

Meeting of the Audit Committee

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

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
11a.	External audit progress report	3 - 10	FN

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

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

Apologies:

In attendance: David Phoenix, Richard Flatman, James Stevenson, Natalie Ferer, Joe Kelly, David Mead (items 5 & 8), Lisa Upton (items 6 & 8), and Markos Koumaditis (item 8)

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

This page is intentionally left blank

	CONFIDENTIAL
Paper title:	External audit progress report
Board/Committee:	Audit Committee
Date of meeting:	04 October 2018
Author(s):	KPMG
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Review
Recommendation:	Audit Committee is requested to review the report.

Executive Summary

Audit Committee is requested to review the report.

This page is intentionally left blank



Progress Report and Technical Update

London South Bank University
External Audit 2017-18
September 2018

External Audit Progress Report – September 2018

Since the last Audit Committee on 7 June we have...

- Completed our substantive testing work over Payroll;
- Performed a dry run over a new approach to testing Tuition Fee Income using Data and Analytics, in preparation for our final visit.
- Commenced the fieldwork for our final audit visit;
- Issued a variation letter to our framework agreement to ensure that our contract is in line with the new General Data Protection Regulation; and
- Discussed with management the proposed acquisition of Lambeth College, including the audit arrangements for the new entity South Bank Colleges and the accounting entries to take place on acquisition.

Ahead of the next meeting of the Audit Committee in 8 November 2018 we will have...

- Completed our final audit visit; and
- Prepared our ISA 260 Audit Report.

Actions arising from this report

We ask the Audit Committee to:

- **NOTE** this progress report.

Contacts

Fleur Nieboer

Partner

07768 485532

Fleur.Nieboer@kpmg.co.uk

Jack Stapleton

Manager

07468 750121

Jack.Stapleton@kpmg.co.uk

Issue	Potential impact and commentary
<p>2017-18 Accounts Direction</p> <p>The 2017-18 Accounts Direction sets out requirements for the preparation of the annual report and financial statements for higher education institutions. This was published in June 2018 and incorporates enhanced senior pay disclosures in line with the recommendations of the Higher Education Senior Staff Remuneration Code.</p> <p>Key changes introduced through the Accounts Direction are:</p> <ul style="list-style-type: none"> ▪ A reduction in the level of reporting required by exempt charities of their compliance with the public benefit requirements set by the Charity Commission. Exempt charities are only required to disclose their charitable status. ▪ Disclosures of senior staff pay are now required to be disclosed in bands of £5k (previously £10k) for staff paid £100,000 or more; ▪ The disclosure of the remuneration package for the head of the provider has been enhanced to include additional elements. This is required to separately disclose the following categories: basic salary; dividends; performance related pay and other bonuses, including any deferred or waived; pension contributions and payments in lieu of pension contributions; salary sacrifice; compensation for loss of office; any sums paid under any pension scheme; other taxable benefits; non-taxable benefits; and any other remuneration. <p>Where there is a change in the head of provider disclosures are required to be made separately for each head of provider.</p> <ul style="list-style-type: none"> ▪ A justification for the total remuneration package for the head of the provider. ▪ Additional disclosures for severance payments made to the head of the provider. <p>Consistent with previous years providers are also required to disclose the ratio of the pay for the head of provider to the median paid staff member.</p>	<p>We have engaged with management to discuss the changes introduced this year and the information required for their preparation. As part of our review of the annual report we will confirm that the disclosures made have been prepared in line with the Accounts Direction.</p>
<p>Higher Education Senior Staff Remuneration Code</p> <p>The Committee of University Chairs has published a code setting guidance for setting the remuneration of senior staff members within universities. The Code has been developed as a voluntary code to be applied on a comply or explain basis for all providers of higher education.</p> <p>The Code sets out three elements for ensuring fair and appropriate remuneration:</p> <ul style="list-style-type: none"> ▪ A fair, appropriate and justifiable level of remuneration – this sets principles for developing pay so that it is linked to the context of the organisation, the value delivered by the individual and consider equality and diversity. Guidance is also provided for exercising performance related pay. ▪ Procedural fairness – remuneration should be set through a process with appropriately competent people applying a consistent framework. Individuals should not be able to be involved in the setting of their own pay and the Remuneration Committee should be suitably independent, including being chaired by a lay governor that is not the Chair of the governors. ▪ Transparency and accountability – an annual statement should be published setting out which post holders were within the remit of the Remuneration Committee; the policy for determining remuneration; the choice of comparator organisations; the policy on income derived from external activities; the disclosure of the ratio of pay for the head of provider to the median paid staff member and an explanation of any significant movements in this ratio. 	<p>The disclosure requirements of the Code have primarily been built into the Accounts Direction published by the Office for Students.</p> <p>The Remuneration Committee should consider its terms of reference alongside the Code in order to assess compliance and where not compliant whether processes require updating.</p>

Issue	Potential impact and commentary
<p>Office for Students guidance on responsibilities of accountable officers</p> <p>The Office for Students (OFS) has published regulatory advice setting out the responsibilities of Accountable Officers in higher education institutions that are funded by the OFS. This covers the 2018-19 financial year alongside the OFS' transitional regulatory framework.</p> <p>Five responsibilities for accountable officers at higher education institutions are set out within the regulatory notice:</p> <ul style="list-style-type: none"> ▪ Ensuring compliance with the terms and conditions of funding and providing clear assurances relating to compliance to the OFS; ▪ Appearing before the Public Accounts Committee for any matters relating to public funding received from the OFS alongside the OFS Chief Executive if their attendance is requested; ▪ Reporting to the OFS on behalf of the provider in relation to the provider's accountability for funding and quality of its data; ▪ Informing the OFS of any changes in circumstances that represent a material change, including any significant developments relevant to the interests of the OFS in line with the terms and conditions of funding; ▪ Informing the OFS of any planned major changes in higher education strategy, including plans to withdraw from higher education teaching provision, and major restructurings, including mergers or changes to corporate form. <p>Following completion of an institution's registration with the OFS the responsibilities of the accountable officer also include personal responsibility for the use of funding received from the OFS, UK Research and Innovation and the Student Loan Company; and ensuring that the Governing Body understands and acts on its regulatory responsibilities.</p> <p>The guidance also clarifies the role of the Governing Body to appoint an accountable officer and take action where they do not appropriately discharge their duties.</p> <p>The full regulatory advice notice is available at https://www.officeforstudents.org.uk/media/ffbda735-b768-40f3-b835-1ed20451aefc/of2018_29.pdf</p>	<p>The Committee should note the regulatory advice provided, including the responsibility of the governing body and the need for the governing body to be made aware of its responsibility under the OFS regulatory framework.</p>
<p>Monitoring of the Prevent duty</p> <p>The Office for Students prepare a summary of the annual reports submitted on compliance with the Prevent duty by higher education institutions and setting priorities for the following 12 months.</p> <p>97% of higher education providers were judged as having due regard to the Prevent duty, a 3% increase from the previous year.</p> <p>The most common areas for development identified through reviews of reports were:</p> <ul style="list-style-type: none"> ▪ Ensuring appropriate levels of training compliance, including specific training for senior staff; ▪ Actively communicating policies relating to external speakers; and ▪ Having appropriate structures to coordinate implementation of the institute's Prevent responsibilities. <p>A transitional monitoring framework for the OFS to monitor compliance with the Prevent duty is expected to be published for 2018-19 and a new risk based monitoring framework introduced for 2019-20.</p>	<p>The Committee should note the findings from the review and any actions required in relation to common areas for development.</p>



© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

This page is intentionally left blank