

Meeting of the Audit Committee

4.00 - 6.00 pm on Thursday, 8 June 2017
in 1B16 - Technopark, SE1 6LN

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		SB
2.	Declarations of interest		SB
3.	Minutes of the previous meeting	3 - 12	SB
4.	Matters arising		SB
	External audit		
5.	External audit progress report	13 - 20	FN
6.	External audit plan	21 - 48	FN
7.	KPMG Key performance indicators	49 - 52	FN
8.	Indicative pensions assumptions (to note)	53 - 54	RF
9.	Annual bad debt write off (to approve)	55 - 56	RF
	Internal audit		
10.	Internal audit progress report (to discuss)	57 - 74	JM
11.	Financial data continuous auditing report	75 - 118	JM
12.	Student data continuous audit report	119 - 152	JM
13.	Apprenticeships report	153 - 178	RF
14.	Placements update	179 - 182	SW
15.	Internal audit plan, 2017/18	183 - 206	RF
	Risk and control		
16.	Corporate risk register (to discuss)	207 - 230	RF
	Other matters		
17.	TRAC(T) return (to ratify)	231 - 238	RF
18.	Anti-fraud, bribery and corruption report (to note)	239 - 240	RF

19.	Anti-fraud policy review	241 - 250	RF
20.	Speak up report (to note)	251 - 252	JS
21.	External data returns report	253 - 258	RF
22.	Effectiveness review - update from Chair at meeting	To Follow	SB
23.	Audit Committee business plan (to note)	259 - 262	JS
24.	Grant Thornton resignation letter	263 - 268	JS
25.	Matters to report to the Board following the meeting		JS
26.	Any other business		SB

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

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

Apologies:

In attendance: Pat Bailey, Richard Flatman, David Phoenix, James Stevenson and Michael Broadway

External Auditors: Fleur Nieboer and Jack Stapleton (KPMG)

Internal Auditors: Lucy Gresswell and Justin Martin (PwC)



Paper title:	Minutes of the meeting of 7 February 2017
Board/Committee	Audit Committee
Date of meeting:	8 June 2017
Author:	Michael Broadway, Deputy University Secretary
Board sponsor:	Steve Balmont, Chairman of the Audit Committee
Purpose:	To approve the minutes of the past meeting as a correct record and to approve for publication

Executive Summary

The Committee is asked to approve the minutes of its meeting of 7 February 2017 for publication on the LSBU website. There are no suggested redactions to the minutes.

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**Minutes of the meeting of the Audit Committee
held at 4.00 pm on Tuesday, 7 February 2017
1A01 Board Room - Technopark, SE1 6LN**

Present

Steve Balmont (Chair)
Mee Ling Ng
Roy Waight

Apologies

Shachi Blakemore
Natalie Ferer

In attendance

David Phoenix
Richard Flatman
James Stevenson
Michael Broadway
Lucy Gresswell
Justin Martin

1. Welcome and apologies

The Chair welcomed members to the meeting.

The above apologies had been received.

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 10 November 2016 subject to a minor alteration to minute 25 and their publication.

4. Matters arising

The committee received an update on whether an internal audit service five yearly review was required. It was agreed that a formal five yearly review was not required. The performance of the internal auditors was reviewed against key performance indicators annually.

The committee noted that following the submission of the Prevent annual report HEFCE had written to the university to confirm the University's compliance with the Prevent duty.

The committee noted that the university's UKVI licence for 2017 had been renewed without the need for an audit.

5. **Appointment of external auditors**

The committee discussed the recommendation to appoint KPMG as external auditors following a competitive recruitment exercise. Members of the audit committee had been involved in the selection process and the chair of the committee chaired the selection panel.

The committee recommended the appointment of KPMG as external auditors to the Board for approval.

The contract would be for five years with options to extend by a further two one year periods. KPMG would audit the 2016/17 year end accounts and would receive appropriate handover from the current auditors, Grant Thornton.

The committee discussed the procurement framework used to select auditors and requested that this is reviewed.

6. **Internal audit progress report**

Shân Wareing joined the meeting

The committee noted a progress report on internal audit. It was noted that the internal auditors were 60% through their plan for the year.

The internal audit partner reported that the control environment was stable and implementation rate was good (at 77%). There were no concerns to report.

The committee noted updates on the financial health of the sector and key risks in the sector. The university's financial position and corporate risk register were in line with the sector.

7. **Student data continuous audit**

The committee noted the continuous auditing report for student data for period 1, 2016/17. The risk rating was medium.

The increase in exceptions was largely due to housekeeping issues. There are currently a number of manual controls which are being automated.

As part of the internal audit plan the internal auditors would audit student data again and report to the committee meeting of 8 June 2017.

8. Internal audit report - placements

The committee noted the internal audit report on placements which was rated as medium risk.

The main risks from the report were around health and safety and duty of care to students on placements. The report highlighted inconsistency of placement delivery across the schools.

The committee noted the management response to address the issues from the report and requested an update to its meeting of 8 June 2017.

9. Internal audit report - HEFCE assurance review readiness management letter

The committee noted the internal audit report on readiness for the HEFCE five year review. The HEFCE visit had taken place on 26 January 2017. The final report would be circulated to governors.

Shân Wareing left the meeting

10. Corporate risk register

The committee noted the corporate risk register. Risks around income generation were consistently high risks. The risk on placements was rated as medium risk which was in line with the internal audit report.

The committee discussed whether it should review a “group” risk register covering new entities if they join the LSBU group. The executive would consider and bring a recommendation back to the committee.

The committee noted the challenges in providing controls for risks which were outside the university’s control.

11. Finance and Management Information (FMI) structure and leadership team

The committee welcomed an update on the structure of FMI and its leadership team.

FMI is divided into: financial control; financial planning and registry; planning, performance and assurance; fees and bursaries; procurement services; and FMI systems.

12. **TRAC return**

The committee discussed the TRAC return which had been submitted to HEFCE. The committee noted that the data had met all the validation tests. The committee requested that the return is reviewed by Shachi Blakemore, independent governor and member of the audit committee, ahead of ratification by the committee.

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

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

14. **Speak up report**

The committee noted the Speak Up report. The two speak up matters previously reported on the halls of residence restructure had been closed and no evidence of unfairness by management was found in either case.

Two additional speak up matters had been raised in January 2017. One was an internal matter and would be investigated. The other was an external matter relating to a member of staff. It had been agreed with the chair of the committee that it was primarily a matter for the relevant professional body and if, if necessary, the police. An update would be provided at the next meeting.

15. **Anti-money laundering regulations**

The committee noted an update on anti-money laundering regulations. The guidance would form part of the financial regulations.

16. **Audit Committee business plan**

The committee noted its business plan.

17. **Audit Committee self-assessment**

The committee noted that it would undertake a light touch self assessment of its effectiveness using KPMG's audit committee institute's self assessment guide as a basis for the review.

18. Matters to report to the Board following the meeting

The committee requested that updates on external audit appointment, internal audit reports, risk, HEFCE assurance and TRAC return submission are reported to the Board meeting of 16 March 2017.

**Date of next meeting
4.00 pm, on Thursday, 8 June 2017**

Confirmed as a true record

..... (Chair)

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**AUDIT COMMITTEE - TUESDAY, 7 FEBRUARY 2017
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Date	Officer	Action Status
5.	Appointment of external auditors	External auditors appointment to board for approval	Before 2 Mar 2017	Richard Flatman	To do
8.	Internal audit report - placements	Update on placements to audit committee meeting of 8 June 2017	Before 25 May 2017	Shân Wareing	To do
10.	Corporate risk register	Review need for a "group" risk register	Before 25 May 2017	Richard Flatman	To do
12.	TRAC return	Review of TRAC return by Shachi Blakemore		Richard Flatman	To do
18.	Matters to report to the Board following the meeting	Report on external audit appointment, internal audit reports, risk, HEFCE assurance and TRAC return submission		Richard Flatman, James Stevenson	To do

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	CONFIDENTIAL
Paper title:	KPMG progress report and Technical Update
Board/Committee	Audit Committee
Date of meeting:	8 June 2017
Author:	KPMG
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To present KPMGs progress report
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial Sustainability
Recommendation:	That the committee note this progress report and technical update

Executive Summary

Since our appointment, we have:

- Agreed the KPIs which we will use to monitor our performance;
- Met with management to plan our 2016-17 financial statements audit;
- Prepared our draft audit plan, which has been shared and agreed with the Executive and is presented at this Audit Committee for your approval; and
- Prepared our technical update, which is attached to this report.

Ahead of the next meeting of the Audit Committee in November 2017 we will:

- Complete our audit of the 2016-17 of the University and its subsidiary;
- Prepare our ISA260 report and management representations letters for 2016-17; and
- Share our technical update and progress report for information.

Recommendation

We ask the Audit Committee to note this progress report and technical update;

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Progress Report and Technical Update

London South Bank University
External Audit 2016-17
June 2017

Section One

External Audit Progress Report – June 2017

Your external audit team

We are delighted to have been appointed as your external auditors. Fleur and Jack will present a progress report and a technical update at each meeting of the Audit Committee. Please do not hesitate to contact us if you have any queries.



Fleur Nieboer
Partner
KPMG LLP

fleur.nieboer@kpmg.co.uk
M: 07768 485 532



Jack Stapleton
Manager
KPMG LLP

jack.stapleton@kpmg.co.uk
M: 07468 750 121

Since our appointment we have...

- Agreed the KPIs which we will use to monitor our performance;
- Met with management to plan our 2016-17 financial statements audit;
- Prepared our draft audit plan, which has been shared and agreed with the Executive and is presented at this Audit Committee for your approval; and
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- Complete our audit of the 2016-17 of the University and its subsidiary;
- Prepare our ISA260 report and management representations letters for 2016-17; and
- Share our technical update and progress report for information.

Actions arising from this report

We ask the Audit Committee to:

- **NOTE** this progress report;
- **NOTE** the technical update;
- **APPROVE** our 2016-17 audit plan.

Issue	Impact and insight
<p><i>Update from the Audit Committee Institute: The 2017 Pulse Survey which covers 800 Audit Committees</i></p> <p>To better understand the key challenges and concerns facing Audit Committees, Boards and their companies, KPMG's Audit Committee Institute (ACI) surveyed more than 800 Audit Committee members across 42 countries.</p> <p>The survey findings offer insights that Audit Committees around the world can use to sharpen their focus, benchmark responsibilities and practices and strengthen oversight.</p> <p>While Audit Committees continue to express confidence in financial reporting and audit quality, the results highlight ongoing concerns about risk management, legal and regulatory compliance, cyber security risk and managing the control environment in the extended organisation. The report offers six key takeaways:</p> <ul style="list-style-type: none"> • Risk management is a top concern for Audit Committees; • Internal audit can maximise its value to the organisation by focusing on key areas of risk and the adequacy of the company's risk management processes; • Tone at the top, culture and short-termism are major challenges - and may need more attention; • CFO succession planning and bench strength in the finance organisation continue to be weak spots; • Two key financial reporting issues may need a more prominent place on audit committee agendas: implementation of new accounting standards and non-GAAP financial measures; and • Audit Committee effectiveness hinges on understanding the business. 	<p>The full report is available at:</p> <p>https://home.kpmg.com/uk/en/home/insights/2017/01/2017-global-audit-committee-pulse-survey.html</p>
<p><i>Update from the Audit Committee Institute: On the Audit Committee agenda</i></p> <p>Financial reporting, compliance and the risk and internal control environment will continue to be put to the test in 2017 - by slow growth and economic and geopolitical uncertainty, technology advances and business model disruption, cyber risk, greater regulatory scrutiny, investor demands for transparency and more. Focused yet flexible agendas, exercising judgment about what does and does not belong on the committee's agenda and when to take deep dives will be critical.</p> <p>Drawing on insights from our recent ACI pulse survey work and interactions with Audit Committees and business leaders over the past 12 months, we have highlighted seven items that, in our opinion, Audit Committees should keep in mind as they consider and carry out their 2017 agendas:</p> <ul style="list-style-type: none"> • Reinforce the Audit Committee's direct responsibility for the external auditor; • Give non-GAAP financial measures prominence on the Audit Committee agenda; • Monitor implementation plans for major accounting changes on the horizon; • Re-double the organisation's focus on ethics and compliance; • Focus internal audit on key areas of risk and risk management generally; • Maintain a focus on leadership and bench strength in the finance function; and • Make the most of the Audit Committee's time together. 	<p>The full report is available at:</p> <p>https://home.kpmg.com/content/dam/kpmg/uk/pdf/2016/12/on-the-2017-audit-committee-agenda.pdf</p>

Issue	Impact and insight
<p>Apprenticeship Levy</p> <p>Since April 2017 all UK employers with a wage bill greater than £3 million are now subjected to an apprenticeship levy of 0.5% of total pay bill. They must pay the full levy regardless of whether they subsequently draw apprenticeship funds. Business Service Companies (including universities) will need to understand what their financial contribution is and, more importantly, how to go about maximising return on their apprenticeship levy.</p> <p>They key strategic challenges which Institutions should be reviewing are:</p> <ul style="list-style-type: none"> • Understanding the matrix of funding and how to access it; • Developing an appropriate strategy to ensure that the available funding is accessed, used and maximised; and • Being aware of the new standards and the impact on apprentices' learning and achievement. <p>However, the new legislation does provide Institutions with opportunities to:</p> <ul style="list-style-type: none"> ▪ Diversify their curriculum; ▪ Attract new demographics; ▪ Work more closely with businesses; and ▪ Generate further income and supporting local economic development. (This can be done by responding to wider skills requirements, whilst mitigating the risk of a potential reduction in traditional graduates as employers embed apprenticeships in their workforce). <p>In an already competitive environment Institutions will have to be innovative, focused and fleet of foot to maximise the potential advantages.</p>	<p>KPMG have produced a guide setting out the implications of the levy, which is available at:</p> <p>https://assets.kpmg.com/content/dam/kpmg/pdf/2016/07/apprenticeship-levy-for-business-services.pdf</p>
<p>Gender pay gap reporting</p> <p>In 2016 the government consulted on the introduction of reporting requirements for public sector employers on their gender pay gap (GPG). In January this year it was announced these would be introduced along very similar lines to those which exist for the private and voluntary sectors. These new duties apply to public sector bodies with 250 or more employees and include the governing bodies of higher education and further education organisations that meet the threshold.</p> <p>New GPG reporting may look like just another compliance challenge, but GPG data will shine a powerful light on the action needed to achieve real change on gender diversity. The key reporting requirements are as follows:</p> <ul style="list-style-type: none"> ▪ Employers must publish the mean and median hourly pay gap between men and women. 'Pay' for this purpose includes any bonuses paid in the pay period. ▪ Employers must report the annual bonus gap between men and women. 'Bonus' is defined widely and includes commission. ▪ The regulations now include a requirement to publish the difference in the median bonus pay figure in addition to the mean figure (this is in line with the position for the hourly pay gap). ▪ Employers must publish the number of men and women in each quartile pay band. <p>This reputational risk adds new urgency to the diversity agenda. GPG reporting will also bring important opportunities for organisations to make current efforts on diversity more effective. The regulations come into force on the 31 March 2017 with first reports due by 30 March 2018.</p>	<p>Further guidance on the requirements and key questions to consider are available at:</p> <p>https://home.kpmg.com/content/dam/kpmg/uk/pdf/2016/10/Gender-pay-gap-web-accessible.pdf</p>

Issue	Impact and insight
<p>Off Payroll Working</p> <p>From 6 April 2017, public sector bodies are responsible for identifying and reviewing the employment status of all workers engaged through personal service companies (PSCs) including those provided via an agency. The public sector body or the agency is required to account for PAYE and National Insurance (both employee and employer) to HMRC on the deemed employment payments made to the PSC. Preparation for and ongoing monitoring of the new rules by public sector bodies requires a number of key stakeholders from HR, finance, legal, procurement and payroll.</p> <p>The key changes include:</p> <ul style="list-style-type: none"> • NIC is due on the amount paid to the PSC and it should be noted that the 5% allowance that normally applies to PSCs has been removed; • Where the public sector organisation continues to make payments without PAYE/NIC deductions and HMRC successfully challenges that the worker is in fact employed, HMRC will collect any underpaid tax and NIC from the public sector organisation; • Where an agency is used and they incorrectly determine the employment status of the worker, HMRC will collect any underpaid tax and NIC from the agency BUT where the agency has relied on incorrect information supplied in arriving at its decision, HMRC may collect any underpaid tax and NIC together with interest and penalties from the public sector organisation; and • Workers may claim worker rights such as pension, National Minimum Wage, holiday pay etc. <p>HMRC has set up a specialist employment status and intermediaries team with a remit to take 'all necessary steps' to ensure that employers are paying the correct amount of tax and NIC and engaging workers correctly.</p>	<p>Further guidance is available at:</p> <p>https://home.kpmg.com/uk/en/home/insights/2016/12/draft-finance-bill-2017--off-payroll-working-in-the-public-secto.html</p>
<p>HEFCE Financial Forecasts Update</p> <p>Financial forecasts for the period 2015-16 to 2018-19 are consistent with the new standard and are presented alongside 2014-15 financial data restated under FRS102. Most HEIs indicated that their forecasts were prepared ahead of the European Union (EU) referendum vote and therefore do not reflect the potential impacts of Brexit.</p> <p>Overall, the forecasts demonstrate a continuation of the themes raised in previous analysis. The key trends are highlighted below:</p> <ul style="list-style-type: none"> • There is a widening gap between the lowest and highest performing institutions and increasing volatility of forecasts in the sector. • Sector surpluses between the years are projected to be between 2.3% and 4.3% of total income for the forecasted period. However, at institutional level the projections range from a surplus of 21.5% to a 28.6% deficit. • Liquidity is falling and borrowings are growing. Borrowing levels are expected to exceed liquidity levels in all forecast years. • Capital investment is projected to significantly increase over the forecasted period (approximately 50% from the previous 4 year period). • The sector is projecting fee income from both Home / EU and non-EU students to rise. • Pension liabilities were projected to increase by 45.8% from the period 31 July 2015 to 31 July 2016. 	<p>The Committee should note the trends across the sector.</p>



