Senior Independent Governor (SIG) summarised the key findings from the review, noting that the committee was considered to be effective and high-quality, with the right balance of skills and experience. The SIG noted that the effectiveness of the Chair had been particularly praised by respondents.

The committee noted the key challenge of balancing agendas to ensure adequate thematic discussion of strategic risk. It was agreed that the Executive would review the processes for assessing strategic risk and would

map responsibilities in terms of each risk area. The committee requested to receive more information on risk mitigation and controls.

In addition, the SIG referred to the complexity around the Group entities and the impact on the workload of the committee and its responsibilities in relation to the Group. Further clarification would be set out in the action plan.

The committee noted that, as part of the action plan, the Governance Team would work with the Chair and relevant Executive members to produce an updated annual business plan and clarification of the committee's relationship with other Board sub-committees and assurance sources.

The committee agreed that a light-touch effectiveness review should be carried out annually.

The committee approved the outline action plan, which would be updated and expanded, and would be circulated to members. The Chair thanked Peter Fidler and Kerry Johnson for producing the effectiveness review.

## **6. External audit plan 2020/21**

The committee discussed the draft Group external audit plan for 2020/21.

The committee noted the areas highlighted as significant risks, including valuation of the LGPS net pension liability and the carrying value of land and buildings. Cyber security and recovery of IT systems had been added as a new area of key risk for 2020/21.

The committee noted that the deadline for submission of accounts to the OfS had been extended to 31 January 2022. However, the Group's reporting timetable would continue as usual, with the annual report and accounts coming to the November 2021 meeting of the Board of Governors for approval.

Going concern was discussed in detail at this and the following items and is minuted below.

Following discussion, the committee approved the 2020/21 LSBU Group external audit plan, which would also be noted by the SBC and SBA audit committees.

## **7. Update on year-end processes**

The committee noted the update on preparations for the financial year-end audit processes, following a review of the processes that took place in 2019/20.

The committee noted that drafts for a number of sections that feed into the financial statements would be prepared earlier in 2021, including the statement on going concern. It was agreed that the Executive would consider

a more structured approach for discussion of going concern including the roles of both this committee and FPR.

The committee noted that consideration of pension assumptions would take place during summer 2021, and a recommendation to GARC members would follow.

The committee requested that a separate paper on fixed asset impairment be provided at the 5 October 2021 meeting.

#### **8. Internal audit progress report**

The committee noted the internal audit progress report.

The committee noted that a number of changes had been made to the 2020/21 internal audit plan due to the IT outage. These changes had been discussed in detail by the Executive and with the committee Chair. The committee approved these changes.

#### **9. Draft internal audit strategy and audit plan 2021-24**

The committee discussed the draft 2021/22 Group internal audit plan, as part of the three year internal audit strategy. The plan had previously been considered by the Executive and approved by the SBA audit committee (the SBC audit committee would discuss the plan at its meeting of 8 July 2021).

The committee noted that the internal audit plan was linked to the corporate risk register and, as discussed earlier, wished to understand the basis of mitigations and controls. The plan would be kept under review throughout the year and amended if required by changes in corporate risk.

The committee welcomed the linkage with the risk registers of LSBU, SBC and SBA.

The committee approved the draft 2021/22 Group internal audit plan and the continuing three year internal audit strategy.

#### **10. Corporate risk**

##### Risk appetite and strategy

The committee discussed the risk appetite and strategy of the LSBU Group.

The committee requested that the Executive consider the definitions and categories of risk to ensure they were representative of current good practice within the sector.

The committee noted that it would be requested to review and recommend to the Board the LSBU institutional risk appetite at its October 2021 meeting. SBC and SBA would also carry out their own review.



## Corporate risk register

The committee noted the corporate risk register, comprised of zero critical risks, thirteen high risks, fourteen medium risks and three low risks.

### 11. **Anti-fraud, bribery and corruption policies review and report**

The committee discussed the anti-fraud policy and fraud response plan.

The committee noted that the anti-fraud policy required revisions in order to properly apply to the whole LSBU Group. It was agreed that a revised policy would be brought to the October 2021 meeting and that responses to the self-assessment checklist are further reviewed.

The committee requested that the policy link with the Group speak-up policy more closely. The committee requested that more detail on the risks of fraud related to international activity be provided.

The committee noted that the review of the anti-bribery policy would also be brought to the October 2021 meeting.

The committee noted that there were no new instances of fraud, bribery and corruption arising in the period since the committee last met.

### 12. **OfS report - consumer protection, communication and regulation**

The committee noted the report on the recent internal review of consumer protection, communication and regulation, as required by the Office for Students in light of the coronavirus pandemic.

### 13. **Fire door works update**

The committee noted that an audit of fire doors across all LSBU buildings had taken place and the Executive would shortly approve a prioritised action plan and additional unbudgeted expenditure.

### 14. **Data protection report**

The committee noted the data protection report, which included details of four incidents involving breaches of personal data since the previous meeting. One breach, involving a disciplinary outcome letter, was reported to the ICO. The ICO has advised that no action will be taken, but has issued recommendations, which the Executive would act upon.

### 15. **Speak up report**

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

16. **Reportable events update**

The committee noted that the impact of the IT incident on a specific group of students had been reported to the OfS since the previous meeting. No other reportable events had occurred.

17. **Committee business plan**

The committee noted the business plan. As part of the effectiveness review this would be revised during summer 2021.

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

The committee noted that the internal and external audit plans, committee effectiveness review, corporate risk report and OfS consumer protection report would be reported to the next Board meeting.

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

**Confirmed as a true record**

..... (Chair)

**GROUP AUDIT AND RISK COMMITTEE - TUESDAY, 15 JUNE 2021  
ACTION SHEET**

<b>Agenda No</b>	<b>Agenda/Decision Item</b>	<b>Action</b>	<b>Date Due</b>	<b>Officer</b>	<b>Action Status</b>
4.	Matters arising	IA follow-up report to be considered by the executive and circulated to committee.	June 2021	Richard Flatman	On agenda
4.	Matters arising	UKVI update to be brought back to the committee when follow-up work is completed.	November 2021	Nicole Louis	In progress
5.	Committee effectiveness review: draft report	Governance Team to produce more detailed action plan	July 2021	James Stevenson	Complete
5.	Committee effectiveness review: draft report	Review how strategic risks, mitigations and controls are mapped and reported to the committee	5 Oct 2021	Richard Flatman	On agenda
5.	Committee effectiveness review: draft report	Review committee business plan	Autumn 2021	James Stevenson	Complete
7.	Update on year-end processes	Review approach to going concern at year-end	5 Oct 2021	Richard Flatman	Complete
7.	Update on year-end processes	Bring separate paper on fixed asset impairment to next meeting	5 Oct 2021	Richard Flatman	Complete
10.	Corporate risk	Review risk matrix and framework, including definitions	5 Oct 2021	Richard Flatman	Complete
11.	Anti-fraud, bribery and corruption policies review and report	Bring revised anti-fraud and anti-bribery policies to next meeting	5 Oct 2021	Richard Flatman (anti-fraud), James Stevenson (anti-bribery)	Complete

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	<b>CONFIDENTIAL</b>
Paper title:	Group Audit and Risk Committee effectiveness review: action plan update
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 October 2021
Author:	Peter Fidler, Senior Independent Governor Kerry Johnson, Governance Officer
Sponsor:	Duncan Brown, Chair of the Group Audit and Risk Committee
Purpose:	For information
Recommendation:	The committee is requested to note the updated action plan and progress made since June 2021.

### **Executive summary**

Following best practice and recommendation by the CUC in Element 6 of the new HE Audit Committee Code of Practice, a Group Audit and Risk Committee effectiveness review was carried out during Spring/Summer 2021.

An action plan has been produced to track progress against the recommendations made as part of the effectiveness review.

### **Recommendation**

The committee is requested to note the updated action plan and progress made since June 2021.

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## GARC effectiveness review 2021: action plan

Recommendation	Action	Due by	Responsible	Status
<b>Balancing risk and audit</b>	Strategic risk discussion by GARC and Board currently on the annual workplan once per year. Increase this to twice a year.	August 2021	Governance	Complete
	Strategic risk to be added as an agenda item for a future Board strategy day.	July 2021	Governance	Complete: discussed at September 2021 strategy day.
	Annual GARC workplan to be reviewed and reworked where necessary.	August 2021	Governance, Chair	Complete
	Review how strategic risks, mitigations and controls are mapped and reported to the committee. Including thematic grouping of risks for strategy day.	September 2021	CFO, Planning	Complete – see agenda item
	Review risk matrix and framework, including definitions.	October 2021	CFO, Planning	Complete – see agenda item
<b>Group integration</b>	Investigate options for improving communication between GARC and institutional audit committees, including: <ul style="list-style-type: none"> <li>• an annual meeting between the chairs</li> <li>• audit committee chairs invited to attend other audit committee meetings as observers.</li> </ul>	Autumn 2021	Governance, Audit Committee Chairs	To do

## GARC effectiveness review 2021: action plan

	Continue work on Group integration, specifically to review subsidiary audit committee remits.		Governance, SBC & SBA Audit Committee Chairs	In progress
	Continue to include SBA and SBC internal audit reports and audit committee meetings as supplements for information.	Ongoing	Governance	Ongoing
<b>Committee workload</b>	Consult on whether the current meeting calendar (and length of meetings) remains appropriate. <ul style="list-style-type: none"> <li>• Make changes as required</li> </ul> NB October/November meetings extended to three hours.	Autumn 2021	Governance, Chair	To do
	Updated guidance on the form and content of papers to the Committee to be circulated to Executive members, contributors and Auditors.	Autumn 2021	Governance	To do
	Provide feedback on the quality of internal audit reports to BDO.	Ongoing	CFO, Financial Controller	Ongoing
<b>Engagement of co-opted members</b>	Ensure co-opted members are included in regular updates to the Board.	August 2021	Governance	Complete
	Continue to invite co-opted members to Board strategy days and occasional Board meetings, in consultation with co-optees.	Ongoing	Governance	Complete



# Agenda Item 6

	CONFIDENTIAL
Paper title:	Review of Non Audit Services
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 October 2021
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Review
Recommendation:	The Committee is requested to note the non-audit services delivered by KPMG during the year ending 31/07/21.

## Executive Summary

KPMG have been engaged to conduct the following work during the year ending 31<sup>st</sup> July 2021, with costs including VAT. (the extract from KPMG's Audit Plan is excluding VAT).

Loan Covenant Compliance	£7,250
International Tax Compliance	£21,990
Other Tax Assurance	£30,310

## Recommendation

The committee is requested to note the non-audit services delivered by KPMG during the year ending 31/07/2021.

## Appendix – extract from KPMG Audit Plan:

### Appendix three

## Confirmation of Independence



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

To the Audit Committee members

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

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

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

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

#### General procedures to safeguard independence and objectivity

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

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

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

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



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### Appendix three

## Confirmation of Independence



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

##### Summary of non-audit services

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

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



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## Appendix three

# Confirmation of Independence



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

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

### Fee ratio

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

### Contingent fees

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

### Confirmation of audit independence

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

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

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

Yours faithfully

KPMG LLP



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# Agenda Item 7

	INTERNAL
Paper title:	Internal Audit – progress report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 October 2021
Author(s):	BDO
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Review
Recommendation:	The Committee is requested to note the report.

## **Executive summary**

BDO report progress with completion of the 2020/21 internal audit plan and the current status of 2021/22 work.

## **Recommendation**

The Committee is requested to note the report.

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UPDATE SUMMARY

# LONDON SOUTH BANK UNIVERSITY GROUP

DRAFT

September 2021

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# INTERNAL AUDIT PROGRESS SUMMARY

## 2020-21 Audit Programme

The status of our work is as follows:

Final reports	Draft reports	Fieldwork	Planning
<ul style="list-style-type: none"><li>▶ LSBU Finance System Review</li><li>▶ LSBU Health and Safety Reporting</li><li>▶ Group IT Disaster Recovery</li><li>▶ SBC Financial Controls (Income)</li></ul>		<ul style="list-style-type: none"><li>▶ Group KPIs</li><li>▶ OfS Conditions of Registration</li><li>▶ SBA Student Experience</li></ul>	
<ul style="list-style-type: none"><li>▶ SBC Student Experience</li><li>▶ SBC Finance System Review</li><li>▶ SBA Facilities Contract Management</li></ul>			

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## 2021-22 Audit programme

Planning for the first tranche of audits has commenced.

























# INTERNAL AUDIT PLAN 2020-21 DETAILED SCHEDULE

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

# INTERNAL AUDIT PLAN 2020-21 DETAILED SCHEDULE

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

# INTERNAL AUDIT PLAN 2020-21 DETAILED SCHEDULE

Audit area	Entity	Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
											Design	Effectiveness
Information technology												
IT disaster recovery	LSBU	20	01/06/21	27/05/21	Final report	Oct 21	Oct 21	3*	1	0		
	SBC							1	2	0		
	SBA							0	1	1		
Human Resources												
HR policies and procedures	SBA	5	17/08/20	10/08/20	Final report	Feb 21	Feb 21	0	1	1		
Staff absence management	SBC	8	<del>22/02/21</del> 25/03/21	18/12/20	Final report	Jun 21	Oct 21	0	2	2		
Management and recommendation follow up												
Recommendation follow up	Group	10			Ongoing							
Management		20	Ongoing									




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\* Includes Group-wide recommendations





# INTERNAL AUDIT PLAN 2021-22 DETAILED SCHEDULE

Audit area	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
										Design	Effectiveness
Group audits											
Cyber follow up	15	8 Dec 21									
Health and safety (LSBU and SBC)	20	4 Oct 21									
Recommendation follow up	10	Ongoing		Ongoing							
LSBU audits											
Financial systems and controls	15	10 Feb 22									
Student experience	10	22 Nov 21									
Student wellbeing	10	11 Oct 21		Planning							
London Road refurbishment	8	4 Jan 22									
Data quality	10	4 Jan 22									
Enterprise activity	12	29 Nov 21									
Marketing - student recruitment	12	31 Jan 22									




# INTERNAL AUDIT PLAN 2021-22 DETAILED SCHEDULE

Audit area	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
										Design	Effectiveness
SBC audits											
Financial controls	7	14 Dec 21									
Admissions and enrolment	7	6 Jun 22									
Curriculum planning	8	29 Nov 21									
Quality assurance processes	7	4 Apr 22									
Safeguarding	7	8 Nov 21									
SBA audits											
Financial controls - Income	8	14 Mar 22									
Financial controls - Payroll	7	27 Jan 22									
Safeguarding	7	1 Nov 21									
Quality assurance processes	8	13 Dec 21									
Management and recommendation follow up											
Management		Ongoing									

# APPENDIX I - OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITIONS

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

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

FOR MORE INFORMATION:

RUTH IRELAND  
+44 (0)20 7893 2337  
ruth.ireland@bdo.co.uk

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	INTERNAL
Paper title:	Internal Audit – Health and Safety
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 October 2021
Author(s):	BDO
Sponsor(s):	James Stevenson, Group Company Secretary
Purpose:	For Information
Recommendation:	The Committee is requested to note the report.