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Paper title:	External Audit Plan
Board/Committee	Audit Committee
Date of meeting:	8 June 2017
Author:	KPMG
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To present the external audit plan for 2016/17
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial performance and statutory financial reporting
Recommendation:	Approve the audit plan for 2016/17

Matter previously considered by:	Audit Committee	Annually
Further approval required?	N/A	N/A

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External Audit Plan

2016/17

DRAFT

London South Bank University

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May 2017

Audit Committee summary of our plan for the 2016/17 audit

We are pleased to present you with our audit plan for 2016/17. The financial and regularity climate continues to present challenges in the Higher Education (HE) sector and this year will be another year requiring careful financial management for the University to ensure you are well placed to respond to the effects of Brexit, whilst managing increasing pension liabilities and investing in your estate. Our responsibilities are organised around providing opinions on the University's accounts and subsidiary, South Bank University Enterprises Ltd.. This is our first year of appointment. We are delighted to have been appointed and we will work hard to ensure that we meet your needs, fulfil our professional requirements and aim to add value to your operations. The headlines from our audit plan are presented below:

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Question	Position	Page
Have there been any changes in scope?	<ul style="list-style-type: none"> Last year saw the adoption of FRS 102 for the Higher Education sector and the introduction of the Further and Higher Education Statement of Recommended Practices (SORP) which was effective for financial years beginning on or after 1 January 2015. There have been no further accounting standards changes for 2016/17. 	N/A
How has materiality been calculated?	<ul style="list-style-type: none"> We carefully monitor your accounts risks. We have calculated materiality based on your turnover, which is in line with standard KPMG methodology. We will work to a total materiality of £2.1m, reporting all individual errors in excess of £1.575m and all individual unadjusted differences in excess of £105k and below materiality to the Audit Committee. 	6
What is the proposed timeline and approach?	<ul style="list-style-type: none"> Our interim audit will take place in July with our final audit visit in September ahead of submission on 1 December 2017. As this is our first year as your external auditor, we are required to perform additional procedures over the opening balances. 	5

Question	Position	Page
Which entities does this report cover?	<ul style="list-style-type: none"> This report also covers the University's subsidiary, South Bank University Enterprises Ltd.: 	N/A
What are the significant risks and other areas of audit focus?	<ul style="list-style-type: none"> We have completed our initial planning procedures and identified three significant audit risks relating to income recognition, management override of controls and pension liabilities. We have set out our approach to the required audit risks on income recognition, management override of controls and pension liabilities. 	7
Has there been a change in accounting or reporting standards?	<ul style="list-style-type: none"> There are some minor changes in UK Company Law including the presentation and order of the notes to the accounts and the requirement to disclose the address of each undertaking's registered office. HEFCE's accounts directions for 2016/17 have been issued. No new disclosures are required however they reiterate the required disclosures in regarding remuneration of higher paid staff and recommendations on the adoption of the HE Code of Governance. 	N/A
What are our deliverables?	<ul style="list-style-type: none"> We will present a plan to you prior to commencing our audit work for the year, an opinion on your financial statements, and an audit report at the end of the audit which will highlight the findings of our work in respect of the financial statements and use of funds.. 	17

Contents

Key contacts

Fleur Nieboer

Partner, London,
KPMG LLP (UK)

Tel: + 44 (0)7768 485 532
fleur.nieboer@kpmg.co.uk

Jack Stapleton

Manager, London,
KPMG LLP (UK)

Tel: + 44 (0)7468 750 121
jack.stapleton@kpmg.co.uk

Alexandra Barrington

Assistant Manager, London,
KPMG LLP (UK)

Tel: + 44(0)7468 768 909
alexandra.barrington@kpmg.co.uk

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Audit Committee summary

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Audit approach

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The report is intended solely for internal purposes by the management and Board of Governors of London South Bank University and should not be used by or distributed to others, under the Freedom of Information Act 2000 or otherwise, without our prior written consent. We acknowledge that the London South Bank University will disclose this report to the Higher Education Funding Council for England (HEFCE).

In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the London South Bank University, even though we may have been aware that others might read this report. This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than London South Bank University for any purpose or in any context. Any party other than London South Bank University that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through London South Bank University's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than London South Bank University.

Any disclosure of this report beyond what is permitted under our engagement letter may prejudice substantially our commercial interests. A request for our consent to any such wider disclosure may result in our agreement to these disclosure restrictions being lifted in part. If London South Bank University receives a request for disclosure of the product of our work or this report under the Freedom of Information Act 2000 or the Freedom of Information (Scotland) Act 2002, having regard to these actionable disclosure restrictions London South Bank University should let us know and should not make a disclosure in response to any such request without first consulting KPMG LLP and taking into account any representations that KPMG LLP might make.

Key elements of our financial statements audit approach

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We undertake our work on your financial statements in four key stages:

- Planning
- Control Evaluation
- Substantive procedures
- Completion

Our approach to the audit is based on understanding and assessing the University’s structures and processes for decision-making, accountability, control and behaviours as well as potential weaknesses and identifying those risks that can affect the financial statements. We then carry out audit procedures to address any identified risks and weaknesses. We assess where the greatest risk of misstatement is, and how effective internal controls are at mitigating these risks.

Our Audit Process

We have summarised the key stages of our audit process for you below:

1	Planning	<ul style="list-style-type: none"> — Perform risk assessment procedures and identify risks. — Determine audit strategy. — Determine planned audit approach.
2	Control Evaluation	<ul style="list-style-type: none"> — Understand accounting and reporting activities. — Evaluate design and implementation of selected controls. — Test operating effectiveness of selected controls. — Assess control risk and risk of the accounts being misstated.
3	Substantive procedures	<ul style="list-style-type: none"> — Plan substantive procedures. — Perform substantive procedures. — Consider if audit evidence is sufficient and appropriate.
4	Completion	<ul style="list-style-type: none"> — Perform completion procedures. — Perform overall evaluation. — Form an audit opinion. — Audit Committee reporting.

Reporting and Communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team is accountable to you in addressing the issues identified as part of the audit strategy.

Our key formal interactions with management and the Audit Committee are summarised over the page, and throughout the year we will communicate with you through meetings with the Finance Department, Senior Management and Audit Committee.

If any significant issues arise we will report to management and the Audit Committee at the earliest opportunity.

Audit approach

Key elements of our financial statements audit approach

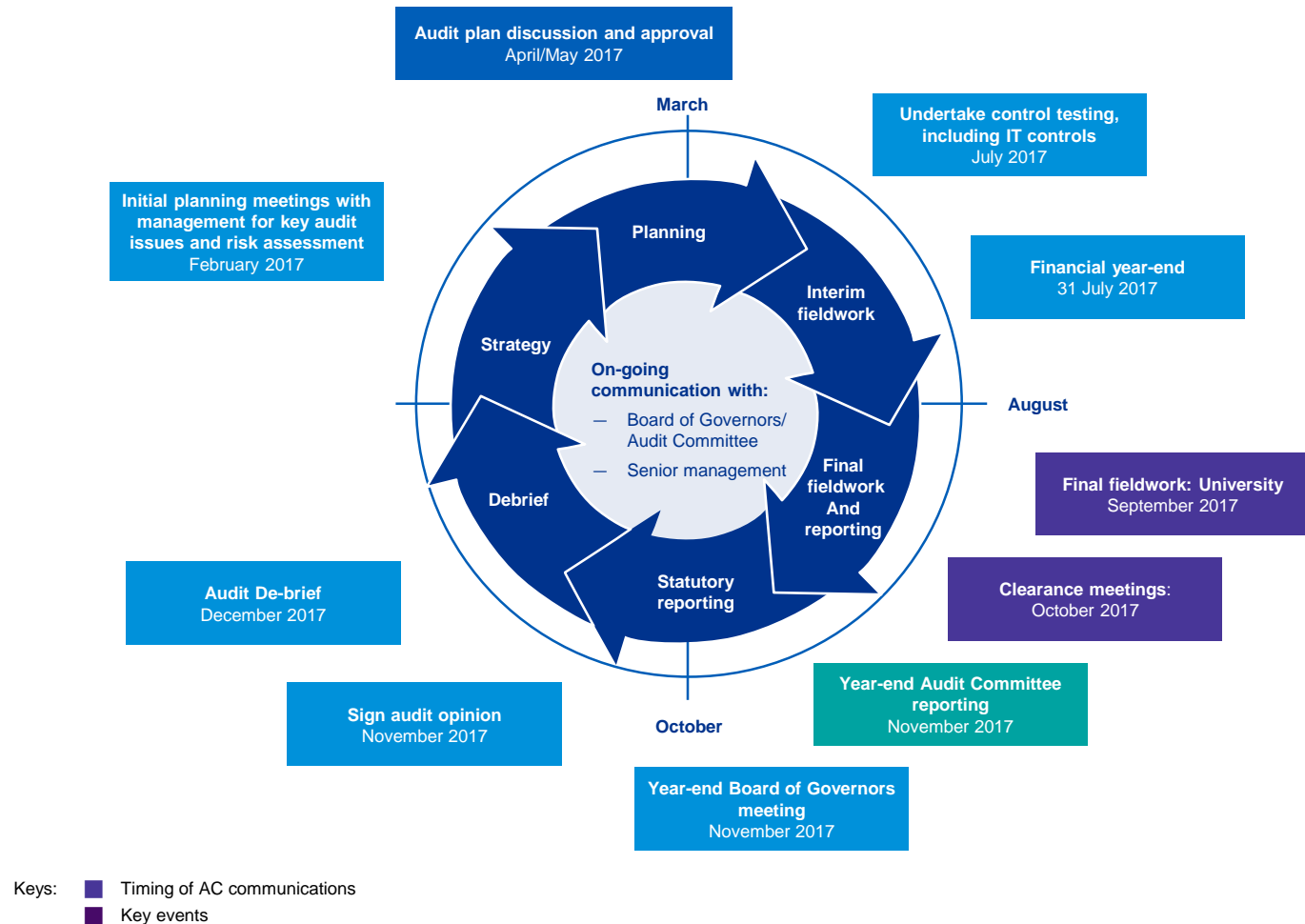
We adopt a continuous audit approach throughout the year including regular meetings with senior management, the Finance Team and internal audit.

Key formal interactions with the Audit Committee are:

- June 2017 – Draft Audit Plan;
- November 2017 – ISA 260 Management Letter.

Our main work on site will be our interim audit visit in July and our accounts audit during September 2017.

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Materiality and reporting of audit differences

Our materiality level, estimated at this stage at £2.1 million, represents the level at which we think misstatements will reasonably influence users of the University's financial statements.

Our audit work is planned to detect errors that are material to the accounts as a whole.

We have also considered the appropriate level at which to report audit differences to Audit Committee.

We will report identified errors greater than £105,000 to the Audit Committee.

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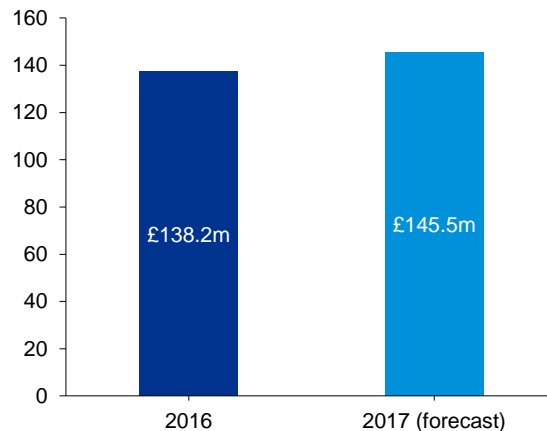
Group Materiality

We consider quantitative and qualitative factors in setting materiality and in designing our audit procedures.

Group materiality has been calculated based on the forecast turnover for 2016/17 (i.e. the prior, audited period). Based on this, materiality has been set at £2.1 million which equates to around 1.4% of total turnover. This will be revisited at the year end audit to ensure it remains appropriate.

We design our procedures to detect errors at a lower level of precision, i.e. £1.575 million, and we have some flexibility to adjust this level downwards for items which are judgemental.

Group revenue (£m)



Note: (a) Materiality will be calculated separately for the individual statutory financial statements of all the subsidiaries.

We set the level of component materiality at a level lower than Group materiality to allow for aggregation risk.

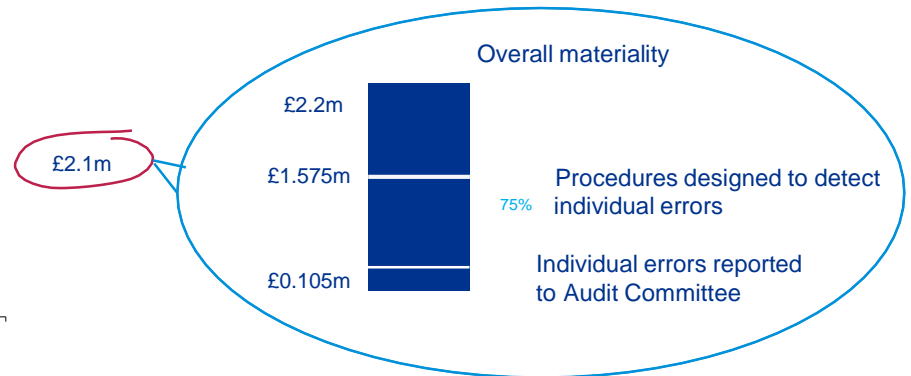
A separate materiality calculation is completed for each standalone subsidiary statutory audit which is likely to be lower than Group or component materiality.

We will report identified errors greater than £105,000 to the Audit Committee.

Reporting to the Audit Committee:

To comply with auditing standards, if applicable, the following three types of audit differences will be presented to the Audit Committee:

- Adjusted audit differences
- Unadjusted audit differences; and
- Disclosure differences (adjusted and unadjusted)



Audit approach

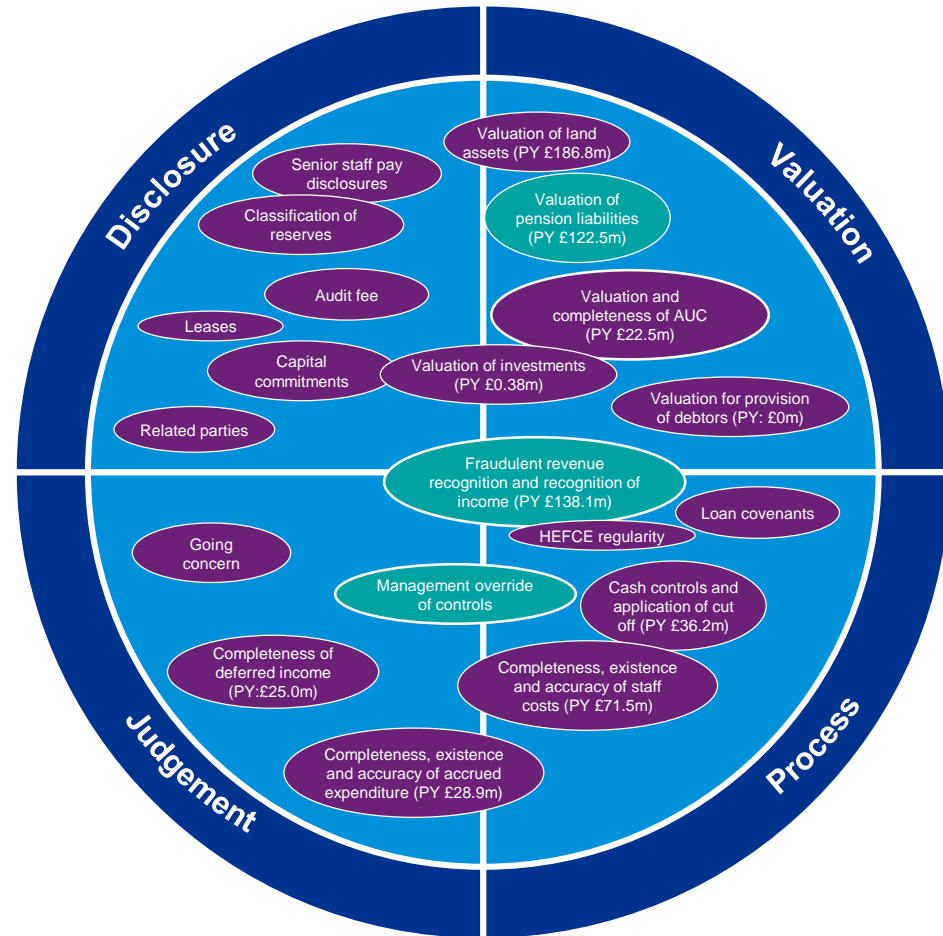
What are the significant risks for our audit and other areas of audit focus?

Our risk assessment draws upon our historic knowledge of the University, the Higher Education Sector as a whole and the wider policy, regulatory and economic environment in which it operates.

Summarised opposite are those risks that we have considered as part of our audit planning process.

Identifying these risks we are ensuring that our audit work will focus on those which are judged to have a high impact.

We have outlined over the page why we believe each of these are relevant to our financial statement responsibilities for 2016/17 and what work we will undertake to address the risk.



Audit risk key:
■ Significant audit risk
■ Other audit risk

Significant risks and how they are addressed

Page 30

We highlight identified significant risks and other areas of focus for our audit.