## **Executive summary**

This paper comprises the BDO Audit of Governance-Health and Safety Reporting. The Auditors also benchmarked against 4 other Universities to ensure our practice is consistent with the sector.

A number of areas of good practice were highlighted, including the approach taken in annual reports of providing LSBU comparative analysis with the University Safety and Health Association aggregated data.

4 Recommendations were made, including one around the importance of ensuring all Schools and PSGs submit their local health and safety reports to the Group Health and Safety Joint Committee.

## **Recommendation**

The Committee is requested to note the report.

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	INTERNAL
Paper title:	Internal Audit – Finance System Review
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 October 2021
Author(s):	BDO
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Information
Recommendation:	The Committee is requested to note the report.

### **Executive summary**

As a result of the cyber incident that occurred in December 2020, Finance systems were unavailable for a number of months and manual accounting records were maintained. Management requested a review of the financial controls put in place during that period and the controls in place to bring financial records up to date once systems were restored. This review took place in May 2021 when work was still underway to bring records up to date and at that time some Finance systems including student record and accommodation systems were still not fully functional, but, where possible, findings have been updated to reflect the current position.

BDO have given a moderate level of assurance at the time of the audit with three medium risk recommendations, all of which have been partially or fully implemented.

### **Recommendation**

The Committee is requested to note the report.

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	INTERNAL
Paper title:	Internal Audit – Draft Annual Report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 October 2021
Author(s):	BDO
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Review
Recommendation:	The Committee is requested to note the report.

## **Executive summary**

BDO have issued their draft annual opinion for review which includes an opinion of 'generally satisfactory with improvements required in some areas' which is consistent with previous years. There are a couple of outstanding reviews and the opinion in final form will come back to November committee

## **Recommendation**

The Committee is requested to note the report.

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A woman with long dark hair, wearing a bright red coat and a grey skirt, stands on a balcony with an ornate black metal railing. She is looking upwards and to the right with her arms slightly outstretched. The background shows a city street with buildings and a car, slightly out of focus. There are two red vertical bars on the page: one on the left side and one on the right side, both with a slight diagonal cut at the top.

# LONDON SOUTH BANK UNIVERSITY GROUP

Page 39 INTERNAL AUDIT ANNUAL REPORT - *DRAFT*

September 2021

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# EXECUTIVE SUMMARY

## Role of Internal Audit

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The OfS Code of Practice describes the prime responsibility of the internal audit service as providing the governing body, the designated officer and the other managers of the HEI with assurance on the adequacy and effectiveness of risk management, control and governance arrangements.

Responsibility for these arrangements remains fully with Management, who should recognise that internal audit can only provide a reasonable level of assurance and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management improve risk management control and governance, so reducing the effects of any significant risks faced by the organisation.

The Group Board is ultimately responsible for the system of internal control and the management of risk, including reviewing the effectiveness of internal control. Management is responsible for implementing board policies on risk and control, achieved by designing, operating and monitoring a suitable system of internal control and risk management. All employees have some responsibility for internal control, in that they are all accountable for achieving objectives and should also understand the risk implications of the activities they perform.

## Planned Coverage

Our internal audit work for the 12-month period from 1 August 2020 to 31 July 2021 was carried out in accordance with the internal audit plan approved by the Audit and Risk Committee and in line with the recognised professional auditing standards from the Chartered Institute of Internal Auditors.

The internal audit programme is risk based and our work is designed to cover all key risks over the life cycle of the internal audit plan. London South Bank University Group (the Group) agreed to an input of 206 days of internal audit coverage in the year, of which 206 days were delivered. The approved internal audit annual plan for 2020/21 comprised the following assignments:

<u>Group audits</u>	<u>LSBU audits</u>	<u>SBC audits</u>
▶ Covid-19 response	▶ Financial controls	▶ Prevent
▶ IT DR	▶ Governance	▶ Financial controls
▶ Management information and KPIs	▶ Student wellbeing	▶ Apprenticeships
▶ Student experience (LSBU and SBC)	▶ TEF	▶ Student admissions and enrolment
▶ Recommendation Follow Up	▶ London Road refurbishment	▶ Staff absence management
<u>SBA audits</u>	▶ UUK Code compliance	
▶ Budget setting and control		
▶ Facilities contract management		
▶ HR policies and procedures		

## Changes to the Plan

The audits of governance and TEF for LSBU were replaced with audits of health and safety reporting and OfS conditions of registration.

The admissions and enrolment review at SBC was deferred to 2021/22.

The audits of student wellbeing and London Road refurbishment for LSBU were deferred to 2021/22.

The audit of management information and KPIs was split with the management information section being added to LSBU's financial controls audit.

The LSBU part of the student experience audit was deferred to 2021/22 and replaced with student experience at SBA instead.

Additional review of the finance system (post-cyber incident) were added to the plan for LSBU and SBC.

# EXECUTIVE SUMMARY

## Opinion

Our opinion is as follows:

→ Satisfactory

→ Generally satisfactory with improvements required in some areas

→ Significant improvements required

→ Unsatisfactory

The controls in the areas which we examined were found to be suitably designed and operating effectively to achieve the specific risk management, control and governance arrangements and value for money. However, there are some areas where weaknesses and/or non-compliance were identified and therefore may put the achievement of objectives at risk. Where weaknesses have been identified, improvements are required to enhance the design and/or effectiveness of risk management, control and governance arrangements and value for money arrangements.

## Overview

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Group's risk management, control and governance processes and its arrangement for economy, efficiency and effectiveness.

One internal audit report provided no assurance over the design of controls in place over IT DR at LSBU. Limited assurance was provided over the design of controls over IT DR at SBC and over the operational effectiveness of controls over IT DR for LSBU, SBC and SBA.

Limited assurance opinions were provided for both the design and operational effectiveness of the controls in place for SBC financial controls (income) and SBA facilities contract management.

Management needs to take action in areas where limited or no assurance has been provided to address the weaknesses identified.

## Basis Of Opinion

As the provider of internal audit services to LSBU Group, we are required to provide the Audit and Risk Committee and the Group Board with an opinion on the adequacy and effectiveness of the Group's risk management, control and governance processes. In giving our opinion it should be noted that the assurance can never be absolute. The most that Internal Audit can provide to the Group Board is reasonable assurance that there are no major weaknesses in the Group's risk management, control and governance processes. In assessing the level of assurance to be given, we have taken into account:

- ▶ All audits undertaken during the year reported upon
- ▶ Any follow-up action taken in respect of audits from previous periods
- ▶ Management action in implementing recommendations
- ▶ Any significant recommendations not accepted by management and the consequent risks (if any)
- ▶ The effects of any significant changes in the Group's objectives or systems
- ▶ What proportion of the Group's audit need has been covered to date.

This opinion is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity. Specifically, some of the internal audit work undertaken was delivered prior to the changes in environment due to the COVID-19 pandemic and therefore our work and opinion provided does not provide an opinion on subsequent changes to risk management, control and governance arrangements as a result of the pandemic and increased remote working arrangements in those areas.

## Commentary

The number of limited assurance opinions issued across the Group has reduced from 2019/20, with three design and five operational effectiveness opinions compared to eight design and six operational effectiveness opinions in the previous year. However, there has also been one no assurance opinion issued to LSBU.

Significant improvements in the Group's governance and plans in relation to IT disaster recovery are required. The University is still recovering from the impacts of the outage, where its network and many of its systems were unusable for several months. While action has been taken to recover and rebuild systems (where required), this work has not been guided by a formal IT recovery plan and a formal plan does not exist. Whilst the College and Trust have draft IT disaster recovery plans, improvements are required to them.

# EXECUTIVE SUMMARY

## Commentary - continued

The review of income at SBC identified a significant number of control gaps, with roles and responsibilities over income-related activities not being clearly assigned and understood and activities not being supported by guidance notes. There is also no reconciliation of income received to ESFA and GLA schedules, actions to record debt chasing are not documented and no aged debt reporting takes place. A number of documents requested were not provided.

The review of facilities contract management at SBA also identified significant gaps in the way facilities-related contracts were being managed. Invoices for additional services were not supported by a breakdown of the service provided, there was no defined framework for managing contracts, no formalised monitoring of contractor performance and no oversight of contract management from the trust or coordination of contract management between the two schools.

In total, 5 high significance findings were raised across the Group; a reduction in the number received the prior year.

The control weaknesses identified in these audits were specific to those areas. Management has agreed action plans for each of the audits and progress to implement these is underway.

## Value for money

Consideration is given during an audit as to whether the underlying systems encourage value for money (VFM). One audit was completed in the period which considered aspects of VFM; facilities contract management at SBA, and improvements around ensuring the schools are receiving the value from the services received from their contractors were identified.

The audit of London Road post-project review, included within the agreed Internal Audit Plan was also due to consider value for money, but this audit was deferred until 2020/21 as the project is not yet complete.

## Management action on recommendations

Management has made steady progress in implementing recommendations from previous internal audit reports. All of the 15 recommendations brought forward from 2017/18 and 2018/19, have been implemented. Some progress is being made to address recommendations from 2019/20, although the implementation of a number of recommendations was impacted by the IT outage and, as a result, the implementation dates for a number of recommendations have been pushed back several times. Several other recommendations not impacted by the IT outage have also been pushed back several times.

## Data quality

Four audits of data quality were carried out; health and safety reporting and financial information, cash flow and loan covenants for LSBU, staff absence management for SBC and budget setting and control for SBA. No high significance findings were raised and controls were found to be designed and operating satisfactorily with some minor improvements required.

## High significance findings

Below is a summary of the high significance findings raised during the year. These should be considered by management when evaluating the Group's risk management and internal control arrangements.

### IT DR

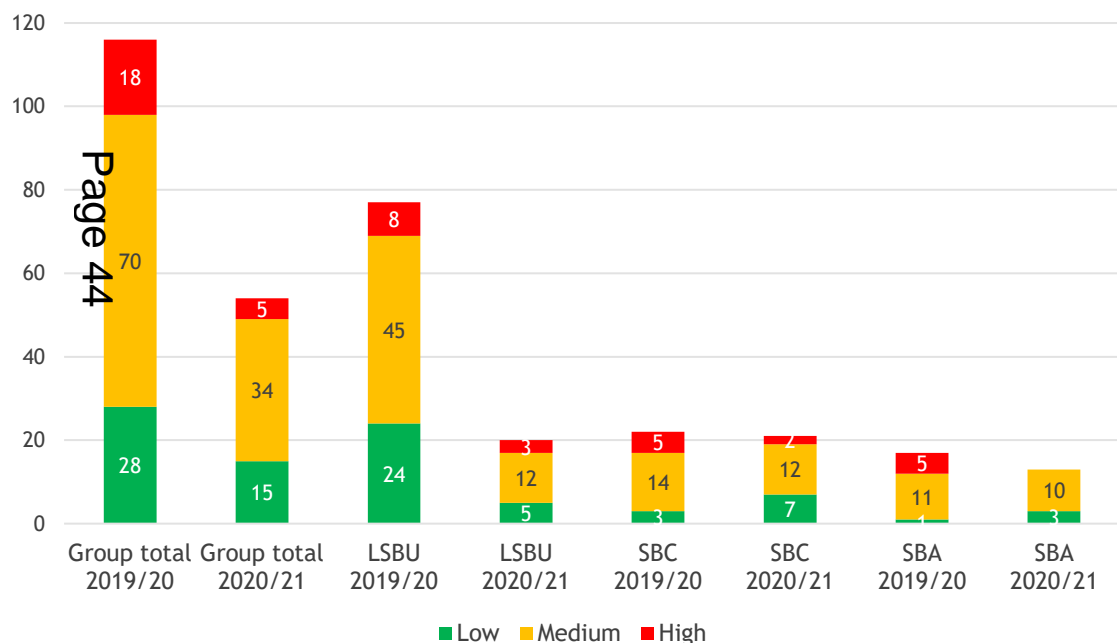
- ▶ We were unable to identify the existence of an appropriate governance structure to oversee IT DR activities at Group level and across the entities
- ▶ LSBU has no documented IT DR risk assessment nor business impact analysis
- ▶ The University does not have a formal IT DR plan that defines the operational roles and responsibilities to be taken in the event of an incident
- ▶ There are a number of improvements required to IT DR at SBC.

### Apprenticeships

- ▶ Actions required to implement the objectives set out in the College's Apprenticeship Strategy have not been defined and progress towards achieving the objectives is not being monitored.

# SUMMARY OF FINDINGS

Recommendations Made By Significance - 2019/20 and 2020/21



## Comparison to prior year

The total number of recommendations raised across the Group has reduced from 116 to 54, with the average number of recommendations per audit also reducing from 6.82 in 2019/20 compared to 2.7 in 2020/21.

\* The finance follow up report has not been included in the total on this page.

Year 2020/21	Group total	LSBU	SBC	SBA
Assurance audits completed	20*	8*	7	5
Recommendations raised	54	20	21	13
Average per audit	2.7	2.5	3	2.6

Year 2019/20	Group total	LSBU	SBC	SBA
Assurance audits completed	17	12	3	2
Recommendations raised	116	76	22	17
Average per audit	6.82	6.3	7.33	8.5

# SUMMARY OF FINDINGS

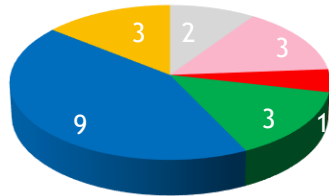
## Assurance Opinions Given

Financial year 2020-21

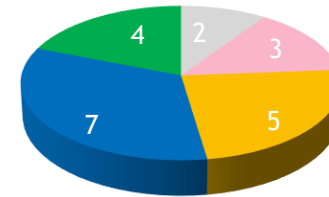
### Group Total

(Group audits with one opinion are included here and under LSBU).

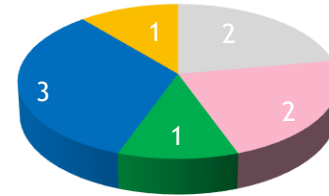
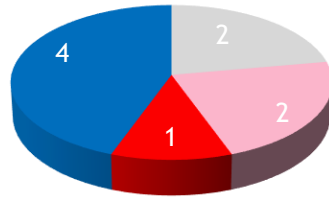
Design of Internal Controls



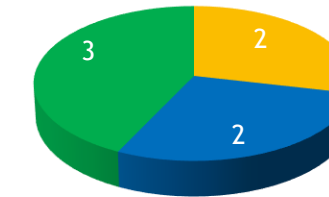
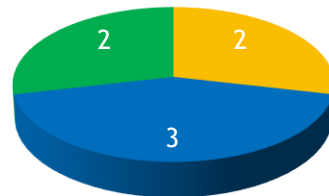
Effectiveness of Internal Controls



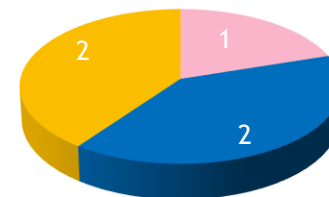
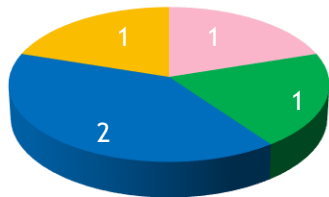
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LSBU



SBC



SBA














Key - ◆ No ◆ Limited ◆ Moderate ◆ Substantial ◆ Not assessed ◆ To be confirmed

# SUMMARY OF AUDIT RESULTS










Within the year, we produced 19 audit reports, one of which was a follow up of previous recommendations.

For the purpose of this annual report, we set out below our summary of the audits completed, the significance of recommendations raised, our overall report conclusions on the design and effectiveness of the risk management and internal control arrangements over each and details of the key issues raised within the report.
















The definitions of recommendation significance and report conclusions are set out in the tables in Appendix I.

	Reports issued	Recommendations and significance			Overall report opinion	
					Control design	Operational effectiveness
GROUP						
Covid-19 response	0	2	0			
IT DR	4	4	1	LSBU		
				SBC		
				SBA		
KPIs				TBC	TBC	

# SUMMARY OF AUDIT RESULTS










Reports issued	Recommendations and significance			Overall report opinion	
				Control design	Operational effectiveness
Health and safety reporting	0	2	2		
Financial information, cash flow and loan covenants	0	2	3		
Finance follow up	0	0	0	N/A	N/A
Finance system review	0	3	0		
OfS Conditions of registration				TBC	TBC
Universities UK/ Guild HE Code compliance	0	2	0	N/A	N/A

# SUMMARY OF AUDIT RESULTS

	Reports issued	Recommendations and significance			Overall report opinion	
					Control design	Operational effectiveness
Apprenticeships	1	1	3			
Prevent	0	0	2			
Financial controls (income)	0	5	0			
Finance systems review	0	1	0			
Student experience	0	1	0			
Staff absence management	0	2	2			



# SUMMARY OF AUDIT RESULTS

Reports issued	Recommendations and significance			Overall report opinion	
				Control design	Operational effectiveness
Budget setting and control	0	4	1		
Facilities contract management	0	4	0		
Student experience				TBC	TBC
HR policies and procedures	0	1	1		

---

# GOVERNANCE

## Relationship with External Audit

The external auditors receive copies of our strategic and annual plan. All final reports are available to the external auditors through the Audit and Risk Committee papers.

## Conflicts of Interest

We have not undertaken any work or activity during 2020-21 that would lead us to declare any conflict of interests.

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# QUALITY ASSURANCE

As a firm we are committed to continual improvement. In order to achieve this we apply the latest internal quality standards, which are designed to ensure that the work we perform meets the requirements of the regulatory environment within which each of our clients operates. The provision of Internal Audit Services rests with a team of dedicated internal audit professionals who form part of a National Risk Advisory Services (RAS) team.

## Qualifications, training and development

It is our policy that staff engaged in the provision of a specialist service be qualified in the relevant professional discipline. In Internal Audit, staff are qualified or are studying for the exams of the Chartered Institute of Internal Auditors - UK, or studying for their qualifications through an accountancy body.

All staff are encouraged to retain commitment to their professional body after their qualification and the firm is committed to continuing professional education and provide staff access to quality training programmes.

## Methodology

We adopt the following processes in order to ensure that the internal audit work we perform meets our required quality standards:

### Documented standards

- The fundamentals of our auditing standards are set out within our audit manual and related documentation. Our audit methodology complies with current best practice, Government Internal Audit Standards and with client specific codes of Audit Practice.

### Planning

- Each assignment is planned based upon a thorough understanding of the business area being audited and the risks that are associated with that area. All assignments are supported by briefing documents agreed in advance with the client.
- The work conducted in order to meet the requirements of each assignment brief is subject to a full client debrief and to peer review within the audit team before a final draft report is issued. All finalised reports are approved and signed off at Partner level.

## Cold reviews

- We also adopt a cold review process where samples of the work performed by the internal audit team are reviewed to ensure that they meet our own internal standards. These reviews are conducted by professionals who are not part of the team which conducted the detailed work.

## National quality reviews

- The work of cold review is subject to our National Quality Review processes. These reviews are aimed at ensuring that there is a consistency of standards adopted within the firm, that the internal cold review processes that we adopt are being applied consistently and that they cover fully all of the areas which could expose our clients and the firm to unwanted risk.

## Continuous improvement

The results of the various review processes that are outlined above are used to inform the development needs of staff through our appraisal process and by the development of relevant training courses for the staff involved in internal audit work. The appraisal process adds to the structured training that each member of our Risk Assurance Team (RAS) receives on a firm wide basis. At the moment each of our team members is required to attend two national RAS training days annually with additional training being provided in response to changes in the environment in which we operate.

## External quality assessment





The global standards of the Institute of Internal Auditors (IIA) requires every internal audit function that aims to comply with its standards to be reviewed, externally, every five years.

At BDO we recognise the importance of independent quality assurance and so submit our RAS team to an External Quality Assurance (EQA) review every five years, most recently in April 2021. We engaged the Chartered Institute of Internal Auditors (CIIA) to carry out the EQA and, in summary, their conclusion was that BDO generally conforms to the International Professional Practices Framework (IPPF). This is the highest of the three gradings awarded by the CIIA.




RAS is committed to continuous improvement and has agreed a Quality Assurance Improvement Programme with the CIIA to respond to the recommendations and suggestions raised through the EQA exercise.

A copy of the EQA report is available to our clients in order they may obtain comfort regarding our working practices.

# APPENDIX I - DEFINITIONS

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

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

FOR MORE INFORMATION:

**RUTH IRELAND**

+44 (0)20 7893 2337  
Ruth.ireland@bdo.co.uk

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	CONFIDENTIAL
Paper title:	2021/22 Group Risk Policy and LSBU Risk Appetite
Board/Committee:	Group Audit & Risk Committee
Date of meeting:	05 October 2021
Author(s):	Karen McLernon, Head of Performance Analysis
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Review
Recommendation:	The committee is requested to review the policy, including the proposed changes to the Risk Appetite Framework. If agreed, propose risk appetite ratings for the new risk domains and recommend to Board for approval.

## Executive Summary

The Group Risk Policy, last approved at the October 2020 GARC meeting, is submitted for annual review and recommendation to the Board.

Following feedback from GARC in June 2021, the Risk Appetite Framework has been reviewed by the Executive team, taking into account current sector practice and an assessment of gaps in the current framework in terms of risk categories, or domains. Resulting from this Executive review, a number of changes are proposed and marked [in blue](#) in the document:

- Addition of three new risk domains: Operational delivery, People and Culture, Infrastructure
- Conflation of the Legal and Compliance and Reputation categories into one 'Regulatory, Compliance and Reputation' domain
- Change of the ratings on the Risk Appetite scale from a somewhat outdated model to current sector practice
- Replacement of appetite descriptors for each individual risk domain to overarching statements by Risk scale point, to improve clarity and usability of the framework.

If GARC agrees to the proposed changes, the committee will need to recommend LSBU risk appetite ratings on the risk scale for the new risk domains to the Board for approval. Under the Policy, GARC should also review the LSBU risk appetite ratings of the existing risk domains and recommend them to Board.

The Technology section has been removed following decommissioning of the 4Risk system.

Other sections of the Policy remain unchanged from the last approval.

## LSBU Group Risk Policy 2021/22

### Purpose of Risk Policy

#### The risk policy:

1. Explains the London South Bank University Group's approach to risk management. Risk Management provides a mechanism and framework which at the highest level seeks to ensure that the London South Bank University Group achieves its strategic objectives, through effective identification, and management of uncertainties that could impact on these outcomes.
2. Sets out the roles and responsibilities of all key parties. It also sets out the risk management process at LSBU and the main reporting procedures.
3. Is part of the London South Bank University Group's internal control and corporate governance arrangements.
4. Ensures the London South Bank University Group complies with compliance requirements placed upon it by the key regulatory bodies; the Office for Students (OfS) and Office for Standards in Education (OFSTED). Comprehensive risk management is a regulatory requirement for all registered providers by OfS and OFSTED. The OfS regulatory framework<sup>1</sup> details these requirements and are outlined below.

#### OfS Condition E2: Management and governance

- i. Operate in accordance with its governing documents.
- ii. Deliver, in practice, the public interest governance principles that are applicable to it.
- iii. Provide and fully deliver the higher education courses advertised.
- iv. Continue to comply with all conditions of its registration.

Included in the OfS assessment of institutions governance arrangements is that institutions have:

- Evidence of risk management tools and processes (e.g. a risk register)

It is also essential for institutions to follow public interest governance principles. Principle number V is:

- Risk management: The provider operates comprehensive corporate risk management and control arrangements (including for academic risk) to ensure the sustainability of the provider's operations, and its ability to continue to comply with all of its conditions of registration.

The Ofsted evaluation framework, does not specifically reference risk management, but there is a review of effective Governance, of which risk management is an important component.

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<sup>1</sup> OfS Regulatory Framework [https://www.officeforstudents.org.uk/media/1406/ofs2018\\_01.pdf](https://www.officeforstudents.org.uk/media/1406/ofs2018_01.pdf)



## **Definition of Risk**

For the purposes of this policy, risk is defined as:

‘Circumstances that have not yet occurred that potentially impact upon the achievement of the organisation’s objectives’.

This could be any event, outcome or action which could:

- Cause financial disadvantage to the Group, i.e. loss of income, additional costs, loss of assets, creation of liabilities;
- Cause damage to the reputation of the Group;
- Prevent an opportunity from being taken;
- Lead to a failure to capitalise on our strengths;
- Prevent or hinder achievement of any of the objectives of the Corporate Strategy or associated local delivery plans;
- Impact negatively on student experience or achievement;
- Increase risks of non-compliance with regulators.

This is distinct to an issue, which is something that also might impact upon the achievement of objectives, but has already occurred.

## **Risk and wider Business Planning**

The reporting of risk will align with the LSBU Group’s approach to accountability, assurance and business planning. Risk represents one of the four components of this approach. The four areas are:

- Deliverable Monitoring (what we will deliver);
- Outcomes (KPIs and PIs);
- Regulation (Office for Students (including Teaching Excellence Framework and Access & Participation Plan, Knowledge Exchange Framework, Research Excellence Framework) Ofsted and United Nations Sustainable Development Goals);
- Risk.

Each of the above will be classified by the Executive Area of ownership and Strategic Pillar.

## **The LSBU Group and Risk Policy**

There are four entities that comprise the LSBU Group:

- London South Bank University
- South Bank Colleges
- South Bank Academies
- South Bank Enterprises

The different regulatory requirements of each element of the Group, requires a devolved approach to risk. However, this policy’s coverage relates to the whole Group, and where a devolved approach is taken, this is clearly specified.

## Timelines



Appendix B details the annual schedule of risk management in detail.

## Risk Registers

The LSBU Group has three sets of risk registers across its risk management process. These are:

- LSBU Group Risk Register;
- Institutional Risk Registers;
- Local Risk Registers.

The population of the Group Risk Register is informed by risks outlined in Institutional Risk Registers. The risks in the Group Risk Register, maybe specific to an individual entity within the Group, but the risk is deemed great enough to impact the overall Group. Institutional Risk Registers are informed by local risk registers.

Each risk will have the following information recorded against it:

Risk	Risk description	Risk Type	Group wide or Institution Specific	Pillar	Executive Area	Cause and effect of risk	Likelihood rating	Impact rating	Mitigating actions	Residual likelihood	Residual risk classification	Risk owner
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### Local Risk Registers

- Each local risk register is owned by the lead of the business unit (e.g. PSG or School);
- Each risk will detail as to whether it represents a Group wide risk, or specific to an individual Group institution.

### Institutional Risk Registers

- Institutional risk registers are owned by institution leads, as detailed in Table 1 (roles and responsibilities);
- As an appendix to the register, critical and high risks contained in local risk registers (sorted by pillar), relevant to individual institutions will be published;
- In addition to the standard risk register, an institutional regulatory risk report will be produced.
  - LSBU – OfS and OFSTED (levels 4+5 Apprenticeships)
  - SBC – OFSTED and ESFA
  - SBA – OFSTED
  - SBE – Not applicable.

### Group Risk Register

- The Group risk register is owned by the Vice-Chancellor and Group Chief Executive Officer
- As an appendix to the Group risk register, Institution risk registers will be published.

This diagram details the hierarchy of risk registers.



### **Strategic Pillars**

The 2020-25 Group Strategy is grouped into four pillars. Risks will be reported against these pillars, at each level of risk reporting. The strategic pillars are:

- Access to Opportunity
- Student Success

- Real World Impact
- Fit for the Future (split into three)
  - Technology and Estate
  - People, Culture & Inclusion
  - Resources, Market and Shape

### Executive Areas

Each risk, at all levels, will be classified by Executive area, to allow for reporting for each Executive member. These Executive areas are:

- Academic Framework
- Place & Impact
- Student Journey
- People
- Finance
- Executive Office
- LSBU Teaching & Research
- Institute of Health & Social Care
- Lambeth College & Academies

### Risk Categories Domains

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

- Financial
- ~~Legal and Compliance~~
- Academic Activity
- ~~Reputation~~
- Legal, Compliance and Reputation
- People and Culture
- Operational Delivery
- Infrastructure

### Risk Appetite

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

## Roles and Responsibilities

The table below details Committees, meetings and individuals roles and responsibilities as part of the risk management policy.