Significant risks that ISAs require us to assess in all cases	Why	Our audit approach
<p>Fraud risk from revenue recognition</p>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>Tuition fee and education contract income</p> <p>There is a risk of fraud and error associated with the recognition of tuition fee income (PY: 75.6m), which represents approximately two thirds of total income. In particular, this includes income and cash recognition for flexible provision (for example on-line/distance learning courses), and courses that run across the year end.</p> <p>Tuition fee and education contract income (PY: £27m) also includes income from overseas operations.</p> <p>Funding council income</p> <p>Grant income (PY: £15.7m) is primarily received from HEFCE and the further education funding bodies, which provide specific assurances around the funding received in the year.</p> <p>Other operating income</p> <p>Accommodation and catering income (PY: £10.9m) are the other main sources of trading income. Income is relatively stable year on year and source transactions are non-complex, involving relatively little judgement. We will assess these based on the performance in year.</p>	<p>Tuition fee income</p> <p>We will consider the extent to which the University's finance/student records/planning functions are integrated to ensure complete and timely data and information in areas such as:</p> <ul style="list-style-type: none"> — Drop-out, fee and bursary information; and — The position with the Student Loans Company balances and reconciliation processes. <p>We will review the completeness of fee income through reconciliations with the student record system and confirm the appropriateness of bursary/scholarship and fee waiver recognition through review of relevant schemes and policies.</p> <p>We will also review the income recognition for programmes crossing the year end and any other flexible provision.</p> <p>We will consider the income recognition and debtor recoverability.</p> <p>Funding council income</p> <p>We will substantively test grant income to confirm the completeness and accuracy of the balances and we will remain alert to indications of fraud. We will also consider the risk of clawback of grant income and any other flexible provision.</p> <p>Other operating income</p> <p>We will complete substantive testing over remaining balances to ensure the figure reported is accurate and complete and is correctly presented.</p>

Significant risks and how they are addressed (cont.)

We highlight identified significant risks and other areas of focus for our audit.

We also explain how we will work with your internal auditors.

Page 31

Significant risks that ISAs require us to assess in all cases	Why	Our audit approach
<p>Fraud risk from management override of controls</p>	<p>Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk.</p> <p>In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the component's normal course of business, or are otherwise unusual.</p>

Liaising with internal audit

ISA (UK & Ireland) 610 (revised June 2013) defines how we can use the work of internal audit. Our approach ensures we comply with these requirements. We will liaise with PwC as your internal auditors and review the findings from their programme of work for 2016/17. We will also consider any significant control deficiencies identified by internal audit and ensure that we take this into account where relevant to determine the nature of our audit work to ensure the risk is appropriately addressed.

Significant risks and how they are addressed (cont.)

We highlight identified significant risks and other areas of focus for our audit.

Page 32

Other significant risks	Why	Our audit approach
<p>Defined benefit pension schemes</p>	<p>LSBU participates in three multi-employer defined benefit pension schemes – the Teachers’ Pension Scheme (TPS); London Pension Fund Authority (LPFA) scheme; and the Universities Superannuation scheme (USS). The total value of the pension deficit in 2015/16 was £122.5m.</p> <p>It is important that the assumptions included within the valuation of the schemes reflect the profile of the University employees, and are based on most recent actuarial valuation. It is also important that assumptions are derived on a consistent basis year to year.</p> <p>During the year, the Group’s Local Government Pension Schemes have undergone a triennial valuation. The Group’s pension scheme assets and liabilities are recalculated, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation.</p> <p>It is therefore important that the University has assurance over the assumptions utilised within the valuation of the schemes; in particular that these are on a consistent basis and reflect the profile of LSBU as an organisation. An appropriate calculation method is required to determine LSBU’s share of the deficit and the implications on future funding requirements must be adequately disclosed to users.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and when combined with actuarial assumptions, this could result in a significant error within the Group’s accounts.</p>	<p>We will agree the accounts disclosures to supporting documentation from the pension scheme actuaries.</p> <p>Our actuaries will review the actuarial valuations utilised for both the USS and LPFA schemes, and consider the disclosure implications. We will compare the actuarial valuation to our internal benchmarks.</p> <p>We will review the accounts to ensure appropriate disclosure and review the accounting treatment for annual pension charges though the Statement of Comprehensive Income.</p> <p>We will review the data provided to the actuary for completeness and accuracy by agreeing a sample to underlying records.</p>

Significant risks and how they are addressed (cont.)

Page 33

We highlight identified significant risks and other areas of focus for our audit.

Other areas of audit focus	Why	Our audit approach
<p>Overall financial position and going concern</p>	<p>The University's Forecast (M6) for 2016/17 indicated that the University was anticipating a consolidated operating surplus of £1 million (0.7% of total income) for the year-ending 31 July 2017.</p> <p>Despite shortfalls in full time undergraduate student recruitment against target, management are still forecast to achieve their budgeted surplus due to increases in overseas student recruitment and reductions in staff costs.</p> <p>Notwithstanding these variances, the University continues to maintain healthy cash reserves and continues to monitor their working capital requirements based on their development and organisational needs.</p> <p>Therefore at the time of this report, there have been no issues identified that suggest that the University would not be able to continue to operate as a going concern.</p>	<p>We will review the University's overall financial position at the year-end as part of our review of the financial statements. Specifically, we will consider the University's final outturn compared to the M6 forecast position, with particular reference to income recognition, the continued impact of the new fees and funding regime, and the performance of the University's commercial activities.</p> <p>We will continue to look at the budgetary control framework the University has in place and how performance is tracked throughout the year.</p> <p>We will review the financial forecasts and student recruitment information for 2017/18 during our final audit visit.</p>
<p>Opening balances</p>	<p>The balances reported as the opening position and comparators in the 2016/17 financial statements comprise an integral part of your financial statements and are included within the assurance opinion we provide to you. As this is our first year of your audit, we have to conduct further work over these balances to be able to assure those charged with governance that they are free from material misstatement due to fraud or error.</p>	<p>A requirement of the professional auditing standards is that we meet with Grant Thornton as the outgoing auditor to ensure that key information and significant findings are communicated to us. Where possible we will seek to place reliance upon their findings to ensure that the burdens placed upon the finance team resulting from the change in auditor are minimised. As a part of our interim audit we will perform analysis of the opening balances recorded within the accounting system and agree these to the audited 2015/16 financial statements.</p> <p>We may seek to agree significant balances to accounting records and other third party sources of information.</p>

Significant risks and how they are addressed (cont.)

Page 34

We highlight identified significant risks and other areas of focus for our audit.

Other areas of audit focus	Why	Our audit approach
<p>Valuation of land and buildings</p>	<p>At 31 July 2016 the University’s estate was valued at £186.8m, based on historical depreciated cost. As part of the transition to FRS 102 management had a one-off opportunity to adopt a revaluation policy for the valuation of these significant assets and we understand this option was exercised for freehold land, which will now be valued at market value.</p> <p>In addition, as part of the Corporate Strategy 2015-2020 the University plans to spend £100m developing the estate. Where significant additions are made, LSBU will need to ensure that these are valued appropriately in line with the University’s accounting policies.</p>	<p>Our core audit work will ensure that the continued capitalisation and classification of additions to the estate are appropriate and that asset construction in progress at year end is fairly reflected in the financial statements.</p> <p>We will consider the approach the University has taken to consider any impairments to the value of its estates.</p> <p>We will review the costs that have been capitalised in relation to capital projects that are ongoing with assets under construction and consider the appropriateness of any judgements made – particularly in relation to the capitalisation of staff costs.</p> <p>For any assets that have transferred out of construction at the year end we will consider how the University has assessed the cost as the assets are brought into use.</p> <p>We will also consider the appropriateness of any disclosures in relation to capital commitments and the presentation and disclosure of the funding and borrowing associated with the University’s estates plans.</p>

Significant risks and how they are addressed (cont.)

We highlight identified significant risks and other areas of focus for our audit.

Page 35

Other areas of audit focus	Why	Our audit approach
<p>Transaction with Lambeth College – Project Larch</p>	<p>The University is planning to undertake a transaction (referred to as Project Larch) with Lambeth College, a further education provider. A Full Business Case on the proposed transaction was presented to the May 2017 Major Projects and Investment Committee. The FBC plans for Lambeth College to become part of a group of education providers led by the University and ultimately to be consolidated into the University.</p> <p>Significant due diligence is required and is ongoing . An application for funding has also been submitted to the Skills Funding Agency and the Education Funding Agency transaction unit. The outcomes of both the due diligence and funding application will need to be confirmed ahead of a Board decision on the future form and structure of the transaction in December 2017. In the interim period both organisations are working closely together. The final corporate structures have not yet been determined.</p> <p>The University is currently looking at the first phase of the transaction which will commence in June and will see the University have certain rights to nominate members to the Board of Lambeth College although final voting will remain the responsibility of the College. The University is also planning to provide back office services to the College.</p> <p>At the time of writing this plan it is not anticipated that there will significant transactions or changes in the University's group structure for 2016/17</p>	<p>We will review the governance arrangements that are being put in place as part of this first phase with the College and those options that might take place if the transaction is ultimately approved in 2017/18.</p> <p>We will consider the structure and its accounting – both in terms of impact for 2016/17 and 2017/18. From our initial discussions we do not expect the College to be consolidated in the University accounts during 2016/17..</p> <p>We will review any transactions that have taken place in the 2016/17 financial year, and assess whether they have been appropriately disclosed in line with the HE SORP.</p> <p>We will also assess the extent to which any post-balance sheet events need to be disclosed, and if so whether they accurately reflect the substance of arrangements in place.</p>

Significant risks and how they are addressed (cont.)

Page 36

We highlight identified significant risks and other areas of focus for our audit.

Other areas of audit focus	Why	Our audit approach
<p>Use of funds</p>	<p>We are required to issue an opinion on the University’s use of HEFCE and other funds in line with the Memorandum of Assurance and Accountability and audit code of practice.</p> <p>The University has a partnership working arrangements with the British University in Egypt and the Applied Science University in Bahrain, as well as the arrangements in place for the Lambeth College Transaction. It is important that the University has mechanisms in place to ensure that funds committed to these arrangements are appropriately utilized.</p>	<p>Our audit of the University’s use of funds will be conducted in accordance with Practice Note 10 (revised): Audit of financial statements of public sector entities in the United Kingdom, issued by the Auditing Practices Board. Our approach to completing the audit will be to obtain a sufficient understanding of the framework under which the University operates, and to test compliance. In particular, this means gaining assurance that income and expenditure transactions are in accordance with appropriate authorities, including those of HEFCE, and that the accounting presentation and disclosure conforms to applicable statutory and other requirements.</p> <p>We have developed an audit programme to ensure compliance with HEFCE requirements, and in addition our testing of controls and substantive items of expenditure will ascertain whether in all material respects funds have been used for the purposes given (including donations and all sources of grant funding).</p>

Planning your subsidiary audit

We are pleased to be appointed to be the auditors of your subsidiary accounts; here we explain our approach to this audit.

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Entity	Reporting framework	Our audit approach	
South Bank University Enterprises Limited (SBUEL)	Subsidiary South Bank University Enterprises Ltd is required to produce accounts in accordance with the Companies Act 2006. The accounts require filing by 30 April 2018.	<p>We have determined an appropriate level of materiality for our audit of SBUEL using income as the most relevant measure.</p> <p>We expect our materiality to be £34,000 and will report all audit differences over £1,720.</p>	<p>We have identified the following key areas of risk associated with our audit of these financial statements:</p> <ul style="list-style-type: none"> — Income and revenue recognition; and — Management override of control.



Appendices

Mandated communications with those charged with governance

In addition to matters discussed elsewhere in this presentation, Auditing Standards require us to discuss certain matters with the Audit Committee including the following.

Communication	Section reference
<ul style="list-style-type: none"> Relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff (ISA 260). We must also establish with you a timetable for reporting any insignificant breaches of the IESBA Code of Ethics and UK Ethical Standards (significant breaches are required to be reported as soon as possible). (IESBA Code of Ethics). 	<ul style="list-style-type: none"> See appendix 5.
<ul style="list-style-type: none"> The general approach and overall scope of the audit, including levels of materiality, fraud risks and audit responses, engagement letter and expected general content of communications (ISA 260). 	<ul style="list-style-type: none"> This paper, including responses to fraud in appendix 2 and audit materiality on page 6.
<ul style="list-style-type: none"> Disagreement with management about matters that, individually or in aggregate, could be significant to the entity’s financial statements or the auditor’s report, and their resolution (ISA 260). 	<ul style="list-style-type: none"> In the event of such matters of significance we would expect to communicate with the Audit Committee throughout the year. Formal reporting will be included in our Audit Committee paper for the November Audit Committee meeting, which focuses on the group financial statements.
<p>Significant difficulties we encountered during the audit.</p> <p>Significant matters discussed, or subject to correspondence, with management. (ISA 260).</p>	
<p>Our views about the qualitative aspects of the entity’s accounting and financial reporting.</p> <p>The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260 and ISA 540).</p>	
<ul style="list-style-type: none"> Audit adjustments, whether or not recorded by the entity, that have, or could have, a material effect on its financial statements. We will request you to correct uncorrected misstatements (including disclosure misstatements) (ISA 450). 	
<ul style="list-style-type: none"> The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity’s financial statements (ISA 570). 	
<ul style="list-style-type: none"> Material uncertainties related to events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern (ISA 570). 	
<ul style="list-style-type: none"> Expected modifications to the auditor’s report (ISA 705). 	
<ul style="list-style-type: none"> Other matters warranting attention by those charged with governance, such as any insignificant breaches of the IESBA Code of Ethics and UK Ethical Standards, significant deficiencies in internal control, questions regarding management integrity, non-compliance with laws and regulations including illegal acts, and fraud involving management (ISA 265, ISA 260, ISA 250 and ISA 240). 	<ul style="list-style-type: none"> As above, except that formal reporting on any material weaknesses identified in internal control will be at the November Audit Committee meeting.

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Responsibility in relation to fraud

We are required to consider fraud and the impact that this has on our audit approach.

We will update our risk assessment throughout the audit process and adapt our approach accordingly.

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Management responsibilities

Adopt sound accounting policies.

With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.

Establish proper tone/culture/ethics.

Require periodic confirmation by employees of their responsibilities.

Take appropriate action in response to actual, suspected or alleged fraud.

Disclose to Audit Committee and auditors:

- Any significant deficiencies in internal controls.
- Any fraud involving those with a significant role in internal controls.

KPMG’s identification of fraud risk factors

Review of accounting policies.

Results of analytical procedures.

Procedures to identify fraud risk factors.

Discussion amongst engagement personnel.

Enquiries of management, Audit Committee, and others.

Evaluate broad programmes and controls that prevent, deter, and detect fraud.

KPMG’s response to identified fraud risk factors

Accounting policy assessment.

Evaluate design of mitigating controls.

Test effectiveness of controls.

Address management override of controls.

Perform substantive audit procedures.

Evaluate all audit evidence.

Communicate to Audit Committee and management.

KPMG’s identified fraud risk factors

Whilst we consider the risk of fraud to be low around the University, we will monitor the following areas throughout the year and adapt our audit approach accordingly.

- Revenue recognition;
- Purchasing;
- Management override of controls; and
- Manipulation of results to achieve targets and expectations of stakeholders.

Audit team structure

Your audit team has been drawn from our specialist pool of staff with experience in the education sector. Contact details are shown on page 3.

The audit team will be assisted by other KPMG specialists as necessary.

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Your audit team has been drawn from our specialist Education team and is led by three key members of staff:

Fleur Nieboer – Your partner has overall responsibility for the quality of the KPMG audit work and is the contact point within KPMG for the Audit Committee, the Chief Executive and Finance Director.

Jack Stapleton – Your manager is responsible for delivery of all our audit work. They will manage the completion of the different elements of our work, ensuring that they are coordinated and delivered in an effective manner.

Alexandra Barrington – Your assistant manager is responsibly for day to day delivery of our on-site fieldwork.

The core audit team will be assisted by other KPMG staff, such as risk, tax, clinical or information specialists as necessary to deliver the plan.

Engaging with stakeholders

We believe the test of a good audit team is how effectively they relate to the range of stakeholders at the University and adapt an appropriate style for each. We have set out the relationships and interfaces we will develop which we believe underpin an effective audit.

Stakeholder	Our approach
Finance team	<ul style="list-style-type: none"> — Regular contact to plan, monitor and deliver the accounts and audit process. — Discussion of up coming technical issues. — Meetings to identify, confirm and report on audit findings. <p><i>This process helps us understand the University's proposed accounting treatment and avoids last minute 'surprises'.</i></p>
Key Management Personnel	<ul style="list-style-type: none"> — Meetings to develop our risk assessment and understanding of issues facing the University. Responsible for considering our draft audit reports and implementing audit recommendations. — Feedback on the audit process and team. <p><i>We will hold regular meetings with management to discuss and assess aspects of risk that the University faces. We use these discussions to inform and outline our audit approach.</i></p>
Audit Committee	<ul style="list-style-type: none"> — Main audience for our reports including technical updates where we provide information on accounting and regulatory issues at each meeting. — Attendance to support our understanding of control issues as well as to present reports. — Review of external audit performance through key performance indicators. <p><i>We will contribute to a robust and constructive dialogue at the Audit Committee.</i></p>
Board of Governors	<ul style="list-style-type: none"> — Our opinion is addressed to the Board of Governors. <p><i>We will update the Board annually, with a summary of the work completed and the work planned for the following year.</i></p>

Fees

Our fee for the audit of the 2016/17 University and subsidiary financial statements is set out in the table opposite.

Our audit fee remains indicative and based on you meeting our expectations of our support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Our fee for the 2016/17 financial statements audit is set out below. The fees quoted are exclusive of VAT and have been agreed with management and are based on the following:

Element of the audit	2016/17 (planned)
London South Bank University	£49,400
South Bank University Enterprises Ltd.	£2,750
Total	£52,150

All fees are quoted exclusive of VAT.