**Table 1**

Role	Responsibility
Group Board	Review and Approve Group Risk Policy, Institutional Risk Appetites and Group Risk Register  Approve LSBU Risk Register.
Group Audit Committee	Review and Recommend Risk Policy, Institutional Risk Appetites and Group Risk Register to Board  Recommend LSBU Risk Register to Board
Group Executive	Review and Recommend Risk Policy, Institutional Risk Appetites and Group Risk Register to Audit Committee  Recommend LSBU Risk Register to Audit Committee
Group Senior Leadership Team	Review Risks by Pillar and Executive Area
SBA/SBC/SBUEL Board/Audit Committee	Approve relevant risk registers. Set institutional risk appetite.
Executive Area	Each Executive member is responsible for a grouping of risks allocated to each Executive Area.
Institutional Leads	The Provost (LSBU), Executive Principal Lambeth College / Pro Vice Chancellor Compulsory and Further Education (SBA and SBC) and CBO (SBUEL). Ownership of overall institutional risk register.
Local Risk owner	The Head of individual business units. Responsible for classification of risks at local level. To be undertaken with support of local senior management teams.
PPA Strategy, Planning and Performance (SPP)	Collate and support all areas of the Group in completion of documentation, and offer challenge where appropriate.
Assurance Unit	Ensure risk registers appropriately reflect assurance requirements.

## Risk Classification

### Impact

- *Critical* – occurrence would have a critical effect on the ability of the Group to meet its objectives; could result in the removal of degree awarding status, financial impact undermining financial viability, severe reprimand by OfS/OFSTED or Parliament or the closure of any element of the Group.
- *High* – occurrence would have a significant effect on the ability for the Group 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 Group but it would not result in the failure of the Group’s corporate objectives or put an element of the Group at risk.
- *Low* – occurrence would have little effect on operational or corporate objectives.

More clarity in relation to these definitions by risk category domain are detailed below. It is important to note that a risk is classified by type, not its impact. For example a risk around non-compliance relating to data protection is a legal risk, though its impact may well be financial or reputational.

*Risk Classifications for the new Risk Domains will be updated when the Board has approved the revised Risk Appetite Framework.*

	<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<b>Financial</b>	Deterioration of Group operating margin greater than 5%	Deterioration of Group operating margin greater than 2%	Deterioration of Group operating margin greater than 1%	Deterioration of Group operating margin greater than 0.5%
<b>Legal and Compliance</b>	One or more of the Group's entities is no longer able to legally operate or significant reputational impact or deterioration of Group operating margin greater than 5%	High reputational impact or deterioration of Group operating margin greater than 2%	Medium reputational impact or deterioration of Group operating margin greater than 2%	Low reputational impact or deterioration of Group operating margin greater than 1%
<b>Academic Activity</b>	Removal of OfS registration or Ofsted special measures	OfS issuing a specific condition of registration or an Ofsted rating of 1 (inadequate)	OfS issuing a of enhanced monitoring or an Ofsted rating of 2 (requires improvement)	OfS formal communication, where improvement is required or Ofsted rating of 3 (good)
<b>Reputation</b>	National/International negative exposure over a period longer than a week, beyond the HE environment	National/International negative exposure over a period longer than a week within HE publications and forums	A single National/International negative exposure inside or outside of HE publications or forums.	Negative exposure at local level inside or outside of HE publications or forums.

#### Residual Likelihood

- **Very High** – Almost certain to occur within 1 year
- **High** – likely within 1 year
- **Medium** – may occur medium to long term
- **Low** – unlikely to occur

#### Risk Classification Matrix

<b>Impact</b>	<b>Critical</b>	High	Critical	Critical	Critical
	<b>High</b>	Medium	High	High	High
	<b>Medium</b>	Low	Medium	Medium	High
	<b>Low</b>	Low	Low	Low	Medium
		<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Very High</b>
		<b>Likelihood</b>			

## **Training**

A training programme will be developed. This will be undertaken with support from colleagues in OD. The initial stage will be to identify relevant stake holders and owners in each part of the risk management process, and deliver training that meets these requirements.

## **Technology**

~~An appropriate workflow system (e.g. 4Risk platform) will be used to maintain the register of risks. Registers at local level and sub-strategies at Institutional and Group will be owned by a single individual, and updates will be self-served. There will not be automated emails however, and its completion will be supported through regular communication with the PPA team.~~

DRAFT

**Appendix A - Risk Appetite Matrix**

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



**Appendix A - Risk Appetite Matrix (proposed new format)**

Risk Appetite		<b>Avoid</b>	<b>Averse</b>	<b>Cautious</b>	<b>Moderate</b>	<b>Open</b>	<b>Mature</b>
		The organisation is not prepared to accept any risks.	Prepared to accept only the very lowest levels of risk, with the preference being for very safe decision making and strategy implementation, while recognising there may be little opportunity for innovation or the exploitation of new opportunities.	Willing to accept some low risks, while maintaining an overall preference for safe decision making and strategy implementation, despite the probability that there is restricted potential for innovation and increased outcomes and benefits.	Inclining predominantly towards exposure to only modest levels of risk in order to achieve acceptable, but possibility unambitious outcomes or benefits.	Prepared to consider innovative decisions and strategic implementation with the highest probability of productive outcomes and benefits, even where there are elevated levels of associated risk.	Proactively taking innovative / creative / pioneering decisions and adopting forms of strategic implementation, while accepting the associated substantial risk levels in order to secure highly successful outcomes and benefits.
<b>Oversight</b>	<b>Risk Domain</b>						
BoG	Strategic / Group overall						
Academic Board	Academic activity						
FPR	Financial						
BoG / GARC	Regulatory / Compliance / Reputation						
Operations Board	Operational delivery						
FPR	People / Culture						
MPIC	Infrastructure						

**Appendix B – Risk Management Structures and Timelines** (exact months might change from year to year, depending upon calendars)

		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
<b>Governance Forums</b>	<b>Group Board</b>			Review and Approve Risk Appetite and Policy	Review and Approve Risk Register				Review and Approve Risk Register		Review and Approve Risk Register		Review and Approve Risk Register
	<b>Group Audit Committee</b>			Review and Recommend Risk Appetite and Policy	Review and Recommend Group Risk Register				Review and Recommend Group Risk Register		Review and Recommend Group Risk Register		Review and Recommend Group Risk Register
	<b>Group Executive</b>			Review and Recommend Risk Appetite and Policy	Review and Recommend Group Risk Register				Review and Recommend Group Risk Register		Review and Recommend Group Risk Register		Review and Recommend Group Risk Register
	<b>SBC Board (and Audit Committee)</b>		Review and Recommend Risk Appetite	Review and Approve Entity Risk Register				Review and Approve Entity Risk Register			Review and Approve Entity Risk Register		Review and Approve Entity Risk Register
	<b>SBA Board (and Audit Committee)</b>		Review and Recommend Risk Appetite	Review and Recommend Entity Risk Register				Review and Recommend Entity Risk Register			Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register
	<b>SBE Board (and Audit Committee)</b>		Review and Recommend Risk Appetite	Review and Recommend Entity Risk Register				Review and Recommend Entity Risk Register			Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register
<b>Strategy Implementation</b>	<b>Group Senior Leadership Team</b>	Review of Risks by Executive Area. Major Project Risk Registers and Collated Group Corporate Risk Register at each meeting											
	<b>Business Units</b>		Review Local Risk Registers			Review Local Risk Registers			Review Local Risk Registers			Review Local Risk Registers	
	<b>UMC (and SBA/SBC/SBUEL equivalents)</b>		Review Entity Risk Register and Recommend to Executive			Review Entity Risk Register and Recommend to Executive			Review Entity Risk Register and Recommend to Executive			Review Entity Risk Register and Recommend to Executive	
	<b>Other Business Planning Activities</b>			Review of Local Risk registers in OE Reviews					Review of Local Risk registers in OE Reviews				

## London South Bank University Risk Appetite:

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

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

- a. Academic activity: Open
- b. Financial: Moderate
- c. Regulatory / Compliance / Reputation: Cautious to Moderate
- d. Operational delivery: *GARC to recommend*
- e. People / Culture: *GARC to recommend*
- f. Infrastructure: *GARC to recommend*

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

These are displayed against the ~~original~~ **new** framework overleaf.

2020/21 London South Bank University Risk Appetite

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

## 2021/22 London South Bank University Risk Appetite mapped to the proposed Risk Appetite Framework

Appetite for existing Risk Domains transcribed from current framework.  
 Appetite for new Risk Domains\* to be recommended by GARC to BoG

Risk Appetite		Avoid	Averse	Cautious	Moderate	Open	Mature
The organisation is not prepared to accept any risks.		Prepared to accept only the very lowest levels of risk, with the preference being for very safe decision making and strategy implementation, while recognising there may be little opportunity for innovation or the exploitation of new opportunities.	Willing to accept some low risks, while maintaining an overall preference for safe decision making and strategy implementation, despite the probability that there is restricted potential for innovation and increased outcomes and benefits.	Inclining predominantly towards exposure to only modest levels of risk in order to achieve acceptable, but possibility unambitious outcomes or benefits.	Prepared to consider innovative decisions and strategic implementation with the highest probability of productive outcomes and benefits, even where there are elevated levels of associated risk.	Proactively taking innovative / creative / pioneering decisions and adopting forms of strategic implementation, while accepting the associated substantial risk levels in order to secure highly successful outcomes and benefits.	
Oversight	Risk Domain						
BoG	Strategic / Group overall						
Academic Board	Academic activity						
FPR	Financial						
BoG / GARC	Regulatory / Compliance / Reputation						
Operations Board	Operational delivery*						
FPR	People / Culture*						
MPIC	Infrastructure*						

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	INTERNAL
Paper title:	Impairment of Fixed Assets
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 October 2021
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Information
Recommendation:	The Committee is requested to note the review of impairment of fixed assets.

## Executive summary

There is an annual exercise to ascertain if there is any impairment in the University Groups fixed assets. During the year ending 31<sup>st</sup> July 2021, management believe that no impairment has taken place that needs to be recognised in the accounts. In particular the following capital assets have been considered:

### LEAP project

£4.7m of consultancy costs have been expensed during the year. This relates to the costs incurred around change management which, in line with financial reporting standards, have not been capitalised. Other costs associated with the LEAP project, including Programme Management and software costs, have been capitalised and there is no indication of impairment.

### Chapel site

the cost of the Chapel site includes demolition costs. These are still held at this stage as an asset in the course of construction (AICOC) and the position has not changed since the last year end. We are still exploring options with regard to the development of that site and so at this stage we are not proposing any change in treatment.

### Vauxhall Skills Centre

The Vauxhall centre is progressing and all costs are being held in AICOC. The project is in relatively early stages and, given the scale of the development, management is not aware of anything that would require an impairment adjustment.

### London Road project

Just under £1m of assets were written off at the start of the London Road project as they no longer existed and this was recognised in the 2019/20 accounts. There has been no further impairment of fixed assets associated with the London Road project.

### **Clarence Centre**

At the time the Clarence Centre was brought into use in 2012, service criteria were agreed by the Board as follows:

- The provision of a marketing component for the University,
- Space for engagement with businesses and employers
- Use as a hub for student enterprise
- To provide a high quality gateway to the campus
- provision of a space to showcase enterprise activities

During the year the space continued to be used for this purpose and no impairment and write down of the asset is therefore necessary at 31/7/21.

### **Recommendation**

The Committee is requested to note the report.



	CONFIDENTIAL
Paper title:	Pensions assumptions and results
Board/Committee:	Group Audit and Risk Committee and SBC Audit Committee
Date of meeting:	05 October 2021
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Approval
Recommendation:	The Committee is requested to consider and approve the assumptions and other criteria used for the annual FRS102 pension exercise. The Committee should also note the analysis of pension costs that will be disclosed for LSBU in the 2020/21 financial statements.

### **Executive summary**

In line with accounting standard FRS102, the University Group is required to obtain a valuation of LPFA pension schemes as of 31<sup>st</sup> July 2021. The Committee is asked to consider the key financial assumptions and other variables to be used in the valuation exercise.

Attached (as part of supplement 1) is BW's briefing note and documents containing glossary and FAQ's

In early August actual, reports were received and the results of the FRS102 valuation are shown in section B below and the reports are attached (supplement 1).

### **Recommendations**

The Committee is requested to consider and approve the assumptions and approach described in relation to the annual FRS102 pension exercise.

## **Section A - Assumptions**

### **Salary increases**

The Group's planning assumption is for an increase in salaries of 3% per year, taking into account projections for pay awards and incremental drift. It is reasonable therefore that a 3.0% assumption for long term salary increases is used for the FRS102 valuation exercise. This is also in line with the bespoke assumption for the LSBU group at 31/7/20.

BW's default assumption is for salary increases to be CPI +1% which, for LSBU and SBC, will equate to 3.95%. However, we believe that 3.0% is in line with our long term budgeting and planning assumptions and is therefore more appropriate for both LSBU and SBC.

### **Discount rate**

At last year end we adopted a bespoke discount rate of 1.5% compared to BW's default rate of 1.35%. We reviewed the rates for a range of institutions and considered that 1.35 was an outlier compared to the benchmarking and that a rate of 1.5% was more appropriate. Overall liabilities have increased by 4.9% which is within their range. Therefore it is not thought to be necessary to commission a new report using a different discount rate.

We have now received our report for the current year which shows that the rate has increased by 0.1% to 1.6%. Our liabilities have increased by 4.9% and this is within the expected range based on analysis undertaken by pension consultants Mercer and is consistent with rates applied to schemes at similar institutions. It is therefore not considered necessary to commission a new report of challenge the discount rate.

### **Allowance for actual pension increases**

BW have said that they will be incorporating actual pension increase experience up to 31 July 2021 into our accounting disclosures as standard this year. They have said that actual pension increases since the last full valuation have been less than previously assumed and pension increases account for increases in liabilities. It is recommended that this experience is allowed for as we see no reason for the LSBU group not to take this position as it will give a more accurate calculation for liabilities going forward.

### **Fund returns**

Fund assets and investment return information in this report are actual returns as of 31<sup>st</sup> July 2021. Returns on fund assets for the year to 31<sup>st</sup> July 2021 are £25,192,000 for LSBU and £6,769,000 for South Bank Colleges.

### **Mortality assumptions**

BW have said that the Continuous Mortality Investigation Bureau (CMI) released their 2020 model of future improvements to mortality in July this year. Their intended standard approach for this accounting exercise is to adopt the CMI 2020 model with a 25% weight parameter and their rationale for this approach is included in the Accounting Briefing Note. This is a subjective assumption so we will confirm with KPMG that they are comfortable with this approach.

### **Allowance for McCloud**

Previous LPFA FRS102 reports have included an allowance for McCloud and this will automatically be incorporated into this year's disclosure. This is seen as a sensible approach as we do not know at this stage what the outcome of the McCloud case will be.

### Contribution estimates

The reports will be produced accounting for only 10 months of employer and employee contributions in the actuary's calculations due to the deadlines involved. The actuary will then use estimates for the 2 remaining months. This is in line with previous years and is not expected to produce unexpected results for either LSBU or SBC.

### USS Scheme

The university accounts contain a provision for future deficit contributions to the USS pension scheme with assumptions on pay increase and discount rates feeding into this calculation. As in previous years, management consider that it is appropriate to use the same assumptions as for the LPFA scheme valuation, given that the USS scheme valuation will not be finalised until December 2021 and the University has only a small number of staff in this scheme, limiting our exposure to changes in the value of the scheme.

A summary of assumptions with comparisons to previous years is shown in the table below:

	31/7/21	31/7/20	31/7/19
RPI increases	3.15%	3.25%	3.4%
CPI increases	2.80%	2.25%	2.4%
Salary increases	3.00%	3.25%	3.9%
Pension increases	2.80%	2.25%	2.4%
Discount rate	1.60%	1.35%	2.1%

### Section B – Results

#### Results for the LSBU Group at 31/7/21

The table below shows the overall deficit in the scheme and movement compared to the position at 31/7/20:

	31/7/21 £'000	31/7/20 £'000
<b>Overall deficit in the scheme</b>	<b>(184,741)</b>	<b>(181,048)</b>
Staff expense	16,448	10,884
Interest expense	2,662	2,648
Administration expense	267	267
<b>Total charged to the income and expenditure</b>	<b>19,377</b>	<b>13,799</b>
<b>Amounts recognised in Other Comprehensive (Expenditure)/ Income</b>	<b>8,421</b>	<b>(44,232)</b>

The movement recognised in Other Comprehensive Expenditure is broken down in more detail below with most of the movement resulting from changes in fund assets in excess of interest and experience gains and losses since the last accounting date.

Analysis of the amount recognised in Other Comprehensive Income	Consolidated	
	2021 £'000	2020 £'000
Return on fund assets in excess of interest	28,859	(565)
Other actuarial gains on assets	-	-
Change in financial assumptions	(32,773)	(31,490)
Change in demographic assumptions	4,664	(1,007)
Experience gains and losses on defined benefit obligation	7,671	(6,643)
Re-measurement of the net assets/ (defined liability)	8,421	(44,232)

### Forecast of costs for 2021/22

The scheme actuaries have projected the University and College pension expense for the year ending 31/7/22.

	2022 Projected	2021 Projected	Actual	Variance
Consolidated				
Service cost	18,924	14,442	16,448	(2,006)
Interest	2,955	2667	2,662	5
Admin	306	267	267	-
Total	22,185	17,376	19,377	(2,001)
18090				

The impact of the accounts on the USS deficit provision is shown below:

	At 31/7/21 £'000	At 31/7/20 £'000
Deficit Provision	1,028	708
<b>Total charged to the income and expenditure</b>	320	(1,433)
<b>Employer Contributions</b>	521	509

### Attachments (contained in supplement 1):

LPFA July 2021 Briefing note  
Accounting Glossary and FAQs  
LSBU FRS102 Report V2  
SBC FRS102 Report V2

	INTERNAL
Paper title:	Going Concern Assessment
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 October 2021
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Information
Recommendation:	The Committee is requested to note this report.

## 1. Going concern statement

The board of Governors is required to produce a statement in the annual accounts that the University Group continues to be a going concern. The purpose of this paper is to provide assurance in respect of the going concern opinion in the draft financial statements. A final version will be submitted to the November meeting for final approval.

The draft statement in the 2020/21 accounts is below:

*Cash flow forecasts have been prepared for a period of 4 years from the date of approval of these financial statements. The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due and monitors and reports cashflow balances and covenant compliance on a regular basis. Cash balances, bank deposits and investments at 31/7/21 were £29.7m and are forecast to decrease to £21.4m by 31/7/22 as the Group continues to deliver its current capital programme. Two revolving credit facilities totalling £45m have been established to provide sufficient cashflow to meet the Group's ongoing capital investment programme and working capital requirements. Drawdown against this facility began April 2021 and was repaid in June 2021 and further drawdowns are forecast in 2021/22. Current borrowing facilities are considered adequate to meet current operational plans.*

*A small budget surplus has been approved for 2021/22, and cashflow from operations of £21.6m is forecast, reflecting the need for continued financial control whilst maintaining appropriate levels of investment to drive the necessary corporate strategic outcomes. At this early stage of the year, whilst accepting that there may be variations on individual budget lines, we are not moving away from agreed budget outcomes. Recruitment and re-enrolment are both looking positive although we will continue to monitor the position carefully over the next few months.*

*As is always the case, a comprehensive mid-year budget review is planned during the first semester of 2021/22. This will look closely at recruitment, re-enrolment and associated income forecasts.*

*We will continue to monitor the position carefully over the next few months. The principal risks to successful financial delivery in 2021/22 relate to meeting student recruitment targets, affordability of capital investment needs, regulatory changes to post-18 education fees and funding and the financial turnaround of South Bank Colleges.*

*After taking all of these matters into consideration, the Board of Governors is confident that the Group and parent University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements (the going concern assessment period) and therefore have prepared the financial statements on a going concern basis.*

## **2. Assurance**

The key elements that give us assurance regarding institutional sustainability, and which support the going concern statement, are set out below.

### **a. Board Assurance**

Assurances the Board have relied upon and cross referring to other documents already in existence/reviewed by committees:

- Our forecasting is accurate and we have delivered to financial forecasts as reported throughout last year (see July management accounts that went to Sept 2021 FPR)
- We prepared a number of alternative scenarios for consideration in setting an appropriate budget for 21/22
- An update on recruitment and retention was taken to FPR in September 2021 and reported that recruitment, withdrawals and interruptions were broadly positive.
- A balanced budget for 2021/22 and five year financial forecasts have been considered by FPR and approved by the board
- Treasury Management and cashflow forecasts are reviewed at each FPR meeting
- *September Management accounts reported to November FPR TBC*
- We have negotiated and implemented two revolving credit facilities with Barclays and AIB which are available for drawdown as required to service operational cashflow needs.

- Capital expenditure forecasts, including compliance with covenants associated with all the University's bank loans, are regularly reported to the RCF subcommittee, FPR, MPIC and the Board.
- We have a robust risk management process which considers risk (including financial risk) on a regular, continual basis (as reported to Board and Audit Committee)

#### **b. Risk management**

The Group Audit and Risk Committee approved the 2021/22 Group Risk appetite and strategy June 2021 and the Group Risk Policy in October 2021. The approach is to have a consistent risk management process across the Group, aligned to the 2025 Strategy. Risk registers are produced at Group, entity and local area levels.

In accordance with the Risk Policy, a risk appetite is established at each entity level within the Group. The risk appetite approved in June 21 is as follows:

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

At the most recent review, our risk management process was rated as low risk by our internal auditors. This process is linked to the achievement of institutional objectives as set out in the corporate strategy and is designed to identify, evaluate and effectively manage risk. Where there are serious issues or risks, this process helps ensure that appropriate controls are in place and/or remedial actions taken as appropriate. We have also continued to ensure that we have aligned our processes to the Board's assessment of risk appetite.

The corporate risk register as of June 2021 had:

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

Risks are reviewed on a monthly basis by the Executive. The Group Audit and Risk Committee reviewed the Group Risk register with the risk profile above at their June 2021 meeting.

#### **c) Financial sustainability**

The Board has an approved budget for 2021/22 for delivery of a small budget surplus of £2m. The 2021/22 budget assumes broadly flat recruitment targets as agreed by the Executive. With recruitment and re-enrolment looking positive and the inclusion of some contingency within the budget, it is forecast that the overall budget surplus and associated cashflows will be achieved.

As with previous years, We will also have a comprehensive budget review in November to reflect actual recruitment, retention and income forecasts.

### 3. **Banking Covenants**

Based on the budget scenario described, it is forecast that the University will meet covenants in place for its loans with Barclays and AIB.



**Debt Service Cover**

Adjusted Cashflow for each Relevant Period shall be no less than 125% of its Debt Servicing Costs for such Relevant Period.

Entry	Updated for draft actual				
	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Net cash inflow/(outflow) from operating activities	22,293	25,114	7,422	24,796	29,497
Investment income	300	32	110	110	110
Endowment cash received	0		0	0	
Exclude any cash pension costs, i.e. not to be added back		0	0	0	
<b>Adjusted Cashflow</b>	<b>22,593</b>	<b>25,146</b>	<b>7,532</b>	<b>24,906</b>	<b>29,607</b>
Interest paid (Loans Interest)	1,933	1,853	3,118	3,568	4,005
Interest element of finance lease and service concession payments	0	0	0	0	
Repayments of amounts borrowed	1,910	1,969	1,969	1,969	1,969
Capital element of finance lease and service concession payments	0	0	0	0	
<b>Debt Servicing Costs</b>	<b>3,843</b>	<b>3,822</b>	<b>5,087</b>	<b>5,537</b>	<b>5,974</b>
<b>Debt Service Cover</b>	<b>588%</b>	<b>658%</b>	<b>148%</b>	<b>450%</b>	<b>496%</b>
<b>Covenant Level</b>	<b>125%</b>	<b>125%</b>	<b>125%</b>	<b>125%</b>	<b>125%</b>
<b>Forecast Compliance</b>	<b>Compliance</b>	<b>Compliance</b>	<b>Compliance</b>	<b>Compliance</b>	<b>Compliance</b>

**Operational Leverage**

The ratio of Borrowings at the end of each Relevant Period to Adjusted Operating Surplus for such Relevant Period shall not exceed 5:1. This is reduced to 4:1 from 2022/23 Onwards

Entry	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Bank overdrafts	0	0	0	0	0
Loans repayable to the funding council	0	0	0	0	
Bank loans and external borrowing	1,944	2,025	1,944	1,944	1,944
Obligations under finance leases and service concessions	0	0	0	0	0
Loans repayable to funding council	0	0	0	0	0
Bank loans and external borrowing	32,507	30,457	72,881	70,154	67,151
Obligations under finance leases and service concessions	0	0	0	0	0
Include any Transaction Unit Debt if defined as such by the Transaction Unit	0	0	0	0	0
<b>Borrowings</b>	<b>34,451</b>	<b>32,482</b>	<b>74,825</b>	<b>72,098</b>	<b>69,095</b>
Surplus/(deficit) before other gains/losses and share of surplus/(deficit) in joint ventures and associates	1,350	1,226	1,600	2,600	3,600
Depreciation	9,354	9,354	13,500	15,500	17,500
Interest and other finance costs (assuming all £45m is drawn down)	1,933	1,853	3,118	3,568	4,005
Amortisation	0	0	0	0	
Pension Items	2,987	2,484	2,000	2,000	2,000
Capital Grants recognised in the year	0	0	0	0	
Release of deferred capital grants	0	0	0	0	
Exclude any one-off grant funding from the Transaction Unit.			0	0	
<b>Adjusted Operating Surplus</b>	<b>15,624</b>	<b>14,917</b>	<b>20,218</b>	<b>23,668</b>	<b>27,105</b>
<b>Operational Leverage</b>	<b>221%</b>	<b>218%</b>	<b>370%</b>	<b>305%</b>	<b>255%</b>
<b>Covenant Level</b>	<b>500%</b>	<b>500%</b>	<b>500%</b>	<b>400%</b>	<b>400%</b>
<b>Forecast Compliance</b>	<b>Compliance</b>	<b>Compliance</b>	<b>Compliance</b>	<b>Compliance</b>	<b>Compliance</b>

**Debt Service Cost Ratios**

Operating cashflow/debt servicing cost ratio not less than 1:1

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Surplus for the year	1,350	1,226	1,600	2,600	3,600
Transfer from revaluation reserve	694	694	696	697	698
Historical cost surplus	2,044	1,920	2,296	3,297	4,298
<b>Operating cashflow/debt servicing cost ratio not less than 1:1</b>					
Operating Cashflow	22,293	25,114	7,422	24,796	29,497
Capital element of bank loan repayments	1,910	1,969	1,969	1,969	1,969
Interest element of bank loan repayments	1,933	1,853	3,118	3,568	4,005
	3,843	3,822	5,087	5,537	5,974
<b>Net cash inflow from debt servicing costs</b>	<b>580%</b>	<b>657%</b>	<b>146%</b>	<b>448%</b>	<b>494%</b>
<b>Covenant Level</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Forecast Compliance</b>	<b>Compliance</b>	<b>Compliance</b>	<b>Compliance</b>	<b>Compliance</b>	<b>Compliance</b>

Entry	Prior Year	Current year	Forecast			
	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Debt Service Cover	353%	690%	130%	129%	391%	451%
Covenant Level	125%	125%	125%	125%	125%	125%
Forecast Compliance	Compliance	Compliance	Compliance	Compliance	Compliance	Compliance

The ratio of Borrowings at the end of each Relevant Period to Adjusted Operating Surplus for such Relevant Period shall not exceed 5:1 for each Relevant Period.

	2019/20 £'000	2020/21 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Operational Leverage	216%	191%	394%	293%	244%	205%
Covenant Level	500%	500%	500%	500%	500%	500%
Forecast Compliance	Compliance	Compliance	Compliance	Compliance	Compliance	Compliance

#### Security Cover

The Property Value shall at all times be no less than 140% of the Facilities.

<b>Property Values</b>	<b>£'000</b>
McClaren House	61,510
Dante Road	67,300
<b>Total Security</b>	<b>128,810</b>
<b>Barclays Facility</b>	<b>30,000</b>
<b>AIB Facility</b>	<b>15,000</b>
<b>Total Facilities</b>	<b>45,000</b>
<b>Security Cover</b>	<b>286%</b>
<b>Covenant Level</b>	<b>140%</b>
<b>Forecast Compliance</b>	<b>Compliance</b>

#### Recommendation:

The Committee is requested to note this report.