Non audit fees in 2016/17 consist of £3,500 (ex. VAT) for corporation tax compliance services.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- You will inform us of any significant developments impacting on our audit;
- You will comply with the expectations set out in our audit information request, including:
 - The financial statements are made available for audit in line with the agreed timescales;
 - Good quality working papers and records will be provided at the start of the final accounts audit;
 - Requested information will be provided within the agreed timescales;
 - Prompt responses will be provided to queries and draft reports.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

Confirmation of independence

We confirm the independence of KPMG LLP.

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Auditor independence

ISA 260 'Communication with Those Charged with Governance' requires us to communicate to the Audit Committee on any matters which may be reasonably thought to bear on our independence, set out the safeguards in place in relation to these matters and confirm that we are independent.

KPMG is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG Partners and staff annually confirm their compliance with our ethics and independence manual, including in particular that they have no prohibited shareholdings. Our ethics and independence manual is fully consistent with the professional practice rules of the APB Ethical Standards by whom we are regulated for audit purposes.

In addition, we have underlying safeguards in place to maintain independence through:

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

Further safeguards include regular review of the composition of the audit team including rotation in accordance with the relevant regulations. Any significant new engagement undertaken for the Institute is subject to acceptance procedures, requiring consultation with Fleur Nieboer and compliance with the University's non-audit services policies.

We also consider the fees paid to us by the University and its related entities for professional services provided by us. We will report on our fees for the year ending 31 July 2017 at the year-end Audit Committee meeting.

Having considered the above and other relevant factors, in our professional judgement we are satisfied that KPMG is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Partners and audit staff is not impaired.

Non audit services

Permissible non-audit services that auditors may perform for their audit clients are enshrined in the APB's Ethical Standard 5, and more specifically for the University as outlined in the University's own policy.

The principal threats to an auditor's objectivity and independence are:

- Self interest
- Self review
- Acting as management
- Acting as advocate
- Familiarity
- Intimidation

Confirmation of independence (cont.)

We confirm the independence of KPMG LLP.

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Non audit services (cont.)

Threat of self review or acting as management are the most common reasons preventing an auditor accepting non-audit work. For example, the threat of self review effectively prevents us from seconding senior personnel to your finance team or being involved in the design or implementation of financial systems and controls.

There are also certain specific services an external auditor may not provide including internal audit services, design, provision and implementation of IT systems that are important to the accounting system, valuation service, litigation services, recruitment and remuneration. The list is not exhaustive and each service requires careful consideration to ensure that independence ethics are not breached.

As a result we operate a proprietary global system (Sentinel) to ensure that all requests from the Institute, via local KPMG offices, for KPMG to provide non-audit services are considered in the context of the University's policy and our professions ethical standards. Where necessary, further information is sought and specific approvals obtained from the Audit Committee.

In the period under review, in addition to the audit of the financial statements, KPMG is also undertaking the following non-audit work:

- Corporation tax compliance services – KPMG assisted in the preparation of the annual tax return and its submission to HMRC.

Management are responsible for gathering the information needed to prepare the tax return. The team performing this tax work is separate from the audit engagement team, mitigating any self-review threat.

We have not identified any other threats to our independence that have arisen as a result of this work.

KPMG Audit quality framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches to management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice.

Your engagement lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the FEHE SORP.



KPMG Audit quality framework (cont.)

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience. We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as ICAEW) as well as acting as a sounding board for our auditors.

A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications.

A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.



kpmg.com/uk



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	CONFIDENTIAL
Paper title:	KPMG Key Performance Indicators
Board/Committee	Audit Committee
Date of meeting:	8 June 2017
Author:	Natalie Ferer
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To propose key performance indicators for assessing the effectiveness of external audit work performed by KPMG.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	statutory financial reporting
Recommendation:	To approve the attached KPIs

Matter previously considered by:	None	n/a
Further approval required?	performance against KPIs to be taken to November's meeting of the Audit Committee	November 2017

Executive Summary:

KPMG have been appointed to perform the external audit for the University. The attached KPIs have been agreed with KPMG and are attached here for approval by Audit Committee.

These indicators will be presented to the Audit Committee on an Annual Basis following completion of the annual audit process. The KPIs have been segmented into four key Balanced Scorecard areas; Delivery, People, Processes and Quality of Service and include an illustrative format for reporting target and actual performance, as well as direction of travel.

Recommendation:

The Committee is requested to consider and approve the attached KPIs

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Annex 1 – Part 4: Key Performance Indicators

The following indicators will be presented to the Audit Committee on an Annual Basis. The KPIs have been segmented into four key Balanced Scorecard areas; Delivery, People, Processes and Quality of Service and include an illustrative format for reporting target and actual performance, as well as direction of travel.

Indicator	Target
1. Quality Assurance	
Compliance with mandatory audit standards and professional standards prescribed by the main accountancy bodies.	100%
Use of the most effective techniques in audit work.	100%
Use of latest techniques in audit work (statistical and sampling).	100%
Use of data and analytic routines when auditing account balances.	50%
Updates on significant financial reporting developments provided to management as and when they occur.	100%
2. Achievement of Audit-Day Targets	
Audit-day targets for individual audit assignments will not be exceeded without the express approval of the Chief Financial Officer.	100%
3. Reporting Arrangements	
Clarity of style, avoidance of jargon and concise explanation of the issue are required in all audit reports.	100%
Quality of audit reports – the information provided should be relevant, practical and timely.	100%
Proper consultation/liaison with the University's managers should take place in the preparation and follow up of all audit reports	
- Proportion of audit reports agreed in advance with management prior to issue	100%
- Audit plan issued annually by 31 May	100%
- Audit opinion and Use of Resources conclusion issued by statutory deadline.	100%
Significant issues communicated immediately to the Chief financial Officer and less significant issues communicated immediately to the Financial Controller.	100%
4. Recommendations	
The extent to which the audit report recommendations are accepted by the University as relevant and realistic to put in place.	100%
The extent to which recommendations are successfully implemented by the University.	100%
The extent to which audit staff follow-up the implementation of the above recommendations.	95%
Client satisfaction surveys 'good' or better – issued annually.	100%
Number of benchmarking reports issued each year.	1

Indicator	Target
5. Staffing	
All staff assigned to the tasks deemed necessary for the provision of the services have been selected with due regard being paid to their qualifications, experience and technical ability.	100%
Appropriate staff are made available for the purpose of discussions and meetings with University staff relevant to the work carried out.	100%
Utilisation of specialist staff where appropriate to demonstrate the value of organisational resource.	100%
Commitment to training and development of audit staff.	
- Percentage of staff with relevant CCAB qualifications in Core team.	100%
Completion of relevant training by all members of the external audit team.	100%
Proportion of team holding or working towards CCAB qualifications.	100%
Continuity of team: Turnover rate of staff.	5%
6. Supervision	
All audit work is properly controlled, monitored and reviewed by audit management.	100%
7. Audit Protocol	
Proper conduct of audit assignments.	
All audit work is properly controlled, monitored and reviewed by audit management (Partner and Senior Manager).	100%
Regular communications and effective interaction with University managers.	100%
Audit team to undertake quarterly updates with key stakeholders.	
Professionalism demonstrated on audit assignments.	100%
Audit planning and clearance meetings scheduled in advance and in line with committee and other key dates.	100%
Year end audit and associated work completed in line with agreed timetables and committee papers submitted at least 10 working days before the date of the meeting.	100%
8. Response times	
All general enquiries and requests for assistance shall receive a response within two working days	100%

	CONFIDENTIAL	
Paper title:	Indicative pension assumptions	
Board/Committee	Audit Committee	
Date of meeting:	8 June 2017	
Author:	Natalie Ferer – Financial Controller	
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer	
Purpose:	To update the committee on obtaining indicative pension assumptions	
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial Sustainability	
Recommendation:	That the committee notes that indicative pension assumptions will be received from the LPFA in June will be used when calculating the deficit in the LPFA scheme at the year end.	
Matter previously considered by:	Audit Committee	Annually

Executive Summary

Valuation for the LPFA scheme is undertaken by the scheme actuaries using assumptions agreed by the University. The LPFA publish indicative assumptions ahead of the year end for our consideration.

Following receipt of these indicative assumptions in June, the University will have a discussion with our external auditors, KPMG, as to their suitability for LSBU. As last year, the assumptions will be circulated upon receipt to members of Audit Committee for consideration.

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	CONFIDENTIAL
Paper title:	Annual debt write off
Board/Committee	Audit Committee
Date of meeting:	8 June 2017
Author:	Natalie Ferer – Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To make a recommendation to the committee, in accordance with agreed policy, to write off uncollected debts which are more than 6 years old.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial performance
Recommendation:	Approve the write-off of tuition fee debt of £769k.

Matter previously considered by:	Audit Committee	Annually
Further approval required?	N/A	N/A

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.

The Committee is requested to approve the write-off of tuition fee debt of £769k in line with financial regulations, which require that Audit Committee approve the annual write off of debts where the total value exceeds £50,000. The debts are all more than 6 years old and have previously been provided for in full so there is nil impact on the reported financial result for the year.

The total debt relating to years 2010/11 and earlier is £1.29m. However, £254k was invoiced during the past 5 years and we will continue to chase payment. £205k is currently being settled by monthly instalment arrangement.

Of the remaining debt of £769k, £271k was re-referred (at no extra cost) in 2017 to our debt collection agency and it is hoped that at least some will be recovered; but if no payment arrangement has been made by the 31st July, then the debt will be written off along with £498k of other old debt.

self-pay at 30/04/17	10/11	09/10	08/09	07/08	06/07 & prior	Total
Totals	606,524	461,235	103,141	77,517	43,825	1,292,243
Invoices less than 6 Years old	120,232	61,455	17,170	24,375	30,759	253,990
Paying off debt by instalment	142,263	37,143	8,559	10,882	6,201	205,048
STA Still Pursuing	271,087	0	0	0	0	271,087
Other debts	8,592	362,637	77,412	42,260	6,865	497,766
Total Potential Write-off	279,679	362,637	77,412	42,260	6,865	768,853

Recommendation

Therefore, we recommend that the committee approve the write off, of tuition fee debt of £768,853k.

	CONFIDENTIAL
	PAPER NO:
Paper title:	Internal Audit Progress Report: June 2017
Board/Committee	Audit Committee
Date of meeting:	8 th June 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Committee with an overview of the current progress against the Internal Audit Plan for 16/17.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	The internal audit plan relates to controls and processes for the entire organisation, and provides assurance against all risk types within the Corporate Risk Appetite statement.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the report and its findings

Matter previously considered by:	Executive	On:24 May 2017
Further approval required?		

Executive Summary

86% of the agreed internal audit programme for 16/17 is now complete.

The progress overview accompanies three reports to committee, The Apprenticeships report, the Student Data Continuous audit report for period 2, and the Key Financial Systems Continuous audit report for period 2.

5 agreed recommendations were followed up in this period, and 3 have now been implemented (60%), with 2 partially implemented (40%). (*details in appendix A on p12*)

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

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Internal Audit Progress Report 2016/17

*London South Bank
University*

FINAL

May 2017

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Activity in the period

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Progress against plan

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Appendices

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



Summary (1 of 2)



Purpose of this report

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

Progress against the 2016/17 internal audit plan

We have completed 86% of our 2016/17 internal audit programme for the year, which is in line with the agreed profile for our work.

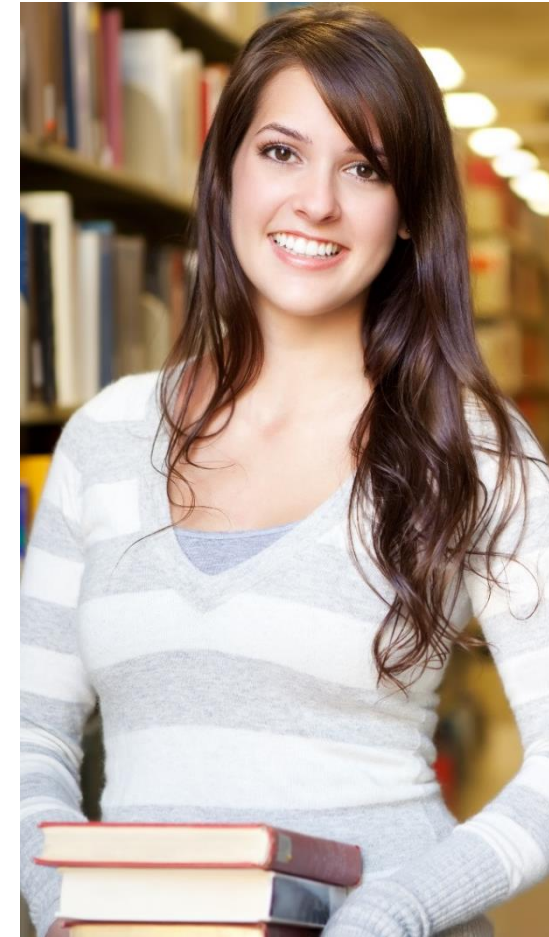
For this Audit Committee, we present:

- The final report for Continuous Auditing: Key Financial Systems Period 2 - 2016/17
- The final report for Continuous Auditing: Student Data Period 2 - 2016/17
- The final report for Apprenticeships
- Our draft 2016/17 Internal Audit Plan.

Findings of our Follow Up Work

We have undertaken follow up work on actions with an implementation date of 31/05/2017 or sooner. We have discussed with management the progress made in implementing actions falling due in this period. Where the finding had a priority of low or advisory, we have accepted management's assurances of their implementation; otherwise, we have sought evidence to support their response.

A total of five actions have been followed up this quarter. Three actions have been implemented (60%) and two actions are partially implemented (40%). Progress is summarised in Appendix A.



Summary (2 of 2)



Other Matters

The IT audit, which was scheduled to take place in Quarter 3, will now take place in Quarter 4. This has been delayed due to the scope being extended. The IT audit will be an IT Controls Benchmarking Assessment completed by our IT specialists, the review will re-baseline our understanding of the IT risk environment and maturity of internal controls across the IT audit universe.

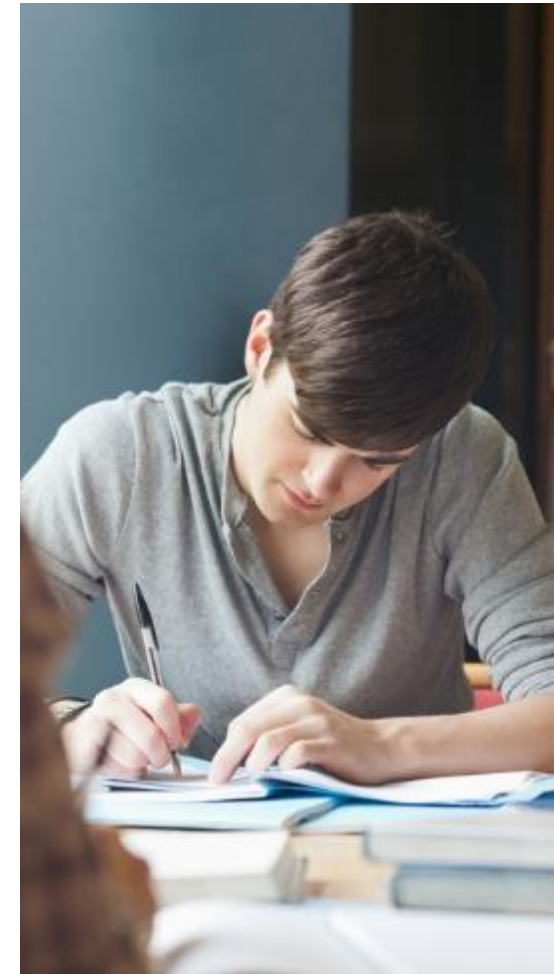
We have been asked to do an additional assessment of London South Bank University's readiness for changes to Global Data Protection Regulations (GDPR) in 2018. This work will be performed in Q4.

We have begun scoping for our reviews of Risk Management and Contract Management and Spend Activity audits.

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

Recommendations

- That the Audit Committee notes the progress made against our 2016/17 Internal Audit Programme.
- That the Audit Committee comments on our final report for: Continuous Auditing: Key Financial Systems Period 2 - 2016/17, Continuous Auditing: Student Data Period 2 - 2016/17 and Apprenticeships.
- That the Audit Committee approves our draft 2017/18 Internal Audit Plan.

































Activity in the period (1 of 3)



Final reports issued since the previous meeting

Continuous Auditing: Key Financial Systems Period 2 - 2016/17

There has been a decline in performance this period. Lack of documentation to evidence timely review and approval is a recurring theme, affecting Payroll and Accounts Payable. We have also continued to see exceptions affecting starter and leaver documentation within Payroll which does not appear to agree to system records however management have confirmed that the HR system and inbuilt automated controls will minimise the risk of these exceptions recurring in the future.

System / Rating	P2 2016/17	P1 2016/17	P2 2015/16	P1 2015/16	P3 2014/15	Trend
Payroll	 Amber	 Amber	 Amber	 Green	 Green	
Accounts Payable	 Amber	 Green	 Green	 Green	 Green	
Accounts Receivable	 Green	 Green	 Green	 Green	 Green	
Cash	 Green	 Green	 Green	 Green	 Amber	
General Ledger	 Green	 Amber	 Green	 Green	 Green	

Activity in the period (2 of 3)



Final reports issued since the previous meeting (continued)

Continuous Auditing: Student Data Period 2 - 2016/17

The overall trend shows a decline in performance from the previous period: 35 operating effectiveness exceptions were identified in Period 1 2016/17; this has increased to 41 exceptions this period. One control design exception was also identified in Period 2 2016/17 (Period 1: two exceptions. There has been a theme across samples that evidence could not be located to confirm that a control has operated effectively.

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

System Classification

Medium Risk



Activity in the period (3 of 3)



Final reports issued since the previous meeting (continued)

Apprenticeships – High Risk

London South Bank University are planning to expand their current apprenticeship training provision. The objective of this audit was to review the controls in place for apprenticeships and assess whether the correct evidence is in place to meet the higher education institution funding rules set by the Skills Funding Agency (SFA).