	INTERNAL
Paper title:	LSBU 2021 Financial Statements draft sections
Board/Committee:	Group Audit And Risk Committee
Date of meeting:	05 October 2021
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Review
Recommendation:	The Committee is requested to review and comment on the draft sections for inclusion in the 2021 Financial Statements.

## Executive summary

The Consolidated Report and Financial Statements will be presented to the Group Audit and Risk Committee at its November meeting where they will be asked to recommend approval to the Board. We are bringing these draft sections to this meeting for early review and comment. This will give the committee more time to review these important sections rather than wait until November when there will be time pressure to finalise the accounts before signing by The Board.

The sections for review are:

1. *Status and advisors*
2. *Structure, Governance and management*
3. *Objectives and activities*
4. *Going Concern Statement*
5. *Principal Risks and Uncertainties*
6. *Energy and Carbon Report*
7. *Public Benefit Statement*
8. *Access and Participation statement*
9. *Accounting Policies*

## Recommendation

The Committee is requested to review and comments on these draft sections.

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# Agenda Item 18

	INTERNAL
Paper title:	Anti Fraud Policy Review
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 <sup>th</sup> October 2021
Author:	Natalie Ferer – Group Financial Controller
Sponsor:	Richard Flatman – Group Chief Financial Officer
Purpose:	For approval
Recommendation:	It is recommended that the committee approves the changes to the Group Anti Fraud Policy and Fraud Response Plan.

The Group Anti Fraud and Fraud Response plan has been updated to reflect the LSBU Group structure. Amendments are shown as track changes.

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## The LSBU Group Anti-Fraud Policy and Fraud Response Plan.

### Anti Fraud Policy

#### 1. Introduction

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

It applies to all staff and students in within the LSBU GroupFamily – ie London South Bank University, South Bank Colleges, South Bank Academies and any subsidiary companies.

#### 2. Policy

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

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

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

#### 3. Definition of fraud

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

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

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

- The theft of cash, assets or any other property of the UniversityGroup 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 UniversityGroup or furnishing information which is or may be misleading, false or deceptive
- Deliberate claiming of expenses that were not incurred on UniversityGroup 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 UniversityGroup

- Entering into unfavourable contracts or arrangements with suppliers in order to benefit personally from the relationship.
- Attempting to make payments to a Group Company~~the University~~ with a stolen or unauthorised credit/debit card.
- Money laundering (covered by the Group's Anti Money Laundering Policy)
- Insurance Fraud
- Bribery (Covered by the Group's Anti Bribery Policy)
- Cyber fraud

#### 4. Prevention of fraud

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

The University Group 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 Group Finance Department can provide guidance where procedures need to be improved.

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

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

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

[EFSA has published indicators of potential fraud: education providers, which provides information for academies, colleges, private training providers and employer providers in receipt of the ESFA funding to help them identify potential fraud.](#)

<https://www.gov.uk/government/publications/post-16-audit-code-of-practice/post-16-audit-code-of-practice-2020-to-2021-web-accessible-version#annexd>

#### 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 their head of department ~~relevant Dean/Head of Professional Function~~ who will share this information with the



~~and the Group Chief Financial Officer. Staff should not delay reporting while they investigate or build up a case themselves.~~

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

All reported cases of suspected fraud will be investigated.

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

## 5. Fraud Response plan

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

If a member of staff discovers or suspects a fraud, theft, corruption or other financial irregularity, they must immediately inform their line manager. The line manager will immediately inform the head of department or Dean who will share the information with the Group Chief Financial Officer. In or Head of Professional Function SBC the line manager will share it with the relevant Head of Department and the Executive Principal and College CFO before sharing with the Group CFO. In SBA the line manager should share with the relevant Head of Department who will share with the School Principal and Trust Business Manger before sharing with the Group CFO. Head of department in SBC or School Principal in SBA The information, and the Group Chief Financial Officer. Failure to report suspected fraud ~~se~~ will result in disciplinary action. ~~in turn, the post holders above will be responsible for reporting to~~ The Group Chief Financial Officer will instigate the following responses:

- Take action to mitigate the potential loss to the University Group
- ~~Immediately~~ Immediately inform the Vice Chancellor, the Group University Secretary, the Head of Internal Audit-Internal Audit Service and The University's Employee and Officers insurers.
- ~~As soon as practical, inform the Chair of the Group Audit and Risk Committee, and, if it involves SBA or SBC, the Chair of the SBA or the SBC Audit Committee.~~
- Initiate an investigation. The scope of this investigation should be agreed with the Vice Chancellor and the University Secretary.
- For incidents occurring in SBC or SBA the Group Chief Financial Officer will inform The College and School Executive Principal and College and Trust CFO so that they can assist with actions to mitigate losses and with the investigation.
- Decide whether or not to treat this incident as a criminal investigation and involve the police and/or accredited fraud investigators
- Take steps to prevent a recurrence of such an irregularity or breach of internal controls.

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

- ~~The chair of the Group Audit and Risk Committee, the Chair of the Board of Governors and the University, College or Trust's Accounting Officer should also be informed (The Accountability and Audit: OfS Code of Practice, which flows from the OfS Financial Memorandum, contains a mandatory requirement that any significant fraud must be reported to the OfS Accounting Officer)~~

- The Chair of Audit Committee will decide whether or not to convene an extraordinary meeting of Audit Committee to consider action already taken, or proposed to be taken.
- The Group CFO will liaise with the VC, Chairs of Audit Committees and Head of Internal Audit as appropriate to determine the role of internal audit in the investigation.
- The OfS should be informed when the matter occurring occurring in the University constitutes a reportable event.
- ESFA should be informed in line with reporting requirements.

(The Accountability and Audit: OfS Code of Practice, which flows from the OfS Financial Memorandum, contains a mandatory requirement that any significant fraud must be reported to the OfS Accounting Officer)

A significant fraud is one where: The Group CFO, Vice Chancellor and Group Secretary will decide whether a fraud is significant (unless one of them is suspected of having involvement, but generally a fraud is significant if any of the following apply:

- 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.
- Any fraud relating to the misuse of public funds
- Any other financial fraud where the value is deemed to be significant.
- 

The Accounting Officer of SBC is required to disclose in the annual Statement of Regularity, Propriety and Compliance fraud due to it being 'irregular and improper.

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

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

In the event of a suspected fraud involving a member of the Finance Department in any Group Entity, Finance and Management Information (FMI), the Vice Chancellor will initiate action and. The Group Chief Financial Officer will not be involved in the subsequent investigations nor will any member of staff in any of the group Finance teams.

In the event of a suspected fraud involving the Vice Chancellor, the Group Chief Financial Officer will inform the Chair of the Board of Governors directly. Similarly, in the event of a suspected fraud involving the Executive Principal or College CFO, or Trust Business Manager, the Chief Financial Officer will inform the chair of the SBC or SBA board directly.

### **Investigation of a suspected fraud**

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

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

The Vice Chancellor or the Head of Institution for SBC or SBA, 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 Group 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 Group 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



	CONFIDENTIAL
Paper title:	Anti Bribery Policy Review
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 October 2021
Author:	Michael Broadway, Deputy University Secretary and Nicola Hargreaves, University Solicitor
Sponsor:	James Stevenson, Group Secretary
Purpose:	For approval
Recommendation:	The committee is requested to approve the updated anti-bribery policy

## **Executive Summary**

The anti-bribery policy has been reviewed. The only changes recommended are to extend the policy to cover the whole of the LSBU Group.

The committee is requested to approve the updated policy.

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# Anti Bribery Policy

Policy last reviewed	July 2021
Approved by	
Published on	

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## Anti Bribery Policy

### 1. Introduction

- 1.1 London South Bank University (LSBU) and members/companies within the LSBU group (collectively “LSBU Group”) are committed to acting in accordance with the highest ethical and legal standards. The integrity of our staff, and those with whom we do business, is critical to our success and one of our ~~EPIIC~~ values.
- 1.2 LSBU Group is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates.
- 1.3 LSBU Group has zero-tolerance to bribery and corruption.
- 1.3 LSBU Group is committed to uphold all laws to prevent bribery and corruption in all the countries in which we operate. In particular, we are committed to compliance with the Bribery Act 2010, in respect of our conduct both at home and abroad.
- 1.4 The offer of bribes or facilitation payments of in any of the countries in which we operate is against LSBU Group policy.
- 1.5 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for us or under our control. All staff are required to avoid any activity that might lead to, or suggest, a breach of this Policy.

### 2. Definitions

- 2.1 A bribe is an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage.
- 2.2 Facilitation payments are typically small, unofficial payments made to secure or expedite a routine or necessary government action by a government official, when we have already paid for, or are entitled to, that action.

### 3. Scope – who is covered by this procedure?

- 3.1 This policy applies to all people or companies working for LSBU Group at all levels, including all employees (whether permanent, fixed-term or

temporary), consultants, contractors, trainees, seconded staff, casual staff and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any of our subsidiaries or their employees, wherever located (collectively referred to as "staff" in this policy).

- 3.2 Compliance with this policy is mandatory. Any employee who breaches this policy will face disciplinary action, which could result in dismissal for gross misconduct.

#### **4. Links to other Policies**

- 4.1 The LSBU [Gifts and Hospitality Policy](#) and the [Gift Acceptance Policy](#) should be read in conjunction with this policy as in some circumstances unreasonable or disproportionate gifts or hospitality may be used as bribes.

#### **5. Procedure**

- 5.1 All staff must ensure that they read, understand and comply with this Policy.
- 5.2 All staff are encouraged to raise concerns about any issue or suspicion of bribery at the earliest possible stage – potential bribery risk scenarios are listed below.
- 5.3 Staff should report anything that they believe to be a bribe immediately to the [Group Chief Financial Officer](#) or by following the procedure set out in [the LSBU Group Speak Up Policy](#).
- 5.4 If you are unsure whether a particular act constitutes bribery, or if you have any other queries, these should be raised with your line manager OR the University Solicitor.
- 5.5 If you are asked to make a facilitation payment on LSBU's behalf, [or on behalf of another entity within the LSBU Group](#), you should immediately discuss this with your line manager or the University Solicitor or the Head of [LSBU Procurement](#).
- 5.6 LSBU [Group's](#) zero-tolerance approach to bribery and corruption must be communicated to -all suppliers, contractors and business partners at the outset of our business relationship with them and continuing.

#### **6. Potential bribery risk scenarios: "red flags" at London South Bank University [and within the Group](#)**

6.1 The following is a list of possible red flags that may arise during the course of your work, whether academic or support, and which may raise concerns about compliance with the UK Bribery Act 2010. The list is not intended to be exhaustive.

If you encounter any of these “red flags” while working for LSBU [Group](#), you must report them promptly to your line manager OR to the University Solicitor OR under the LSBU [Group Speak Up Policy](#) (see staff Gateway):

- (a) a student offers you a payment or gift and requests that you provide some academic advantage to the student;
- (b) a student’s family offers you a payment or gift and requests that you provide some- academic advantage to the student;
- (c) an LSBU [Group](#) academic/[member of teaching staff](#) is offered an unusually generous gift or offered lavish hospitality by a student or the student’s family prior to an important academic assessment;
- (d) you learn that a student recruitment representative has a reputation for paying bribes, or requiring that -bribes are paid to them, or has a reputation for having a "special relationship" with foreign government officials;
- (e) a student recruitment representative requests that payment is -made to -a country or- geographic location different from where they -do business;
- (f) a student recruitment representative requests- or- requires -the -use- of- an agent or intermediary that is not typically used by or known to us;
- (g) a supplier to LSBU [Group](#) requests- payment -in- cash- and/or- refuses- to sign- a -formal commission or- fee agreement, or- to provide an invoice or receipt for a payment made;
- (h) you become aware that a -supplier to LSBU [Group](#) engages in, or has been accused of engaging in, improper business practices;
- (i) you receive an invoice from a -supplier to LSBU [Group](#) that appears to be non-standard or customised;
- (ii) a -service provider to LSBU [Group](#) requests -an- unexpected- additional- fee or- commission- to "facilitate" a service;

(k) a potential supplier to LSBU Group demands or offers lavish entertainment or gifts before commencing or continuing contractual negotiations or provision of services;

(k) a- potential contractor of LSBU Group insists- on- receiving- a- commission- or fee- payment- before committing to sign up to a contract with us;

(m) a contractor insists on the use of side letters or refuses to put terms agreed in writing;

(n) an existing contractor requests that a payment is made to "overlook" potential legal violations by them;

(o) you notice that LSBU or a Group member- is invoiced for a commission or fee payment that appears large given the service stated to have been provided.

"Red flags" updated July 2021~~January 2014~~

	INTERNAL
Paper title:	Annual Debt Write Off
Board/Committee:	Group Audit And Risk Committee
Date of meeting:	05 October 2021
Author(s):	Julian Rigby, Head of Financial Processing
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Approval
Recommendation:	The Committee is requested to approve the write off of debts totalling £743,000.

## Executive Summary

The University has a policy of writing off old debt which is more than six years old, unless there is a reasonable expectation that the money can be recovered. Financial regulations require that Group Audit and Risk Committee approve the write off of debts where the value exceeds £50,000.

There are credit balances of £1,077k representing funds received from the Student Loan Company (SLC) and Sponsors. These balances have not shown any movement since the financial year ending July 2019, and relate to students with old loans whose arrears with the SLC have been settled, alongside old NHS sponsor payments that we are currently unable to return, as the organisations no longer exist. The SLC have confirmed that unless a student raises any over-payment directly with them, then it's very unlikely that these credits will be recalled. However, it is prudent that these balances are retained unless specific and written confirmation is received from these organisations that they will not recover. These balance are held as credit and have not yet been released to income.

The University writes off debt from the student self-pay ledger. This type of debt is one that the student is responsible for settling themselves; i.e. there is no associated sponsor or a Student loan to pay the balance.

The total self-pay debt relating to academic years 2014/15 and earlier is £1,622k. £99k of this was invoiced during the past 5 financial years and we continue to chase payment and are not recommending write off. Arrangements are in place to collect £780k of the debt by monthly instalment arrangement, which have also been deducted from the amount we propose is written off.