We identified *one high risk* operating effectiveness finding relating to LSBU’s compliance with the SFA higher education institution funding rules:

- For 19/20 apprentices we tested, we found that the apprenticeship agreement and commitment statement had not been signed by all parties ahead of the apprenticeship start date;
- Employer incentive payments were claimed for seven of the 20 students in our sample. In all seven cases, the payment had not been transferred to the employer within the 10 working day deadline set by the SFA. In one instance, the employer incentive claim form could not be located; and
- Attendance records could not be provided for 6/20 apprentices. All of these apprentices were in the School of Health and Social Care.

We also identified *two medium risk* control design findings:

- There is no policy or guidance document outlining the steps which LSBU staff must follow to comply with the rules of the SFA.
- There are gaps in LSBU’s current apprenticeship provision:
 - LSBU does not have a process in place to claim funding for students with additional support needs;
 - LSBU does not retain details of the state benefits claimed by apprentices; and
 - LSBU does not retain a summary of relevant experience and achievements for apprentices, nor details of relevant prior learning that affects the apprentice’s learning or the funding of any of the learning aims or the programme

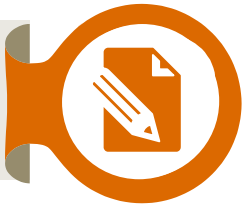
Progress against plan (1 of 3)



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

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

Progress against plan (2 of 3)



Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 3: February 2017 – April 2017											
Continuous Auditing: Key Financial Systems - August 2016 to December 2016											
12 (12)	13/01/2017	16/01/2017	27/01/2017	08/05/2017	N/A						
Continuous Auditing : Student Data - November 2016 to March 2017											
15 (13)	31/03/2017	10/04/2017	19/04/2017	TBC	N/A						
Apprenticeships											
7 (7)	13/03/2017	20/03/2017	23/03/2017	TBC	High	3	-	1	2	-	
IT audit											
10 (8)	03/04/2017										

Progress against plan (3 of 3)



Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 4: May 2017 – July 2017											
Risk Management											
5 (1)											
Contract Management and Spend Activity											
10 (1)											
Other											
18 (15)	Planning, contract management, reporting, value for money and follow up										
Total	127 (109)										

Appendices

Appendix A: Follow up (1 of 2)

Implemented

#	Review	Agreed Action	Original due date	Risk rating	Status
1	Data Security	<p>Physical Security</p> <p>We are currently going through a datacentre move, in which we have some assets moving to the datacentre in Keyworth, as well as moving some assets from physical machines to virtual. As part of that project's closure, we will review and reconcile the IT Asset register.</p>	31/01/2017 28/02/2017	● Low	<p>The IT Asset register has now been updated. There are three IT Asset registers:</p> <ol style="list-style-type: none"> 1. A register containing all domain machines across the organisation. This is maintained on the Configuration Management system. 2. Data Centre network devices 3. Data Centre server and storage hardware
2	HR System Transformation	<p>Formalised Procedures</p> <p>Formalised procedures will be created to evidence controls in place.</p>	31/10/2016 31/03/2017	● Advisory	<p>Each area of the Core go live and testing was discussed in a go/no go meeting. The project board approved go live.</p> <p>The monthly review of system access has been set up by the payroll team. This is reviewed each month.</p> <p>Formalised procedures have been implemented for each area.</p>
3	HR System Transformation	<p>Lessons Learnt</p> <p>The Implementation team will create a lessons learned log that can be contributed to by all members of the team to identify errors and prevent them being repeated.</p>	31/10/2016 28/02/2017	● Medium	<p>Management are maintaining a risk log and issue log within iTrent.</p>

Appendix A: Follow up (2 of 2)

Partially Implemented

#	Review	Agreed Action	Original due date	Revised due date	Risk rating	Status
4	Prevent Duties	External Speakers and Events We will prepare a centralised listing of LSBU affiliated events taking place both on and off campus.	31/12/2016 30/04/2017	30/11/2017	● Medium	Action is being progressed and is approximately 80% complete. This action has been assigned to the External Speaker sub group of the Safeguarding Committee who are evaluating improved e-system options.
	HR System Transformation	Business Continuity We will formalise the business continuity plan in an official document available to all those involved in the process, so that it can be implemented without key members of the team being available.	31/10/2016 31/03/2017	30/06/2017	● Low	The relevant parties from ICT and the project have met on two occasions to produce the Service Responsibility Matrix. This outlines who has responsibility to support the different areas of iTrent. This will be finalised in June 2017.

Appendix B: Recent publications and thought leadership

Skilling up the regions



If the UK is to improve productivity and build an economy fit for growth, focusing on delivering the right skills for the economy, the improvement of people and the growth of businesses will be essential. Our latest Talking Points, *Skilling up the Regions*, sets a local model for skills, driven by the needs of employers and a more effective process for matching individuals to jobs. The report has received positive feedback from the sector, including from Neil Carmichael MP, Chair of the Education Select Committee, the APPG for Inclusive Growth and from a number of clients.

<http://bit.ly/skillsregions>

HE Matters: Managing Risk



Our Summer 2017 edition of *HE Matters*, published w/c 24 April, explores the changing risk agenda for higher education. Drawing on our analysis of risk registers, we set out how universities can manage risk across a number of areas including business intelligence, cyber, major projects and culture change.

www.pwc.co.uk/hematters

Blogs

The March Budget

Tina Hallett and Ian Looker's response to the education and skills announcements in the March Budget.

http://pwc.blogs.com/press_room/2017/03/budget-2017-pwc-comments-on-public-sector-and-education-measures.html

Thought leadership blogs

Follow the link below to see our views on the impact of Brexit on universities, the role the education system can play in social mobility and other Education blogs.

<http://pwc.blogs.com/publicsectormatters/education/>

If you'd like hard copies of any of these publications, please don't hesitate to ask your internal audit team:

Justin Martin, justin.f.martin@pwc.com

Charlotte Bilsland, charlotte.bilsland@pwc.com

Lucy Gresswell, lucy.j.gresswell@pwc.com

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

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	CONFIDENTIAL
	PAPER NO:
Paper title:	Continuous Audit of Key Financial Systems – Period 2 1617
Board/Committee	Audit Committee
Date of meeting:	8 th June 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman - CFO
Purpose:	To provide Committee with the results of this continuous audit review into the University's Key Financial Systems.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	This report relates to the compliance risk type expressed within the Risk Appetite, and relates to the Resources & Infrastructure goal of the Corporate Strategy.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the report and its findings

Matter previously considered by:	Executive	On: 24 May 2017
Further approval required?		

Executive Summary

This 16/17 Period 2 continuous audit report has seen a slight decline in performance, due to the number of exceptions increasing from the previous report (*pages 5 – 18*) with an improvement in general ledger but a decline in accounts payable.

Payroll remains at amber. However, it is expected that the automated controls within the new HR system should reduce exceptions in the payroll area going forward.

- The Committee is requested to note the report.

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Internal Audit Report 2016/2017

Continuous Auditing: Key Financial Systems 2016/17 – Period 2

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

Distribution list

For action: Natalie Ferer - Financial Controller

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



Executive summary



System Summaries

There has been a decline in performance this period. Lack of documentation to evidence timely review and approval is a recurring theme, affecting Payroll and Accounts Payable. We have also continued to see exceptions affecting starter and leaver documentation within Payroll which does not appear to agree to system records however management have confirmed that the HR system and inbuilt automated controls will minimise the risk of these exceptions recurring in the future.

Our ratings are based on the number and severity of findings noted for controls tested as part of the programme. Our rating criteria are set out at Appendix 1. This does not consider control design issues – these are individually risk rated.

System / Rating	P2 2016/17	P1 2016/17	P2 2015/16	P1 2015/16	P3 2014/15	Trend
Payroll	Amber	Amber	Amber	Green	Green	
Accounts Payable	Amber	Green	Green	Green	Green	
Accounts Receivable	Green	Green	Green	Green	Green	
Cash	Green	Green	Green	Green	Amber	
General Ledger	Green	Amber	Green	Green	Green	

Background and scope



Background

The purpose of our Continuous Auditing programme is to test key controls on an on-going basis to assess whether they are operating effectively and to flag areas and/or report transactions that appear to circumvent controls. The systems included within the scope of our work in 2016/17 are:

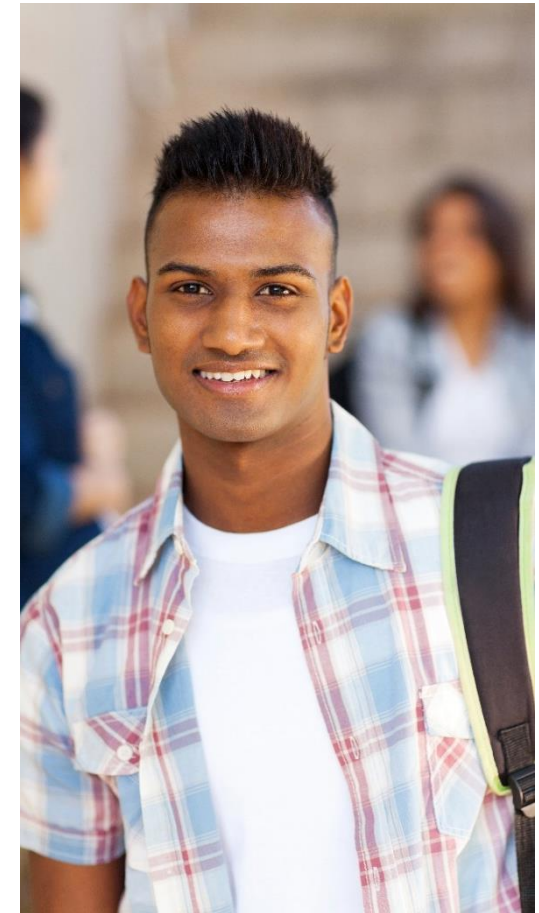
- Payroll;
- Accounts Payable;
- Accounts Receivable;
- Cash; and
- General Ledger.

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

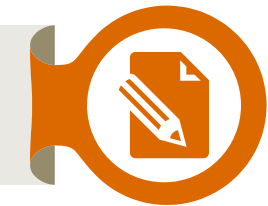
Our detailed findings are set out in Findings section of this report, starting on page 7. A summary of our findings and the matters arising in the course of our work this period is set out below.

Performance Ratings

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



Detailed Findings: Payroll



Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
P1 Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.	●	<p>4/25 - the start date on the new starter form did not agree to the start date on iTrent.</p> <p>1/25 - there was no date stamp so we cannot verify when the form was received in payroll.</p> <p>Management response and action:</p> <p>These are HPL staff who are set up as starting on the 1st of the month so we can play them in equal monthly instalments. From November 2016, HR and Payroll have been using a single system and starter forms are no longer used so this is no longer an issue.</p> <p>Owner and due date:</p> <p>N/a – no action required as process is no longer relevant</p>	●	●	●	●
P2 Leaver forms are received from Human Resources upon notification of resignation or redundancy.	●	<p>1/20 – the leave date on the leaver form did not agree to the leave date on iTrent.</p> <p>1/20 – no leaver form was provided.</p> <p>Management response and Action:</p> <p>From November 2016, HR and Payroll have been using a single system and starter forms are no longer used so this is no longer an issue.</p> <p>Owner and due date:</p> <p>N/a – no action required as process is no longer relevant</p>	●	●	●	●

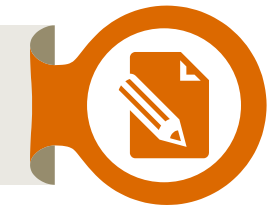
Detailed Findings: Payroll



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

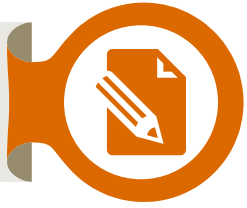
Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
P3 The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.	●	-	●	●	●	●
P4 Exception reports are produced and reviewed as part of month-end procedures, before the payment run is authorised.*	●	-	●	●	●	●
P5 Variation forms, with supporting documentation, are received prior to any changes being made to standing data.		Control design exception noted, see finding #1.	●	●	●	●
P6 Access to the payroll system is restricted to appropriate personnel.	●	-	●	●	●	●

Detailed Findings: Payroll



Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	●	<p>2/25 – the form was not dated when it was authorised.</p> <p>Management response and action:</p> <p>The usual procedures were not followed; staff have been reminded of this requirement and additional checks have been put in place. Going forward electronic timesheets will have system authorisation to remove the need for this manual process.</p> <p>Owner and due date:</p> <p>Natalie Ferer, Financial Controller, 31/05/2017</p>	●	●	●	●
Monthly reconciliations are performed between the general ledger and the payroll system. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	●	<p>1/25 – the reconciling items were not dated so we are unsure how long they have been outstanding.</p> <p>Management response and action:</p> <p>The detailed transaction listing included dates but the summary (which is reviewed and signed) did not. Going forward, all reconciliations will include the date of the transaction on the summary page.</p> <p>Owner and due date:</p> <p>Sally Black & Rebecca Warren, Financial Accountant, With immediate effect</p>	●	●	●	●

Detailed Findings: Payroll



Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
P9 Expenses are supported by appropriately authorised claim forms.	●	<p>3/25 - the form was not dated when it was authorised.</p> <p>Management response and action:</p> <p>The usual procedures were not followed; staff have been reminded of this requirement and additional checks have been put in place. Going forward we will have electronic system authorisation to remove the need for this manual process.</p> <p>Owner and due date:</p> <p>Natalie Ferer, Financial Controller, 31/05/2017</p>	●	●	●	●

Segregation of duties

Control Design

1

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Finding rating

Rating

Medium risk

Findings

Since November 2016 HR have been responsible for entering all changes to employee standing data. This is performed manually. There is no independent review and authorisation for changes to be processed prior to making the amendment on the system. This affected 8/25 employees selected as part of our sample.

Implications

- Inappropriate changes may be made to employee records.

Agreed action

It has been recommended to HR that the team put processes in place to verify the accuracy of data in the HR system to ensure there is independent review and authorisation.

In our next round of Continuous Auditing, we will test these – this is scheduled for Summer 2017.

Responsible person/title:

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

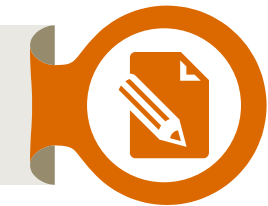
Target date:

31/05/2017

Reference number:

1

Detailed Findings: Accounts Payable



Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
AP1 Authorised documentation must be received prior to the creating a new or amending a supplier record.	●	<p>3/20 new suppliers had not been approved.</p> <p>Management response and Action:</p> <p>This was a typographical error which should have been picked up at verification stage; staff have been reminded of this. Verbal confirmation was sought but was not followed up in writing. We are updating our processes to ensure that all amendments require written confirmation.</p> <p>Owner and due date:</p> <p>Penny Green, Head of Procurement, With immediate effect</p>	●	●	●	●
AP2 Invoices are approved for payment by an appropriately authorised individual.	●	-	●	●	●	●
AP3 Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.	●	-	●	●	●	●

Detailed Findings: Accounts Payable



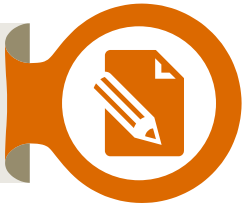
Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
AP4 BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	●	-	●	●	●	●
AP5 Agresso does not allow duplicate suppliers.	●	-	●	●	●	●
AP6 Daily reconciliations are performed between the general ledger and the creditors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	●	<p>None of the daily recs have been reviewed. This affects 20/20 tested.</p> <p>Management response and Action:</p> <p>Our mitigating control is that monthly reconciliations are reviewed by the Financial Accounting team. Going forward, the weekly reconciliations will be signed off by the Financial Controller or Financial Accountant and reconciled to the daily reconciliations.</p> <p>Owner and due date:</p> <p>Sally Black & Rebecca Warren, Financial Accountant and Natalie Ferer, Financial Controller, With immediate effect</p>	●	●	●	●

Detailed Findings: Accounts Receivable



Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
AR1 Credit checks are performed on new customer accounts upon request, prior to the commitment of service.	●	-	●	●	●	●
AR2 Invoices are properly authorised on Agresso in line with the authorised signatory register.	●	-	●	●	●	●
AR3 Commercial debt: reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	●	2/20 debts were not chased in line with required timescales (AR3) 2/25 debts were not chased in line with required timescales (AR4)	●	●	●	●
AR4 Student debt: reminder letters are sent in respect of overdue fees on a monthly basis in line with policy.	●	Management response and Action: Going forward, the reason for not chasing debt will be reviewed in advance and approved by the Financial Controller or Income Manager. Owner and due date: Natalie Ferer, Financial Controller and Julian Rigby, Head of Financial Processing, 31/05/2017	●	●	●	●

Detailed Findings: Accounts Receivable



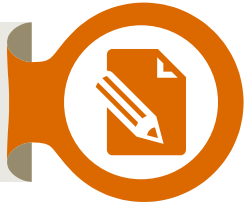
Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
AR5 Debts are written off following appropriate review and authorisation.	●		●	●	●	●
AR6 Monthly reconciliations are performed between the debtors balance on the general ledger and QLX.	●		●	●	●	●
AR7 Monthly reconciliations are performed between the debtors balance per QLX to QLS.	●		●	●	●	●
AR8 Monthly reconciliations are performed between the General Ledger and the debtors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	●		●	●	●	●

Detailed Findings: Cash



Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
C1 Cash takings in respect of tuition fees and student residences as recorded on QLX and KX are reconciled to cash balances held on a daily basis and discrepancies investigated.	●	Control design exception noted, see finding #2.	●	●	●	●
C2 Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	●	-	●	●	●	●
C3 Cash receipting responsibility within the QLX system and KX system is restricted to appropriate individuals.	●	-	●	●	●	●

Detailed Findings: Cash



Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
C4 Reconciliations are performed on a monthly basis between Agresso and the Bank Statement. These are performed by Treasury Team and reviewed on a timely basis (by the Financial Accountant), with supporting documentation. Reconciling items are investigated on a timely basis.	●	-	●	●	●	●

Cash collection from other sites

Control Design

2

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Finding rating

Rating

Low risk

Findings

Cash takings for tuition fees and student residences are reconciled to QLX and KX however the LSBU cash office do not retain evidence of these reconciliations.

Implications

- Reconciliations may not be performed which could mean cash balances may be incomplete or inaccurate.

Agreed action

We require cash to be reconciled to KX at the halls (the only other sites where cash is taken), but we do not hold the evidence in the cash office as it is held by the Halls.

Going forward, it has been agreed with Internal Audit that they will request evidence of the reconciliations from one of the Halls to ensure the process is followed.

Responsible person/title:

Natalie Ferer, Financial Controller and Julian Rigby, Head of Financial Processing

Target date:

With immediate effect

Reference number:

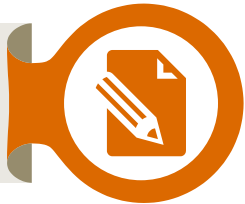
2

Detailed Findings: General Ledger



Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
GL1 Journals must be authorised, with supporting documentation, prior to being posted on the system.	●	-	●	●	●	●
GL2 On a monthly basis management accounts are prepared and significant variances against budget are investigated.	●	-	●	●	●	●
GL3 Suspense accounts are cleared or reconciled on a quarterly basis.	●	-	●	●	●	●
GL4 Balance sheet control accounts are cleared or reconciled on a monthly basis.	●	-	●	●	●	●

Detailed Findings: General Ledger



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Key Control	Exceptions P2 2016/17	Details on exceptions	Exceptions P1 2016/17	Exceptions P2 2015/16	Exceptions P1 2015/16	Exceptions P3 2014/15
GL5 Access to the general ledger is restricted to appropriate personnel.	●	-	●	●	●	●
GL6 No single individual has access to make changes to both the QLX and QLS systems.	●	-	●	●	●	●



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendices

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Appendix A: Basis of our classifications

System summary ratings

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

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

Control design improvement classifications

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

Critical

A finding that could have a:

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

Appendix A: Basis of our classifications

High

A finding that could have a:

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

Medium

A finding that could have a:

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

Low

A finding that could have a:

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

Advisory

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

Appendix B: Terms of reference

Continuous Auditing: Key Financial Systems

2016/17

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

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Background and audit objectives



This review is being undertaken as part of the 2016/2017 internal audit plan approved by the Audit Committee.

Background and audit objectives

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

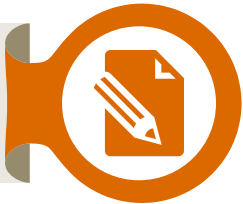
- It provides management with an assessment of the operation of key controls on a regular basis throughout the year;
- Control weaknesses can be addressed during the year rather than after the year end; and
- The administrative burden on management will be reduced when compared with a full system review, in areas where there is sufficient evidence that key controls are operating effectively.

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

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

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management	
25	x	x	x	x	x	x = area of primary focus x = possible area of secondary focus

Audit scope and approach (1 of 4)

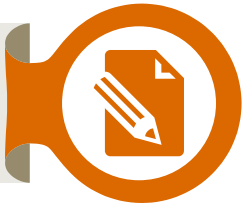


Scope

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

Sub-process	Key Control Objectives	Key risks
Payroll and staff expenses	<p>Accurate payments are made to valid employees of the organisation.</p> <p>Accurate payments are made in respect of valid expenses claims.</p>	<ul style="list-style-type: none"> Fictitious employees are established on the payroll and/or employees are established on the payroll incorrectly (e.g. incorrect pay scale). Payments are made in error to employees who have left the organisation and / or inaccurate final salary payments are made. Overtime or other timesheet based records are inaccurate leading to salary over / under payments. Invalid changes are made to employee salary and bank details leading to incorrect salary payments being made. Information transferred from the payroll system to the main accounting system is not complete and accurate. Expenses are incurred and reimbursed that are not allowable.

Audit scope and approach (2 of 4)



Scope

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

Sub-process	Key Control Objectives	Key risks
Accounts payable	<p>Expenditure commitments are made with prior budgetary approval.</p> <p>Payments are made only following the satisfactory receipt of goods or services.</p> <p>Payments are made only to valid suppliers.</p>	<ul style="list-style-type: none"> • Payments are made for goods and services which have not been ordered, received or are inadequate. • Invalid suppliers or supplier standing data is maintained leading to inaccurate or fraudulent payments. • Information transferred from the accounts payable system to the main accounting system is not complete and accurate. • Amounts due to suppliers for goods and services are overpaid.
Accounts receivable	<p>Fee income is collected on a timely basis.</p> <p>Goods or services are delivered only to credit worthy customers.</p> <p>Debts due are collected promptly.</p>	<ul style="list-style-type: none"> • Agreements are entered in to with customers prior to the performance of credit checks or credit limits are exceeded. This may mean debts are not recoverable. • Overdue debtor balances are not identified and balances are not actively chased to ensure timely collection of debts and maximisation of income. • Information transferred from the accounts receivable system to the main accounting system is not complete and accurate.

Audit scope and approach (3 of 4)

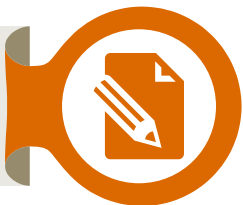


Scope

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

Sub-process	Key Control Objectives	Key risks
Cash	Cash ledger balances are accurate and complete. Cash is not lost or misappropriated.	<ul style="list-style-type: none"> Information transferred from the cash receipting systems to the main accounting system is not complete and accurate Discrepancies between the ledger and till or float records are not promptly identified and investigated. This could mean cash balances are incomplete and / or inaccurate.
General Ledger	Ledger balances are valid and accurate.	<ul style="list-style-type: none"> Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made. Suspense accounts and balance sheet control accounts are not cleared on a timely basis. Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information.

Audit scope and approach (4 of 4)



Limitations of scope

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

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

Audit approach

We will undertake our testing twice a year, covering the following periods during 2016/17:

- Phase 1: January 2016 – July 2016
- Phase 2: August 2016 – December 2016



Internal audit team



Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@pwc.com
Charlotte Bilsland	Engagement Senior Manager	07715 484 470 charlotte.bilsland@pwc.com
Lucy Gresswell	Engagement Manager	07718 098 321 lucy.j.gresswell@pwc.com
Janak Savjani	Continuous Auditing Technician	07802 660 974 janak.j.savjani@pwc.com
Josh Thomas	Continuous Auditing Technician	07718 978 628 Joshua.thomass@pwc.com



Key contacts

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Chief Financial Officer (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Review draft report
Natalie Ferer	Financial Controller	0207 815 6316 ferern@lsbu.ac.uk	Review and approve final report
Joanne Monk	Deputy Director of Human Resources	j.monk@lsbu.ac.uk	Hold initial scoping meeting
Denise Sullivan	Payroll Manager	d.sullivan@lsbu.ac.uk	Review and meet to discuss issues arising and develop management responses and action plan
Dave Lee	HR Systems & Analytics Manager	leed10@lsbu.ac.uk	Audit contact
Leo Kalzula	Hr Recruitment Manager	kaluzal@lsbu.ac.uk	Audit contact
Norda Graham	Payroll Clerk	grahamn4@lsbu.ac.uk	Audit contact
Wayne Brown	Procurement Administrator	brownw@lsbu.ac.uk	Audit contact
Maureen Stanislaus	Payments Team Leader	stanism@lsbu.ac.uk	Audit contact

Key contacts

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Julian Rigby	Head of Financial Processing	rigbyj@lsbu.ac.uk	Audit contact
Vic Van Rensburg	Income Team Leader	vanrensv@lsbu.ac.uk	Audit contact
Judy Robson	Accounts Clerk	robsonj2@lsbu.ac.uk	Audit contact
Ralph Sanders	Financial Planning Manager	sanderr4@lsbu.ac.uk	Audit contact
Brian Wiltshire	Payments Manager	wiltshbl@lsbu.ac.uk	Audit contact
Penny Green	Head of Procurement	greenp7@lsbu.ac.uk	Audit contact
Emily Parker	Procurement Services Operations Manager	parkere7@lsbu.ac.uk	Audit contact
Ravi Mistry	Financial Systems Manager	mistryrm@lsbu.ac.uk	Audit contact
Rebecca Warren	Financial Accountant	warrenra@lsbu.ac.uk	Audit contact
Sally Black	Financial Accountant	black6@lsbu.ac.uk	Audit contact

Timetable



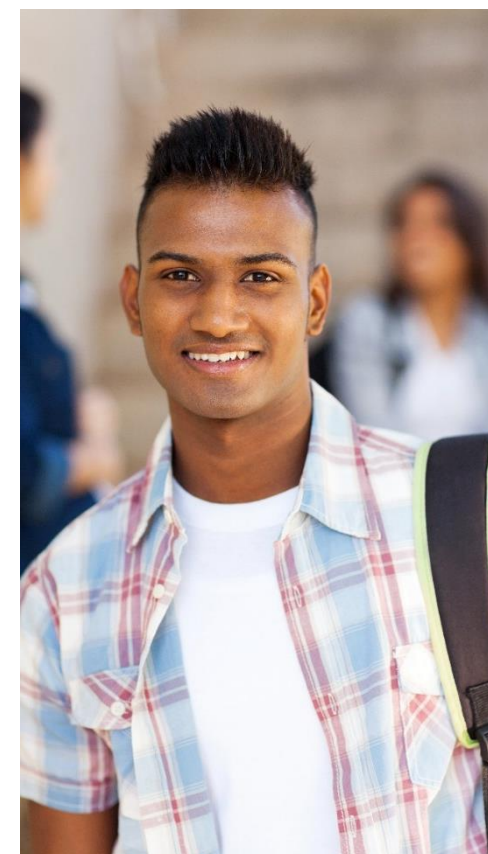
Timetable

	Phase 1	Phase 2
Fieldwork start	22/08/2016	16/01/2017
Fieldwork completed	26/08/2016	27/01/2017
Draft report to client	02/09/2016	10/02/2017
Response from client	09/09/2016	24/02/2017
Final report to client	16/09/2016	03/03/2017

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

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



Appendix 1: Key controls schedule



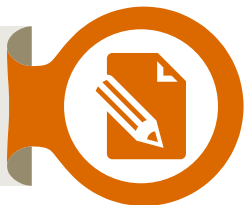
Based upon our understanding of the financial systems in place at LSBU and in discussion with management, we have agreed that the operating effectiveness of the following controls will be considered. These have been mapped to the key risks identified as in scope above.

Payroll

Key Contacts: Dave Lee, Leo Kalzula (P1 – P6, P8) and Norda Graham (P7 and P9)

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

Appendix 1: Key controls schedule



Key risk	Key Control	Reference
Payments are made in error to employees who have left the organisation and / or inaccurate final salary payments are made	<p>The following exception reports are produced and reviewed as part of month-end procedures, before the payment run is authorised:</p> <ul style="list-style-type: none"> • Errors and warnings reports (i.e. processing issues encountered); • Payroll differences (difference between each element between two periods, with tolerances of between 5% and 10%); • Gross pay over £6,000; • Number of staff paid in comparison to previous month with subsequent reconciliation; • Starters and leavers for the period; • Element differences between two periods for overtime and bonuses; and • HMRC payments. 	P4
Invalid changes are made to employee salary and bank details leading to incorrect salary payments being made	Variation forms, with supporting documentation, are received prior to any changes being made to standing data.	P5
	Access to the payroll system is restricted to appropriate personnel.	P6
Overtime or other timesheet based records are inaccurate leading to salary over / under payments	Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	P7

Appendix 1: Key controls schedule



Key risk	Key Control	Reference
Information transferred from the payroll system to the main accounting system is not complete and accurate	Monthly reconciliations are performed between the general ledger and the payroll system. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	P8
Expenses are incurred and reimbursed that are not allowable	Expenses are supported by appropriately authorised claim forms.	P9

Accounts Payable

Key Contacts: Wayne Brown (AP1 and AP5) and Maureen Stanislaus (AP2 – AP4 and AP6)

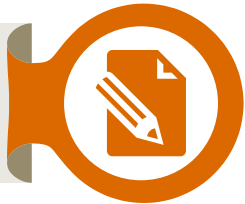
Key risk	Key Control	Reference
Invalid suppliers, or supplier standing data, is maintained leading to inaccurate or fraudulent payments	Authorised documentation must be received prior to the creating a new or amending a supplier record.	AP1
Payments are made for goods and services which have not been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

Appendix 1: Key controls schedule



Key risk	Key Control	Reference
Payments are made for goods and services which have not been ordered, received or are inadequate. Invoices payments are not appropriately reviewed and authorised prior to payment	BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	AP4
Amounts due to suppliers for goods and services are over paid	Agresso does not allow duplicate suppliers.	AP5
Information transferred from the accounts payable system to the main accounting system is not complete and accurate	Daily reconciliations are performed between the general ledger and the creditors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	AP6

Appendix 1: Key controls schedule



Accounts Receivable

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

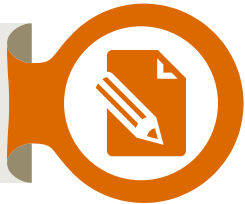
Key risk	Key Control	Reference
Agreements are entered into with customers prior to the performance of credit checks or credit limits are exceeded. This may mean debts are not recoverable.	Credit checks are performed on new customer accounts upon request, prior to the commitment of service.	AR1
Overdue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

Appendix 1: Key controls schedule



Key risk	Key Control	Reference
Information transferred from the accounts receivable system and student record system to the main accounting system is not complete and accurate	Monthly reconciliations are performed between the debtors balance on the general ledger and QLX.	AR6
	Monthly reconciliations are performed between the debtors balance per QLX to QLS.	AR7
	Monthly reconciliations are performed between the General Ledger and the debtors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	AR8

Appendix 1: Key controls schedule



Cash

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

Key risk	Key Control	Reference
Information transferred from the cash receipting systems to the main accounting system is not complete and accurate	Cash takings in respect of tuition fees and student residences as recorded on QLX and KX are reconciled to cash balances held on a daily basis and discrepancies investigated.	C1
Discrepancies between the ledger and till or float records are not promptly identified and investigated. This could mean cash balances are incomplete and / or inaccurate	Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	C2
	Cash receipting responsibility within the QLX system and KX system is restricted to appropriate individuals.	C3
	Reconciliations are performed on a monthly basis between Agresso and the Bank Statement. These are performed by the Financial Accounting Team and reviewed on a timely basis (by the Financial Accountant), with supporting documentation. Reconciling items are investigated on a timely basis.	C4

Appendix 1: Key controls schedule



General Ledger

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

Key risk	Key Control	Reference
Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made	Journals must be authorised, with supporting documentation, prior to being posted on the system.	GL1
	On a monthly basis management accounts are prepared and variances against budget are investigated. The following thresholds are applied at an account code level for investigation: <ul style="list-style-type: none"> • ≥ 10% variance between actuals and the budget or forecast where the total variance greater than £10,000 • ≥ £100,000 variance between actuals and the budget or forecast. 	GL2
Suspense accounts and balance sheet control accounts are not cleared on a timely basis	Suspense accounts are cleared/ reconciled and reviewed on a monthly basis.	GL3
	Balance sheet control accounts are cleared/ reconciled and reviewed on a monthly basis.	GL4
Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information	Access to the general ledger is restricted to appropriate personnel.	GL5
	No single individual has access to make changes to both the QLX and QLS systems.	GL6

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

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

Internal control

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

Future periods

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

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

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

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

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

This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University in our agreement dated 15/05/2015. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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

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

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	CONFIDENTIAL
	PAPER NO:
Paper title:	Continuous Audit of Student Data – Period 2 1617
Board/Committee	Audit Committee
Date of meeting:	8 th June 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman - CFO
Purpose:	To provide Committee with the results of this continuous audit review into the controls and checks relating to the enrolment and monitoring of students at LSBU.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	This report relates to the reputation and compliance risk types expressed within the Risk Appetite, and relates to the management of student enrolment records.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the report and its findings

Matter previously considered by:	Executive	On: 24 May 2017
Further approval required?		

Executive Summary

This 16/17 Period 2 continuous audit report is classified as medium risk (as previously), and the number of exceptions has increased slightly from the previous report (*pages 5 – 10*). There is 1 low risk control design finding (*pages 11*).

- The Committee is requested to note the report.

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Internal Audit Report 2016/2017

Continuous Auditing: Student Data 2016/17 – Period 2

DRAFT

London South Bank
University

Draft

May 2017

▶ Click to launch


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

Distribution list

For action: Ralph Sanders (Director of Planning, Information & Reporting)
 Dave Lewis (Software Development Team Leader)
 Sheila Patel (Applications Support and Maintenance Team Leader)
 Lisa Upton (Senior Assistant Registrar)
 Nuria Prades (Senior International Officer – UK and non-EU Europe)
 Rosalind Martin (Immigration and International Student Advice Manager)
 Alan Butt (Student Engagement Team Leader)

For information: Richard Flatman (Chief Financial Officer)
 John Baker (Corporate and Business Planning Manager)
 Jenny Laws (Head of Registry)
 Jamie Jones (Head of Student Administration)
 Andrew Ratajczak (Manager: Fees, Bursaries and Central Enrolment)
 Natalie Ferer (Financial Controller)
 Audit Committee



Executive summary



System Classification

Medium Risk



System Summaries

The table below summarises the overall performance rating for student data this period. This is based on the number and severity of findings identified each period. Our rating criteria are set out at Appendix A. This shows a decline in performance from the previous period: 35 operating effectiveness exceptions were identified in Period 1 2016/17; this has increased to 41 exceptions this period. One control design exception was also identified in Period 2 2016/17 (Period 1: two exceptions). There has been a theme across samples that evidence could not be located to confirm that a control has operated effectively, this has led to an increase in exceptions since the previous period.