The remaining debts of £743k are all more than 6 financial years old, and have already been fully provided in previous financial year-ends, so there will be no impact on the

surplus for the current year. The amount being written off is a similar level to the £724k written off in 2020.

<b>At 31/5/21</b>	<b>14/15 £K</b>	<b>13/14 £K</b>	<b>12/13 £K</b>	<b>11/12 £K</b>	<b>10/11 £K</b>	<b>09/10 &amp; prior £K</b>	<b>Total £K</b>
Self Pay	928	381	166	56	70	21	1,622
SLC	42	61	51	37	-35	-426	-270
Sponsors	-66	-94	-105	-173	-73	-296	-807
<b>Total</b>	<b>904</b>	<b>348</b>	<b>112</b>	<b>-80</b>	<b>-38</b>	<b>-701</b>	<b>545</b>
Self Pay	928	381	166	56	70	21	1,622
Less:							
Invoiced in last 5 yrs	83	4	4	5	3	0	99
Paying by Instalments	263	253	134	43	66	21	780
<b>To be written off</b>	<b>582</b>	<b>124</b>	<b>28</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>743</b>

### **Recommendation**

The Committee is requested to approve the write off tuition fee debt of £743k.

	CONFIDENTIAL
Paper title:	Fire Doors refurbishment timeline
Board/Committee(s)	Group Audit and Risk Committee
Authors:	Carol Rose - EAE, Ed Spacey – H&S, James Rockliffe - Procurement, Kerry Johnson - Governance,
Sponsor:	Professor Paul Ivey, DVC & Chief Business Officer
Purpose:	For information
Recommendation:	The committee is requested to note the update.

## **Executive Summary**

This paper presents a timeline for the refurbishment of fire doors across the LSBU estate, from the point of initial concern to the present time when strenuous efforts are being made to ready student accommodation for the start of term, and tabled in a separate paper, a suggested approach for remainder of LSBU group buildings.

The timeline is a composite and draws together a record of work packages from health and safety, estates, procurement and throughout decision making at executive. An attempt is made to draw from this 'characteristics' which made this process challenging, notwithstanding the external (to the work) environmental factors of COVID, IT outage and construction shortages.

Given this refurbishment follows from an expanding series of externally commissioned audits, it has been highly reactive. As such one of these 'characteristic' has been a high degree of catch up to demonstrate compliance.

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## **Background.**

This paper presents a timeline for the refurbishment of fire doors across the LSBU estate, from the point of initial concern to the present time when strenuous efforts are being made to ready student accommodation for the start of term, and tabled in a separate paper, a suggested approach for remainder of LSBU group buildings. The timeline is a composite and draws together a record of work packages from health and safety, estates, procurement and throughout decision making at Executive.

Prior to 2005 the Fire Precautions Act 1971 meant that all public buildings had to have an annual fire certificate and inspection by the Fire Brigade. The position changed with the Regulatory Reform Fire Safety Order 2005 which placed the responsibility on individuals within organisations to conduct Fire Risk Assessments of each building. LSBU has a robust programme of undertaking Fire Risk Assessments (general non-intrusive overview of each building required by law).

Grenfell 2017 primarily raised the issue of cladding, and review reports went to Executive and Board to clarify LSBU did not have cladding on any of buildings. LSBU also contributed to national survey initiatives across the sector. Grenfell Inquiry Phase 1 Report published Oct 2019, also referred to some failures in fire doors in the building.

## **General timeline of events**

- Fire Safety Risk was a standing item on the LSBU corporate 4 Risk system. During 2020 an analysis of all LSBU Fire Risk Assessment Actions required indicated an increasing trend in number of fire door issues.
- **11th September 2020** – HSR meeting with EAE recommending full fire door audit and identifying likely estimated cost of audit. EAE investigated possibility of using existing building surveyors and checking funding. Agreed that an external consultant would be employed.
- **November 2020:** Procurement of Fire Door Auditor depended on establishing the numbers of fire doors involved, which resulted in additional work by the company

- **November 2020** Fire Door Company selected, recalled undertaking individual count of doors in all buildings and providing final quotation details - shared info with EAE 30 Nov
- **7 December 2020** – Fire Door Project Plan of Audit dates supplied to EAE. Commencing 10 Dec.

#### Dates Reports supplied to EAE

<b>Building Name</b>	<b>Nature of Building</b>	<b>Date Report Sent to EAE</b>
<b>Caxton House</b>	<b>Admin &amp; Teaching</b>	<b>17/12/2020</b>
<b>K3</b>	<b>Admin &amp; Teaching</b>	<b>17/12/2020</b>
<b>Rotary Building</b>	<b>Admin</b>	<b>17/12/2020</b>
<b>Perry Library</b>	<b>Admin &amp; Teaching</b>	<b>04/01/2021</b>
<b>Passmore Centre</b>	<b>Admin &amp; Teaching</b>	<b>04/01/2021</b>
<b>M Block</b>	<b>Admin &amp; Teaching</b>	<b>04/01/2021</b>
<b>Faraday Wing</b>	<b>Admin &amp; Teaching</b>	<b>04/01/2021</b>
<b>Havering</b>	<b>Admin &amp; Teaching</b>	<b>20/01/2021</b>
<b>K2</b>	<b>Admin &amp; Teaching</b>	<b>20/01/2021</b>
<b>Holyoak Road</b>	<b>Residences</b>	<b>26/01/2021</b>
<b>Dante Road</b>	<b>Residences</b>	<b>01/02/2021</b>
<b>Dante Place</b>	<b>Residences</b>	<b>01/02/2021</b>
<b>Technopark</b>	<b>Admin &amp; Offices to rent</b>	<b>08/02/2021</b>
<b>Tower Block</b>	<b>Admin &amp; Teaching</b>	<b>12/02/2021</b>
<b>LRC (Business School)</b>	<b>Admin &amp; Teaching</b>	<b>12/02/2021</b>
<b>J Block</b>	<b>Admin &amp; Teaching</b>	<b>12/02/2021</b>
<b>E Block</b>	<b>Admin &amp; Teaching</b>	<b>15/02/2021</b>
<b>Clarence Centre</b>	<b>Admin &amp; Offices</b>	<b>15/02/2021</b>
<b>Blackwells</b>	<b>Admin &amp; Offices to rent</b>	<b>16/02/2021</b>
<b>David Boomberg House</b>	<b>Residences</b>	<b>25/02/2021</b>

<b>New Kent Road</b>	<b>Residences</b>	<b>26/02/2021</b>
<b>Borough Road</b>	<b>Admin &amp; Teaching</b>	<b>01/03/2021</b>
<b>McLaren House</b>	<b>Residences</b>	<b>01/03/2021</b>
<b>Keyworth</b>	<b>Admin &amp; Teaching</b>	<b>02/03/2021</b>

As Reports were received for our larger buildings, it became clear there were significant issues (Havering 86% high risk)

- **3 Feb 2021** Issues notified to Executive by ES– First formal discussion 3 Feb given urgency of sleeping risk from Dante Road report received 1 Feb.
- **8 Feb 2021** Emergency works had started at Dante undertaken by known LSBU contractors. Due to layout of residences, mitigation plan difficult (small separate buildings as opposed to a halls of residence).
- **Feb 2021** – work started in EAE to draw up a schedule of work as the original intention was to use three competent contractors who regularly undertake work at LSBU to carry out the remedial work which would then be re-inspected accordingly. It was believed at the time that this was the quickest and most cost-effective route.
- **Formal Paper to Exec 10 Feb**, also referencing 3 Feb discussion. Recommendation to prioritise all Halls due sleeping risk and have clear timelines for completion in all buildings, this was agreed.
- **3 March 2021** - Fire Door Auditor met with EAE and HSR as part of debrief to answer questions on methodology and skills needed to perform repair - CBRE onsite maintenance contractor already in the process of undertaking minor non specialist maintenance issues (e.g., screws missing in hinges etc.) The way forward agreed between EAE and HSR. i.e., urgent attention to red rated items in residences, five buildings on campus prioritised for urgent remedial works to higher risk areas such as staircases, corridors, plantrooms etc. (Keyworth, J Block, Perry Library, Havering and K2)
- **3 March 2021** – verbal update to Exec on current position noted
- **10 March 2021** – Urgent item on Exec agenda. Updating on progress at LSBU and asking if the audit should be extended to cover the Group.

- **17 March 2021** – Ed Spacey updated Exec on progress and the Exec supported the steps being taken to mitigate the identified risk.
- **24 March 2021** – Exec endorses maintenance-based approach by regular LSBU competent general contractors and establishes a timescale of the end of March to develop schedules and subsequently estimates of cost by middle of April
- **1<sup>st</sup> April 2021** – PO raised to Arc to undertake the audit across the remainder of the Group
- **5<sup>th</sup> - 7<sup>th</sup> April 2021**– Fee proposal for the remainder of Group audit received
- **12<sup>th</sup> April 2021** – Remainder of the Group fire door audit commenced
- **Mid-April** – POs raised to a competent LSBU known external contractor to continue with the remedial work
- **29 April 2021** The Fire Safety Act 2021 became law (and had particular measures around managing cladding risks and apartment doors to communal areas). LSBU had taken proactive steps prior to new legislation by commissioning the fire door audits
- **30 April 2021** – urgent works continue
- **6 May 2021** – Following intervention from the Director of Procurement, advice was received that a recognised framework should be used to procure a specialist contractor due to the cost and risk involved. Use of a framework would also provide additional protection should there be a problem. EAE staff and the Procurement Category Manager started work to prepare the comprehensive tender documents.
- **18 May 2021** – Exec considered three alternative tender routes – i) full tender to three competent contractors currently known to LSBU, ii) as i) but with an accelerated tender period iii) full tender process to a specialist framework. Following consideration of the pros and cons, the Exec decided on the specialist framework route.
- **26 May 2021** – tender published
- **2 June 2021** – Exec noted action taken to date
- **16 June 2021** – Exec noted action taken to date
- **18 June 2021** – tender response - only one received from Gunfire Ltd
- **21 June 2021** – tender evaluation
- **25 June 2021** – tender evaluation report issued to HSR and EAE

- **30 June 2021** – No Exec but separate briefing held with VC
- **7 July 2021** - Exec noted the update but noted that the original internal cost of the remedial works was estimated to be in the region of £1.2m but the tender return showed £2.1m. Agreed work on higher risk areas would be prioritised. The Exec stated that the contract value be ringfenced to £1.5m
- **9 July 2021** – Based on significant and complex negotiation that took approx. ten days to successfully conclude, Gunfire re-quoted and the work re prioritised and reduced to within the budget available
- **20<sup>th</sup> July 2021** – Group fire door audit received
- **26 July 2021** – Intrusive surveys by Gunfire begin. Apparent that there was more work required than originally identified in the Ark audit. Agreed to commence while this is sorted out.
- **28 July 2021** – PO issued
- **August to date** - mobilisation of contract and work to McLaren and David Bomberg House underway with a view to completion prior to occupancy by residents i.e., Friday 10<sup>th</sup> September 2021.
- **1 September 2021**– Revised programme of works issued by EAE following a meeting with HSR and Prof. Ivey where buildings were re-prioritised
- **4 October 2021 – 7 Jan 2022** – works across Southwark and Havering campuses underway

## **Specific Procurement Timeline**

### **Sourcing/Procurement**

- **16th April 2021** - Four POs created for Gurney Construction totalling circa £55k for works that had commenced in Feb 2021 in Dante Road Halls. No Procurement involvement in the appointment of Gurney, other than to request Single Sourcing documents when EAE requested POs in April. This was the first occasion Procurement became aware of a wider issue affecting the remainder of the campus.
- **6th May 2021** – Meeting set up by EAE to discuss a specialised fire prevention tender for other buildings (halls were prioritised). The ITT would invite bids from an accredited set of pre-approved suppliers capable of the work identified in the audits and arrange certification

- Speed was of the essence and timeframe driven by date halls were scheduled to open. Procurement identified a passive fire prevention Lot on a Local Housing Company (LHC) framework. (The LHC are a building procurement consortium used primarily by London councils)
- **10th to 13th May 2021** – EAE supplied initial technical elements of the specification to Procurement for inclusion in the Invitation to Tender (ITT)
- **6th to 18th May 2021** – Market research, routes to market explored/analysed and agreed with EAE/H&S
- **18th May 2021** – Exec agree to procure using the framework route
- **19th May 2021** - LSBU registered with the LHC in order to access the passive fire protection framework
- **24th May 2021** – Use of LHC framework approved by (EAE and H&S] and tender prep recommenced
- **26th May 2021** - Tender documents approved by Estates
- **26th May 2021** – Invitation to Tender published and the three LHC suppliers that had previously expressed an interest invited to bid
- **18th June 2021** – A single bid was received when the bidding window closed (Gunfire Ltd).
- **21st June 2021** – Evaluation of Gunfire’s bid complete. Tender technically viable but exceeded EAE’s previous financial estimates by circa £1.3m.
- **22nd June 2021** - Procurement initiated post-tender clarification discussions with Gunfire to establish appetite for commencing work on a more defined but limited scope. Gunfire agreed in principle and took part in technical discussions with EAE and Procurement w/c 22nd and w/c 29th June
- **9th July 2021** – Based on successful post-tender discussions, Gunfire re-quoted and reduced sum originally tendered by circa £1m
- **14th July 2021** – EAE and Procurement met Gunfire on-site for a pre-contract visit and agreed that they would provide services according to revised scope and £1.5m cap
- **26th July 2021** – Gunfire commenced intrusive surveys. It was established that extent of work required was greater than originally anticipated and would carry cost and resource implications, but were willing to commence work as agreed

- **28th July 2021** - Purchase Order issued instead of Letter of Intent. PO referred to JCT terms of business to reflect requirement in tender documents

### **Contracting**

- **25th June 2021** - Procurement engaged Legal Services to draft JCT contract. Eversheds engaged by Legal produce the documentation
- **13th July 2021** - Final technical doc for inclusion in the contract sent to Eversheds/Legal
- **19th July 2021** - Pulse Consult engaged by EAE to administer contract
- **20th Aug 2021** - the emerging requirements and resourcing implications mean that the contract was not ready for signature. Execution anticipated to take place w/c 13th Aug 2021, but this will be for the scope as defined by the initial spec and changes agreed during post-tender discussions – i.e. a decision needs to be made re sourcing a supplier for any additional LSBU Group work not yet defined

### **General comments**

A not unusual operational 'tension' throughout this project has been balancing the need for responsiveness and the need to demonstrate compliance / certification. For example, the more affordable work to complete the Dante student accommodation using internal EAE labour / budget was started early but is only now going through separate compliance testing, whilst the more expensive project to complete the remainder of the student accommodation needed agreement for additional funds, took additional time, was externally procured via framework tendering and included the security of compliance at the outset.