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

Background and scope



Background

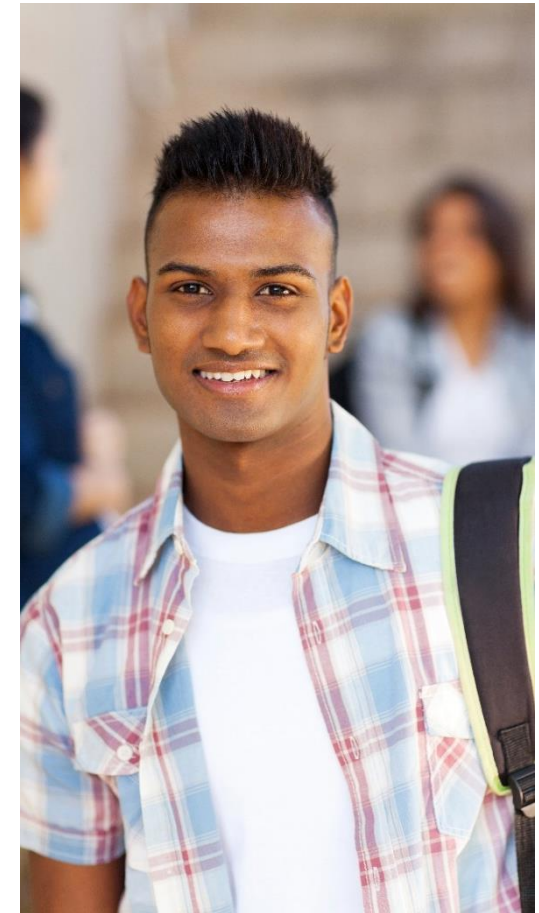
The Higher Education Funding Council for England's (HEFCE) Memorandum of Assurance and Accountability (MAA) states that the Audit Committee is required to produce an annual report for the governing body and the accountable officer. This report must include the Audit Committee's opinion on the adequacy and effectiveness of the University's arrangements for management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loans Company (SLC), HEFCE and other bodies. Whilst there is no requirement for our internal audit programme to provide a conclusion over data quality, our 2016/17 internal audit programme has been designed to support the Audit Committee in forming its conclusion.

Our Student Data Continuous Audit programme tests key controls associated with data quality on an on-going basis to assess whether they are operating effectively and to flag areas and/or report transactions that appear to circumvent controls.

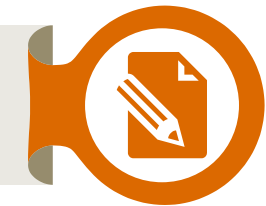
We have outlined the specific controls we have tested in Appendix B. These have been identified through our annual audit planning process and meetings with management. We will continue to refresh this knowledge throughout the year to ensure we focus upon the key risks facing London South Bank University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

In Period 1 2016/17, we applied Computer Assisted Audit Techniques (CAATS) to perform data mining procedures over a sample of courses and modules to confirm that student timetabling data is correct and to highlight any potential exceptions to management. We identified just two minor exceptions in this testing. Following discussion with Audit Committee, due to the significant improvement in the CAATS results, we agreed that CAATS testing would not be completed in Period 2 2016/17.

A summary of our findings and the matters arising in the course of our work this period is set out in the Executive Summary. Our detailed findings are set out in the Findings section.



Detailed Findings (1 of 7)



	Key Control	Exceptions P2 2016/17*	Details on exceptions	Management Comment
S1	<p>New Student Record</p> <p>Following a student record being created in QLS at the application stage, appropriate checks are performed prior to fully enrolled ('EFE') status. These checks include:</p> <ul style="list-style-type: none"> •A full ID check •Criminal conviction check (self-declaration by students) •Entry criteria have been met 	14	For 14/25 students tested, there was no evidence that a criminal conviction check has been completed.	<p>Management response and action:</p> <p>There were a range of applicants identified in the exceptions. Management have set up a small working group with the areas to look at how to resolve.</p> <p>Owner and due date:</p> <p>Lisa Upton, Deputy Academic Registrar, 30/06/2017</p>
S2	<p>Tier 4 controls</p> <p>Supporting documentation is obtained and retained to ensure Tier 4 requirements are met.</p>	0	-	-

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

Detailed Findings (2 of 7)



	Key Control	Exceptions P2 2016/17*	Details on exceptions	Management Comment
S3	<p>Student Engagement</p> <p>Applies to all Schools (other than Health & Social Care and students with Tier 4 visas).</p> <p>Engagement data is captured in the Student Point of Contact (SPOC) report. The following indications of engagement are monitored:</p> <ul style="list-style-type: none"> •Entry onto campus. •Moodle use. •Attendance at teaching sessions. •Submission of assessment •MyLSBU use. <p>Students failing to meet the minimum thresholds for engagement are investigated.</p>	<p>1</p>	<p>For 1/25 students, evidence could not be provided to confirm that the initial correspondence was sent to the student.</p>	<p>Management response and action:</p> <p>We will introduce an additional level of student correspondence audit to verify that communications have been sent, saved and available for future retrieval on demand.</p> <p>Owner and due date:</p> <p>Alan Butt (Student Engagement Team Leader), 30/06/2017</p>

Detailed Findings (3 of 7)



	Key Control	Exceptions P2 2016/17*	Details on exceptions	Management Comment
S4	<p>Student Attendance</p> <p>Applies to School of Health & Social Care and students with Tier 4 visas.</p> <p>Attendance reports from the Student Attendance Monitoring system (SAM) are generated by the School of Health & Social Care and for students with Tier 4 visas to identify periods of non-attendance. Students failing to meet the minimum attendance thresholds are investigated.</p>	<p>1</p>	<p>For 1/25 students, a system error arose whereby the exception report failed to flag the student's non-attendance. This meant that an email to the student was not sent. We have confirmed that the student's attendance had improved in the following week, therefore further escalation was not required.</p>	<p>Management response and action:</p> <p>This was a system based anomaly which has been raised with the relevant ICT department for further investigation to rectify the issue.</p> <p>Owner and due date:</p> <p>Alan Butt (Student Engagement Team Leader), 30/06/2017</p>

Detailed Findings (4 of 7)



	Key Control	Exceptions P2 2016/17*	Details on exceptions	Management Comment
S5	<p>Course Changes</p> <p>Supporting evidence is obtained prior to processing any course changes or withdrawals.</p>	<p>6</p>	<p>6/20 exceptions noted:</p> <ul style="list-style-type: none"> In 3/20 cases, a change in course form could not be provided. For 2/20 changes tested, the effective change date was backdated to before the change was authorised by the School. 1/25 change in course forms had not been signed by an appropriate member of Faculty staff. 	<p>Management response and action:</p> <p>The majority of the failures identified relate to a new member of staff in the Fees & Bursary team who will be provided with more instruction on the correct process to follow. Additionally a reminder for all the team has been issued.</p> <p>Owner and due date:</p> <p>Lisa Upton, Deputy Academic Registrar, 30/06/2017</p>

Detailed Findings (5 of 7)



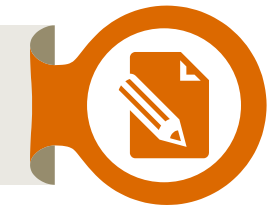
	Key Control	Exceptions P2 2016/17*	Details on exceptions	Management Comment
S6	<p>Withdrawals</p> <p>Supporting documentation is retained for all change of circumstances. Changes of circumstances are processed on a timely basis.</p> <p>This testing is restricted to the testing of withdrawals.</p>	5	<p>5/25 exceptions noted:</p> <ul style="list-style-type: none"> For 2/25 withdrawals, there is no evidence that the student was notified of the withdrawal. For 1/25 withdrawals, there was no evidence from the student or School to support the withdrawal, nor evidence of the withdrawal on the QLS system. For 2/25 withdrawals tested, the QLS system was not updated for the withdrawal in a timely manner (based on a two week target from the date that the withdrawal letter/form was completed). For one of the exceptions, it took 64 days for the withdrawal to be processed. 	<p>Management response and action:</p> <p>These exceptions cover 3 working areas. Fees and Bursary team, Student admin and School. The cases will be flagged to the management of each area to ensure that training is reviewed and Registry will look at including a module in the CPD training</p> <p>Owner and due date:</p> <p>Lisa Upton, Deputy Academic Registrar, 31/07/2017</p>
S7	<p>Module Data Exception Reporting</p> <p>Exception reports are run to identify changes made to student module data and are investigated.</p>	0	<p>Control design exception noted, see finding #1.</p>	

Detailed Findings (6 of 7)



	Key Control	Exceptions P2 2016/17*	Details on exceptions	Management Comment
S8	<p>Changes to Module Data</p> <p>Evidence is retained to support any changes to student module data.</p>	8	In 8/25 instances, the module data had not been corrected on the system at the time of testing.	<p>Management response and action:</p> <p>A review of the module data checking process will be undertaken to raise the profile of this important data quality requirement.</p> <p>Owner and due date:</p> <p>Lisa Upton, Deputy Academic Registrar, 30/06/2017</p>
S9	<p>Non-Conformance Reports</p> <p>Non-conformance reports (NCRs) are generated and investigated.</p>	N/A	No NCR reports were produced during the testing period. This control is no longer operating and will be removed from the Student Data Continuous Auditing scope going forwards.	-

Detailed Findings (7 of 7)



	Key Control	Exceptions P2 2016/17*	Details on exceptions	Management Comment
S10	<p>QLS: New Starters</p> <p>All new users of the QLS system must complete an authorisation form which is authorised by their line manager and IT prior to system access.</p>	1	For 1/5 new users tested, there was no evidence of authorisation from IT for the user's access.	<p>Management response and action:</p> <p>This was an exceptional case authorised by the Head of Registry.</p> <p>Owner and due date:</p> <p>N/a - no action required.</p>
S11	<p>QLS: Leavers</p> <p>Leavers are removed from the QLS system on a timely basis.</p>	5	None of the leavers tested had been removed from the QLS system (5/5). The delay was caused as HR did not inform Registry and IT of the leavers until 13 April 2017. All 5 individuals in our sample had left LSBU before 31 March 2017, one of the individuals in our sample had left in November 2016.	<p>Management response and action:</p> <p>There was a delay in the information on leavers being provided by the HR department. This has been flagged as a priority report</p> <p>Owner and due date:</p> <p>Lisa Upton, Deputy Academic Registrar, With immediate effect</p>

Exception reports to identify changes to student module data (S7)

Control design

1

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Finding rating

Rating

Low risk

Findings

Historically exception reports were produced every month to identify changes to student module data. Exception reports are now produced once every term and reviewed and resolved on an ad hoc basis.

Implications

Without an established timetable for preparing and reviewing exception reports, LSBU may not identify errors in student records in a timely manner. This could have negative implications on the student’s academic experience, leading to reputational and/ or financial implications for LSBU.

Action plan

We will agree the timescales for producing and reviewing exception reports for student module data.

Responsible person/title:

Lisa Upton, Deputy Academic Registrar

Target date:

31/07/2017

Reference number:

1



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendices

Page 133

Appendix A: Basis of our classifications

System summary ratings

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

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

Control design improvement classifications

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

Critical

A finding that could have a:

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

Appendix A: Basis of our classifications

High

A finding that could have a:

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

Medium

A finding that could have a:

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

Low

A finding that could have a:

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

Advisory

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

Appendix B: Terms of reference

Continuous Auditing: Student Data 2016/17

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

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Background and audit objectives (1 of 2)



This review is being undertaken as part of the 2016/2017 internal audit plan approved by the Audit Committee.

Background and audit objectives

The Higher Education Funding Council for England's (HEFCE) Memorandum of Assurance and Accountability (MAA) states that the Audit Committee is required to produce an annual report for the governing body and the accountable officer. This report must include the committee's opinion on the adequacy and effectiveness of the University's arrangements for management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loans Company, HEFCE and other bodies. Whilst there is no requirement for our internal audit programme to provide a conclusion over data quality, our internal audit programme for 2016/17 has been designed to support the Audit Committee in forming its conclusion.

Our Student Data Continuous Audit programme will test key controls associated with data quality on an on-going basis to assess whether they are operating effectively and to flag areas and/or report transactions that appear to circumvent controls. Testing will be undertaken twice a year and provide the following benefits:

- It provides management with an assessment of the operation of key controls on a regular basis throughout the year;
- Control weaknesses can be addressed during the year rather than after the year end; and
- The administrative burden on management will be reduced when compared with a full system review, in areas where there is sufficient evidence that key controls are operating effectively.

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

Background and audit objectives (2 of 2)



Background and audit objectives

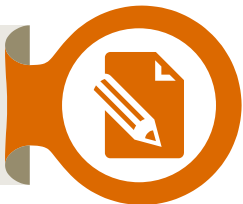
Our work touches upon the following areas that form part of our annual report to Audit Committee:

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

X = area of primary focus

x = possible area of secondary focus

Audit scope and approach (1 of 2)

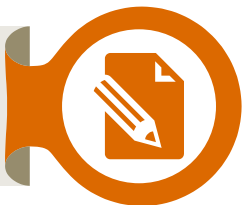


Scope

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

Sub-process	Key Control Objectives	Key risks
Student Systems	Complete and accurate records of students and their activity are maintained.	<ul style="list-style-type: none"> Application and enrolment data may be inaccurate. This could also result in fees not being correct resulting in students being over or undercharged and an associated impact on income. UKVI requirements are not complied with. This could result in London South Bank University losing their license to operate affecting fee income and leading to reputational damage. Student engagement or attendance records are incorrect undermining the reliability of management information. Course changes are not identified on a timely basis which could affect fee income, as well as student data quality. Reporting of changes in circumstances to the SLC are not reported and processed accurately, completely and on a timely basis. This could mean student data is inaccurate. Student module data is inaccurate or incomplete, undermining the reliability of data. Users have unauthorised access and can make inappropriate amendments to student records which could compromise the validity, accuracy and completeness of student data.

Audit scope and approach (2 of 2)



Limitations of scope

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

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

Audit approach

We will undertake our testing twice a year, covering the following periods during 2016/17:

- Phase 1: April 2016 – October 2016
- Phase 2: November 2016 – March 2017



Internal audit team



Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
Charlotte Bilsland	Engagement Senior Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Lucy Gresswell	Engagement Manager	07718 098 321 lucy.j.gresswell@uk.pwc.com
Janak Savjani	Continuous Auditing Supervisor	07802 660 974 janak.j.savjani@uk.pwc.com
Josh Thomas	Continuous Auditing Technician	joshua.thomas@uk.pwc.com
Friederike Murach-Ward	Data Assurance Supervisor	friederike.e.murach-ward@uk.pwc.com



Key contacts

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Chief Financial Officer (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference Review draft report
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Review and approve final report
Andrew Ratajczak	Manager; Fees, Bursaries and Central Enrolment	ratajca@lsbu.ac.uk	Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan
Neil Gillett	Immigration and International Student Advice Manager	neil.gillett@lsbu.ac.uk	
Nuria Prades	Senior International Officer (UK & non-EU Europe)	pradesn@lsbu.ac.uk	
Lisa Upton	Deputy Academic Registrar (Acting)	uptonl@lsbu.ac.uk	
Dave Lewis	Software Development Team Leader	dave.lewis@lsbu.ac.uk	Audit Contact
Jenny Laws	Head of Registry	lawsjr@lsbu.ac.uk	Audit Contact

Key contacts

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Jamie Jones	Head of Student Administration	jamie.jones@lsbu.ac.uk	Audit contact
Alan Butt	Student Engagement Team Leader	buttab@lsbu.ac.uk	Audit contact
Sheila Patel	Applications Support and Maintenance Team Leader	sheila@lsbu.ac.UK	Audit contact
Natalie Ferer	Financial Controller	ferern@lsbu.ac.uk	Audit contact

Timetable



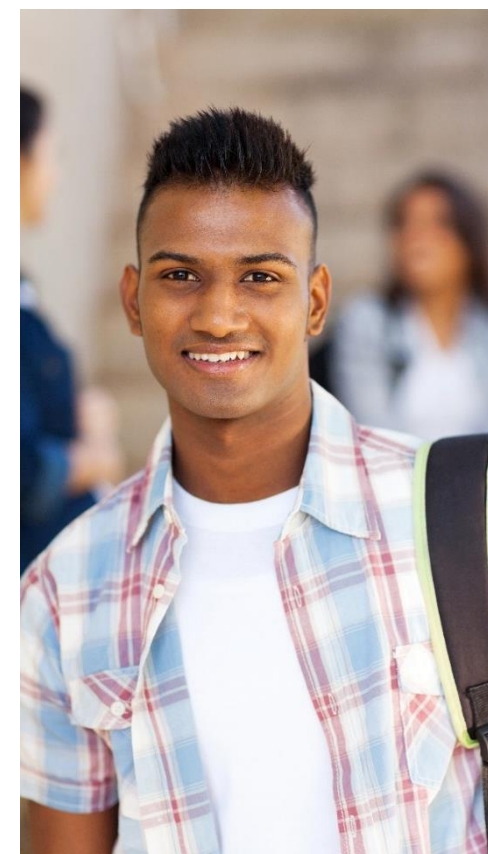
Timetable

	Phase 1	Phase 2
Fieldwork start	21/11/2016	10/04/2017
Fieldwork completed	02/12/2016	21/04/2017
Draft report to client	16/12/2016	05/05/2017
Response from client	06/01/2017	19/05/2017
Final report to client	13/01/2017	26/05/2017

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

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



Appendix 1: Key controls schedule



Based upon our understanding of the key student data controls at London South Bank University and in discussion with management, we have agreed that the operating effectiveness of the following controls will be considered. These have been mapped to the key risks identified as in scope above. The deliverables required to complete testing of the controls is outlined in appendix 2.