The initial externally provided audits of fire doors were provided from December 2020 to March 2021, and during this period the scale of the project emerged. However, these audits cited 'compliant / not compliant for a wide range of issues, and whilst all are important, they varied widely in the corrective action required (for example relacing non kite marked door hinges / screws to refitting doors and frames to ensure gap size). Following audit this made a complete round of surveying to determine the full scope of work necessary. To expedite matters and in the absence of building drawings (IT outage), the tender document was issued prior to any survey

and without drawings resulting in a very quick tender turnaround but requiring additional process (survey) post appointment, and an inflated tender price because of understandable uncertainty regarding resource, timing requirements, and supply markets on the part of the contractor. This inflated tender price then necessitated additional decision making at Executive regarding affordability / value for money.

Looking at the project from inception to date, the authors feel the following statement can be supported.

1. Audits were initiated in advance of the new fire legislation
2. The need for urgent works was recognised early at Executive, and it was agreed to implement a refurbishment programme as well as monitor suitable mitigation measures.
3. The findings of failing doors are not unique to LSBU, but a structured future investment programme would help avoid repetition going forward.



	CONFIDENTIAL
Paper title:	Anti-Fraud, Bribery and Corruption Report
Board/Committee:	Group Audit And Risk Committee
Date of meeting:	05 October 2021
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group CFO
Purpose:	For Information
Recommendation:	The Committee is requested to note this report on incidences of Fraud, Bribery and Corruption.

## **Executive summary**

There is one matter to report concerning a breach of financial regulations regarding the recent purchase of high spec IT equipment.

The matter was identified when it was discovered that 43 purchase orders were raised to a supplier for the purchase of computer equipment. The total spend was for just under £0.5m but each purchase order was for £9k including VAT, £1k below the threshold over which Agresso would have routed to Procurement for approval. The transaction was also brought to the attention of Finance staff when the spend was accrued before year end and it was questioned if procurement procedures had been followed.

The matter is a financial irregularity and is being investigated in line with the Groups Fraud Response Procedure. In addition, the university is at risk of legal challenge by a competitor of the supplier used due to public sector contract regulations not being followed.

An investigation is underway conducted by an independent external HR professional. The investigation will focus on the following matters:

- People considerations including chain of command, awareness and motivations
- Financial – including control, value for money, financial impact including whether this was a wilful breach of systems that are fit for purpose or if there are control issues that need to be addressed.
- Is this an isolated incident or have similar incidents happened before

- The concerns and actions of the supplier including asking why the supplier did not flag their concerns to the University at the time the order was placed
- General lessons learned

### **Recommendation**

The Committee is requested to note this report.

# Agenda Item 23

	INTERNAL
Paper title:	Speak up report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	5 October 2021
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the report on speak up matters raised since the last meeting

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

The speak up policy has been re-published to staff in the group and reminders of the policy will be send to staff every six months.

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	CONFIDENTIAL
Paper title:	Reportable events update
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	5 October 2021
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the update.

### **Reportable events since the last committee meeting**

No events have been notified to the OfS since the last GARC meeting.

The breach of financial controls (more detail is available in the Anti-fraud, bribery and corruption report) was considered by the Executive and deemed to be not reportable on the basis that it is an internal control/staff matter. A final decision on whether to report would be made based on the outcome of the investigation.

The committee is requested to note the update.

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<b>CONFIDENTIAL</b>	
Paper title:	Data Protection breaches report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	05 October 2021
Author(s):	Alice Black, Group Data Protection and Information Compliance Officer (DPO)
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The Committee is requested to note the following update on recent reportable and non-reportable data breaches.

## **Reporting Breaches of personal data**

There have been six incidents involving breaches or perceived breaches of personal data since the last report for the June committee meeting. None of these were reportable to the ICO.

**BR 2114** A staff member left a bag of audio-visual equipment on the underground, which contained an SD card with footage of students on it. The footage was interviews with a small number of students that was filmed for a video promoting LSBU halls of residence. The students had all signed release forms as the footage was going to be made publicly available via a promotional video once edited. A lost property report was filed with TFL and the Marketing team are looking at cloud-based storage for future recordings, so that SD cards are not required. Minimal risk from this breach, not reportable.

**BR 2115** A staff member logged a data breach as they felt that the amount of student data staff can view on Salesforce is excessive and beyond what is required for their role. This has been reviewed and is not being considered a true breach, as all LSBU staff have a contractual responsibility to adhere to LSBU staff policies, including only accessing data that is needed to fulfil their duties. There was no evidence of unauthorised access to data so no breach to record, but Salesforce access controls were reviewed. There will now be a more nuanced level of access to student data given to staff, based on their role and its requirements.

**BR 2117** Documents were being prepared for a Subject Access Request (SAR) for a former member of staff. The staff file had been provided by HR and redactions were being made by the acting DPO (maternity cover). When the completed file was sent over to the requestor it included a pension form for another former employee with a similar name. This had been included in the staff folder provided by HR in error and the oversight was not detected by the acting DPO. This form contained some personal data for the other employee (name, date of birth, address when employed in 2003) and its incorrect inclusion in the file was flagged by the former staff member who made the SAR. The individual who reported the breach was asked to delete the other employee's data. Due to small volume of data and low number of impacted data subjects this breach was not reportable.

**BR 2118** A spreadsheet containing names, parents contact information and a note of any medical conditions for 14 children attending LSBU sports summer camp was sent to the parents of all 14 children. The breach was flagged to the DP team immediately and emails were sent to the parents asking them to delete the email attachment. The matter was also discussed with the parents when they collected their children from the camp the next evening. Line manager for the team worked with acting DPO to review staff training and processes around storing/sharing data for these camps, especially given age of the participants. High response rate to deletion requests so breach was contained and mitigated, therefore not reportable.

**BR 2119** LSBU was alerted to a data breach that occurred in April 2021, whereby provisional grades for a class of students were viewed on Moodle by one of the students. This was due to the one student being temporarily given incorrect permissions in Moodle (set-up as both student and lecturer). These permissions were removed once the issue was flagged to the lecturer and the lecturer also decided to notify the impacted students, so the school did not feel that they needed to report it to the Data Protection Team at that time. This breach was flagged to the Legal team via a litigation claim from one of the impacted students, which was received in July 2021, several months after the incident occurred and after the error had been resolved. Although the data shared was sensitive from the students' perspective it is not classified as special category data in terms of Data Protection legislation, so this breach was not reportable to the ICO.

**BR 2120** A staff member sent details of one student's grade to another student in error, as it was erroneously attached to an email chain. The recipient was contacted and asked to delete the disclosed data. Low impact and risk from this breach, not reportable.



	CONFIDENTIAL
Paper title:	Committee terms of reference and membership
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 October 2021
Author:	Kerry Johnson, Governance Officer
Sponsor:	James Stevenson, Group Secretary
Purpose:	For information
Recommendation:	The committee is requested to note the terms of reference and membership for the Group Audit and Risk Committee.

## **Executive Summary**

The Group Audit and Risk Committee terms of reference was last updated October 2019 to take into account the committee's role as part of the LSBU Group.

## **Recommendation**

The committee is requested to note the terms of reference and membership for Group Audit and Risk Committee.

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## **LSBU Group Audit and Risk committee**

### **Terms of reference**

#### **1. Constitution**

- 1.1 The LSBU Board of Governors has established a committee of the Board known as the LSBU Group Audit and Risk Committee.
- 1.2 Each entity in the LSBU group<sup>1</sup> will have an audit committee to review audit matters relevant for that entity and in line with its terms of reference.

#### **2. Membership**

- 2.1 The Committee and its chair shall be appointed by the Board, from among its own members, and must consist of members with no executive responsibility for the management of the institution.
- 2.2 There shall be no fewer than three members; a quorum shall be at least two members.
- 2.3 The chair of the Board should not be a member of the committee.
- 2.4 Members should not have significant interests in LSBU or any LSBU group company.
- 2.5 At least one member should have recent relevant experience in finance, accounting or auditing.
- 2.6 The committee may, if it considers it necessary or desirable, co-opt members with particular expertise.
- 2.7 Members of the committee should not also be members of the Major Projects and Investment Committee or the Finance, Planning and Resources Committee.

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<sup>1</sup> Currently SBUEL and SW4 Catering Ltd's audit arrangements are reviewed by its boards. This will be reviewed as future arrangements of the companies are developed.

### **3. Attendance at meetings**

- 3.1 Members of the group Executive may attend meetings where business relevant to their remit is to be discussed.
- 3.2 The Group Chief Financial Officer (or equivalent), the head of group internal audit and a representative of the group external auditors shall normally attend meetings.
- 3.3 At least once a year the committee should meet with the group external and group internal auditors without any officers present.

### **4. Frequency of meetings**

- 4.1 Meetings shall normally be held four times each financial year. The Chair, group external auditors or head of group internal audit may request a meeting if they consider it necessary.

### **5. Authority**

- 5.1 The committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the committee.
- 5.2 The committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the head of institution and/or chair of the Board. However, it may not incur direct expenditure in this respect in excess of £20,000 without the prior approval of the Board.
- 5.3 The Audit Committee will review the audit aspects of the draft annual financial statements. These aspects will include the external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' management letter. The committee should, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to the Board.

### **6. Secretary**

- 6.1 The secretary to the Committee will be the Clerk to the LSBU Board or other appropriate person nominated by the Clerk.

## **7. Duties**

7.1 The duties of the committee shall be to:

- 7.1.1 advise the LSBU Board on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors;
- 7.1.2 consent, on behalf of LSBU, to the appointment of the external auditors of SBA and SBC;
- 7.1.2 discuss with the external auditors, before the audit begins, the nature and scope of the audit of the LSBU Group consolidated accounts;
- 7.1.3 as necessary, to hold regular discussions with the group external auditors (in the absence of management where necessary);
- 7.1.4 consider and advise the LSBU Board on the appointment and terms of engagement of the group internal audit service (and the head of internal audit if applicable), the audit fee, the provision of any non-audit services by the internal auditors, and any questions of resignation or dismissal of the internal auditors;
- 7.1.5 review the group internal auditors' annual audit risk assessment, strategy and programme for LSBU; consider major findings of internal audit investigations and management's response for audits relating to LSBU and group-wide audits; consider a summary of internal audit reports relating to SBA or SBC; and promote co-ordination between the internal and external auditors. The committee will monitor that the resources made available for group internal audit by the group executive are sufficient to meet the LSBU Group's needs (or make a recommendation to the LSBU Board as appropriate);
- 7.1.6 keep under review the effectiveness of the group risk management, control and governance arrangements, and in particular review the group external auditors' management letter, the group internal auditors' annual report, and management responses;
- 7.1.7 monitor the implementation of agreed audit-based recommendations, from whatever source;

- 7.1.8 monitor the proper investigation by the executive of all significant losses and that the internal and external auditors, and where appropriate the funding council's accounting officer, have been informed;
- 7.1.9 oversee the group policy on anti-fraud and irregularity, including being notified of any action taken under that policy;
- 7.1.10 set expectations for the Group to promote economy, efficiency and effectiveness and to satisfy itself that suitable arrangements are in place in LSBU to achieve this; ;
- 7.1.11 receive any relevant reports from the National Audit Office (NAO), the relevant educational regulators and other organisations;
- 7.1.12 monitor annually the performance and effectiveness of the group external and group internal auditors, including any matters affecting their objectivity, and make recommendations to the LSBU Board concerning their reappointment, where appropriate;
- 7.1.13 consider elements of the annual LSBU Group consolidated financial statements in the presence of the group external auditors, including the auditors' formal opinion, the statement of directors' responsibilities and the statement of internal control, in accordance with the relevant educational regulators' accounts directions;
- 7.1.14 in the event of the merger or dissolution of the institution, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed;
- 7.1.15 advise the LSBU Board of Governors on the effectiveness of the internal control system and recommend changes as necessary;
- 7.1.16 review regularly the group financial regulations for the supervision and control of financial procedures, accounts, income and expenditure of LSBU and to advise the Board of Governors as necessary;
- 7.1.17 monitor compliance with relevant regulatory and legal requirements and report to the LSBU Board of Governors as necessary;
- 7.1.18 receive reports made under the group "speak up" policy and to monitor annually the performance and effectiveness of the "speak up" policy and procedures;

7.1.19 to authorise single debt write offs above £10,000 and annual debt write offs above £50,000. To receive a report on any debt written off below this threshold and approved by the Group Chief Financial Officer.

7.1.20 to consider significant deviations from business case or concerns following a post investment review

7.1.21 note a summary of any audit reports commissioned by the board of any LSBU Group company to cover matters specific to that company

7.1.22 to review LSBU's assurance to the Office for Students with regard to its academic quality

## **8. Reporting procedures**

8.1 The minutes (or a report) of meetings of the Committee will be circulated to all members of the LSBU Board. Minutes of subsidiary audit committees are published on the modern.gov system.

8.2 The committee will prepare an annual report to the OfS covering the institution's financial year and any significant issues up to the date of preparing the report. The report will be addressed to the LSBU Board and LSBU Vice Chancellor/Chief Executive, and will summarise the activity for the year. It will give the committee's opinion of the adequacy and effectiveness of the institution's arrangements for the following:

- risk management, control and governance (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts); and
- economy, efficiency and effectiveness (value for money).
- management and quality assurance of data submitted to HESA, the Student Loans Company and to the OfS and other funding bodies

This opinion should be based on the information presented to the committee. The Audit Committee annual report should normally be submitted to the LSBU Board before the members' responsibility statement in the annual financial statements is signed.

*Approved by the Audit Committee on 1 October 2019*

*Approved by the Board of Governors on 17 October 2019*

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Paper title:	Committee business plan, 2021/22
Board/Committee	Group Audit and Risk Committee
Date of meeting:	5 October 2021
Author:	Kerry Johnson, Governance Officer
Sponsor:	Duncan Brown, Chair of the Committee
Purpose:	To inform the committee of its annual business plan
Recommendation:	To note the committee's annual business plan

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

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

As agreed at the meeting of 5 November 2015, the committee's business plan is a standing item on agendas.

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

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

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

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

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