Our testing will be applicable to all students, with the exception of Tier 4 controls which is only relevant to international students.

Enrolment

Key risk	Key Control	Reference
Application and enrolment data may be inaccurate. This could also result in fees not being correct resulting in students being over or undercharged and an associated impact on income.	<p>Following a student record being created in QLS at the application stage, appropriate checks are performed prior to fully enrolled ('EFE') status. These checks include:</p> <ul style="list-style-type: none"> • A full ID check • Criminal conviction check (self-declaration by students) • Entry criteria have been met <p>Key contact: Lisa Upton</p>	S1
UKVI requirements are not complied with. This could result in London South Bank University losing their license to operate affecting fee income and leading to reputational damage.	<p>Supporting documentation is obtained and retained to ensure Tier 4 requirements are met.</p> <p>Key contact: Neil Gillett and Nuria Prades</p>	S2

Appendix 1: Key controls schedule



Student Attendance Monitoring

Key risk	Key Control	Reference
Student engagement or attendance records are incorrect undermining the reliability of management information.	<p><u>Student Engagement</u></p> <p><i>Applies to all Schools (other than Health & Social Care and students with Tier 4 visas).</i></p> <p>Engagement data is captured in the Student Point of Contact (SPOC) report. The following indications of engagement are monitored:</p> <ul style="list-style-type: none"> • Entry onto campus. • Moodle use. • Attendance at teaching sessions. • Submission of assessment • MyLSBU use. <p>Students failing to meet the minimum thresholds for engagement are investigated.</p> <p>Key contact: Alan Butt, Student Engagement Team Leader</p>	S3
	<p><u>Student Attendance</u></p> <p><i>Applies to School of Health & Social Care and students with Tier 4 visas</i></p> <p>Attendance reports from the Student Attendance Monitoring system (SAM) are generated by the School of Health & Social Care to identify periods of non-attendance. Students failing to meet the minimum attendance thresholds are investigated.</p> <p>Key contact: Alan Butt, Student Engagement Team Leader</p>	S4

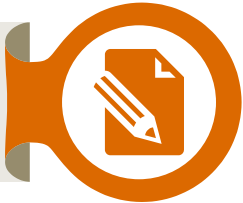
Appendix 1: Key controls schedule



Enrolment Amendments

Key risk	Key Control	Reference
Course changes are not identified on a timely basis this could affect fee income.	Supporting evidence is obtained prior to processing any course changes or withdrawals. Key contact: Andrew Ratajczak	S5
Reporting of changes in circumstances to the SLC are not reported and processed accurately, completely and on a timely basis. This could mean student data is inaccurate.	Supporting documentation is retained for all change of circumstances. Changes of circumstances are processed on a timely basis. This testing is restricted to the testing of withdrawals. Key contact: Andrew Ratajczak	S6
Student module data is inaccurate or incomplete, undermining the reliability of data.	Exception reports are run to identify changes made to student module data and are investigated. Key contact: Lisa Upton	S7
	Evidence is retained to support any changes to student module data. Key contact: Lisa Upton	S8
	Non-conformance reports (NCRs) are generated and investigated. Key contact: Lisa Upton	S9

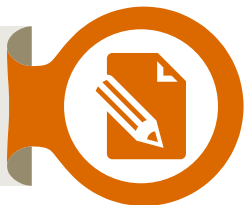
Appendix 1: Key controls schedule



System Access

Key risk	Key Control	Reference
Users have unauthorised access and can make inappropriate amendments to student records which could compromise the validity, accuracy and completeness of student data.	All new users of the QLS system must complete an authorisation form which is authorised by their line manager and IT prior to system access. Key contact: Lisa Upton	S10
	Leavers are removed from the QLS system on a timely basis. Key contact: Lisa Upton	S11

Appendix 2: Computer Assisted Audit Techniques (CAATs)



Scope

Each student at London South Bank University should have a personalised time table. This is based on the course and modules selected. Schools produce course timetables which are input into the timetabling system (CMIS). Where there are multiple students attending the same modules, the intake may be split into separate classes. Where separate classes are required, staff log in to the system and create sub-groupings of students. This data is input into the timetabling system to ensure students have correct personalised timetables.

Management have highlighted that in some instances student do not have access to personalised timetables. This appears to be due to incorrect sub-groupings being logged on the system. As part of our fieldwork we are using CAATs to perform data mining procedures over a sample of courses and modules to confirm that student timetabling data is correct and highlight any potential exceptions to management. This period we will be testing:

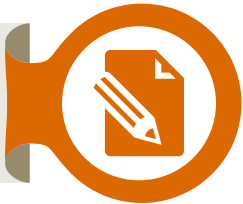
Five courses:

- 3016, BEng (Hons) Petroleum Engineering
- 2384, BSc (Hons) Diagnostic Radiography
- 4194, BA (Hons) Drama and Performance
- 2134, BEng (Hons) Chemical and Process Engineering
- 191, BEng/BEng (Hons) Civil Engineering

Five Modules

- EBB_4_020
- AME_5_CLP
- EAB_S_972
- BAF_5_FAA
- LAW_4_FPL

Appendix 2: Computer Assisted Audit Techniques (CAATs)



Approach

- We will request data detailing the module timetables and the students registered to that module from a five modules from five courses from five year groups.
- We will test that students registered to each module have received their personal timetables and whether any students who are not enrolled to these particular courses have been added incorrectly to these modules.

Output

The results of our fieldwork will be included as an Appendix in our report. We will provide the detailed data analysis to management separately to investigate any exceptions noted.

Deliverables request

- Module timetable data from CMIS including students registered to the module. (Key contact: Dave Lewis)
- List of students enrolled to each module. (Key contact: Sheila Patel)

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

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

Internal control

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

Future periods

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

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

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

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

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

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

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

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

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

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	CONFIDENTIAL
	PAPER NO:
Paper title:	Apprenticeships Report
Board/Committee	Audit Committee
Date of meeting:	8 th June 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Pat Bailey – DVC
Purpose:	To provide Committee with the results of the review into the systems and processes relating to the management of apprenticeships within LSBU.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	This report relates to the reputation and compliance risk types expressed within the Risk Appetite, and relates mainly to the student experience and access goals within the Strategy.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the report and its findings

Matter previously considered by:	Executive	On: 24 May 2017
Further approval required?		

Executive Summary

This 16/17 internal audit report is classified as high risk, and has 1 high, and 2 medium findings (*pages 6 – 9*).

The operating effectiveness finding relates to the compliance with ESFA funding regulations, and relate to the signing of documentation prior to start dates, transfer of incentive payments and attendance records.

The control design findings relate to policy and procedure stipulations in relation to ESFA compliance and ASN support mechanisms.

- The Committee is requested to review and note this report.

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Internal Audit Report 2016/2017

Apprenticeships

*London South Bank
University*

FINAL

May 2017

▶ Click to launch


Page 155

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Executive summary

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Background and scope

2 

Findings

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Appendices

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

Distribution list

For action: Patrick Bailey (Deputy Vice-Chancellor)
Mike Simmons (Director of Corporate Affairs)
Matthew Amos (Apprenticeship Account Manager)
Hannah Seabridge (Apprenticeships Administrator)
Heather Collins (Apprenticeship Implementation Manager)

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



Executive summary

Report classification

High Risk



Trend

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

Total number of findings

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



Headlines/summary of findings

London South Bank University (LSBU) are planning to expand their current apprenticeship training provision. The objective of this audit was to review the controls in place for apprenticeships and assess whether the correct evidence is in place to meet the higher education institution funding rules set by the Education & Skills Funding Agency (ESFA).

We identified *one high risk* operating effectiveness finding relating to LSBU’s compliance with the ESFA higher education institution funding rules:

- For 19/20 apprentices we tested, we found that the apprenticeship agreement and commitment statement had not been signed by all parties ahead of the apprenticeship start date;
- Employer incentive payments were claimed for seven of the 20 students in our sample. In all seven cases, the payment had not been transferred to the employer within the 10 working day deadline set by the ESFA. In one instance, the employer incentive claim form could not be located; and
- Attendance records could not be provided for 6/20 apprentices. All of these apprentices were in the School of Health and Social Care.

We also identified *two medium risk* control design findings:

- There is no policy or guidance document outlining the steps which LSBU staff must follow to comply with the rules of the ESFA.
- There are gaps in LSBU’s current apprenticeship provision:
 - LSBU does not have a process in place to claim funding for students with additional support needs;
 - LSBU does not retain details of the state benefits claimed by apprentices; and
 - LSBU does not retain a summary of relevant experience and achievements for apprentices, nor details of relevant prior learning that affects the apprentice’s learning or the funding of any of the learning aims or the programme.

Background and scope (1 of 2)



Background

The Government pledged to provide three million apprenticeships in England by 2020. To deliver this pledge, an apprenticeship levy was introduced in April 2017 to encourage employers to provide apprenticeships. Employers are also required decide what training they will provide to their apprentices. Employers can choose to train their apprentices in house, or use high quality education and training providers.

LSBU currently provides training to 88 apprentices enrolled on a Level 6 Chartered Surveyor Apprenticeship and 15 apprentices enrolled on a Level 5 Assistant Practitioner Apprenticeship. A number of Schools are also planning to provide apprenticeship training and education services for 2017, including Business, Law and Social Sciences and Engineering.

The objective of this audit was to review the controls in place for apprenticeships and assess whether the correct evidence is in place to meet the higher education institution funding rules set by ESFA.

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

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

X = area of primary focus

x = possible area of secondary focus



Background and scope (2 of 2)



Scope

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

Sub-process	Objectives
Apprenticeships policy and process guidance	There is defined policy and / or guidance notes explaining the ESFA higher education institution funding rules, including the roles and responsibilities for LSBU staff.
Compliance with ESFA higher education institution funding rules	<p>Controls are in place to demonstrate compliance with the ESFA higher education institution funding rules, specifically:</p> <ul style="list-style-type: none"> • The apprenticeship agreement between LSBU and the employer; • The commitment statement between employer, apprentice and LSBU; • An eligibility declaration form, signed by the employer; • The employer incentive claim form, prepared by LSBU; • The learner file (previously called learning agreement), containing the evidence needed to support the funding claimed.

Limitations of scope

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

We tested the controls in place for a sample of apprentices. This sample was limited to 20 apprentices and to testing the controls which were specified in our information request (pages 19-20).

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



Apprenticeships policy and process guidance

Control design

1

Page 160

Finding rating

Rating

Medium

Findings

LSBU does not have a policy or guidance document in place outlining the steps and processes which must be completed to comply with the requirements of the ESFA.

Implications

Without a policy or guidance document, LSBU staff may not be complying with ESFA guidance. This could result in restrictions being imposed on the University on their provision of apprenticeships which would result in financial and reputational damage.

Action plan

- We will create a centralised guidance document on the apprenticeships process. This will cover all requirements of the ESFA and will be distributed to all relevant staff and stakeholders.

Responsible person/title:

*Heather Collins
(Apprenticeship
Implementation Manager)*

Target date:

30/09/2017

Reference number:

A-1

**Compliance with ESFA
higher education
institution funding rules**
Operating effectiveness

2

Page 161

Finding rating

Rating

High

Findings

We selected a sample of 20 apprentices and tested whether LSBU had complied with the guidance published by the ESFA. We identified the following exceptions:

- An apprenticeship agreement must be signed by LSBU and the employer before the apprenticeship begins. Of the 20 apprenticeship agreements reviewed, we found:
 - 19/20 had not been signed by the LSBU representative in advance of the apprenticeship start date; and
 - 6/20 had not been signed by the employer in advance of the apprenticeship start date.
- A commitment statement must be signed by LSBU, the employer and the apprentice before the apprenticeship begins. Of the 20 commitment statements reviewed, we found:
 - 19/20 had not been signed by LSBU in advance of the apprenticeship start date;
 - 7/20 had not been signed by the employer in advance of the apprenticeship start date; and
 - 11/20 had not been signed by the apprentice in advance of the apprenticeship start date.
- Where the employer is eligible to claim employer incentive payments, the HEI provider (LSBU) must provide the employer with an employer incentive claim form and the payment must be transferred from LSBU to the employer within 10 working days of receipt. The employer was eligible to claim employer incentive payments in 7/20 cases reviewed. We identified the following exceptions:
 - In 1/7 cases, the employer incentive form could not be located; and
 - In 7/7 cases, the incentive payment received by LSBU was not paid within 10 working days of its receipt.
- To claim funding from the ESFA, a learner file must be in place, which includes evidence that learning has taken place. This would normally be in the form of the apprentice’s attendance record. For 6/20 apprentices, evidence of the apprentice’s attendance could not be provided. All six exceptions relate to students in the school of Health and Social Care.

**Compliance with ESFA
higher education
institution funding rules**

Operating effectiveness

Continued

Page 162

2

Finding rating

Rating

High

Implications

LSBU are unable to evidence that they are complying with the ESFA guidance. This could result in the loss of funding for the apprentice, or restrictions on LSBU providing apprenticeships going forwards.

Action plan

- We have implemented the Docusign platform to collect and store signed apprenticeship documents. This will improve the timeliness of collating signatures.
- The introduction of a centralised guidance document will reiterate to staff the key checkpoints which must be completed before the apprenticeship commences.
- Apprentices will no longer be able to start their course with LSBU if the apprenticeship agreement and commitment statement has not been signed by all parties.
- Going forward, employer incentive payments will be made directly to the employer from the ESFA. In the meantime, Finance will implement a process to ensure that employer incentive payments are transferred to the employer within 10 working days of receipt.
- Attendance records will be retained for all apprentices, including those in the School of Health and Social Care.

Responsible person/title:

*Heather Collins
(Apprenticeship
Implementation Manager)*

Target date:

30/09/2017

Reference number:

A-2

**Compliance with ESFA
higher education
institution funding rules**

Control design

3

Page 163

Finding rating

Rating

Medium

Findings

We identified four omissions in the LSBU apprenticeship process per the ESFA guidance:

- LSBU is not claiming funding for students with additional support needs. To claim this funding, LSBU will need to collate data on support needs and also produce evidence which demonstrates that LSBU has met the apprentice’s support needs.
- LSBU does not retain a summary of relevant experience and achievements for apprentices, both inside and outside their current working role.
- There is no self-declaration on the application form to identify any state benefits claimed by the apprentice.
- No evidence of prior learning that affects the apprentice’s learning or the funding of any of the learning aims or programme is held for students in the School of Health and Social Care.

Implications

LSBU are not claiming all available sources of funding.

LSBU are unable to evidence that they are complying with all aspects of the ESFA guidance. This could result in the loss of funding for the apprentice, or restrictions on LSBU providing apprenticeships going forwards.

Action plan

- We will introduce a declaration on the apprentice’s application form for support needs and any state benefits claimed.
- Where we are claiming funding for the additional support needs of a student, we will retain evidence for how LSBU are providing support to the apprentice.
- We will retain evidence of the apprentice’s relevant experience and achievements, both inside and outside their current working role.
- We will retain evidence of prior learning that affects the learning or the funding of any of the learning aims or programme for all students.

Responsible person/title:

*Heather Collins
(Apprenticeship
Implementation Manager)*

Target date:

30/09/2017

Reference number:

A-3

17 May 2017



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendix D: Insight

Appendices

Page 164

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

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

High

A finding that could have a:

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

Medium

A finding that could have a:

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

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:

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

Advisory

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

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Report classifications

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

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

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



Appendix B: Terms of reference

Placements

To: Patrick Bailey – Deputy Vice-Chancellor

From: Justin Martin – Head of Internal Audit

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Background and audit objectives



This review is being undertaken as part of the 2016/17 internal audit plan approved by the Audit Committee.

Background and audit objectives

The Government has pledged to provide three million apprenticeships in England by 2020. To deliver this pledge, an apprenticeship levy will be introduced in April 2017 to encourage employers to provide apprenticeships. Employers will also be required decide what training they will provide to their apprentices. Employers can choose to train their apprentices in house, or use high quality education and training providers.

London South Bank University currently provides training to 88 apprentices enrolled on a Level 6 Chartered Surveyor Apprenticeship and 15 apprentices enrolled on a Level 5 Assistant Practitioner Apprenticeship. A number of Schools are also planning to provide apprenticeship training and education services for 2017, including Business, Law and Social Sciences and Engineering.

The objective of this audit is to review the controls in place for apprenticeships and assess whether the correct evidence is in place to meet the higher education institution funding rules set by the Education & Skills Funding Agency (ESFA).

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

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

X = area of primary focus

x = possible area of secondary focus

Audit scope and approach (1 of 2)

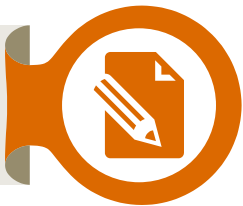


Scope

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

Sub-process	Objectives
Apprenticeships policy and process guidance	There is defined policy and / or guidance notes explaining the ESFA higher education institution funding rules, including the roles and responsibilities for London South Bank University staff.
Compliance with ESFA higher education institution funding rules	<p>Controls are in place to demonstrate compliance with the ESFA higher education institution funding rules, specifically:</p> <ul style="list-style-type: none"> • The apprenticeship agreement between London South Bank University and the employer; • The commitment statement between employer, apprentice and London South Bank University; • An eligibility declaration form, signed by the employer; • The employer incentive claim form, prepared by London South Bank University; and • The learner file (previously called learning agreement), containing the evidence needed to support the funding claimed.

Audit scope and approach (2 of 2)



Limitations of scope

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

We will test the controls in place for a sample of apprentices. This sample will be limited to a maximum of 25 apprentices and to testing the controls which are specific in our information request.

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

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the process through discussions with key personnel, review of methodology and procedure notes and walkthrough tests;
- Identify the key risks relating to the process;
- Evaluate the design of the controls in place to address the key risks;
- Test the operating effectiveness of the key controls.



Internal audit team and key contacts



Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	Telephone: 0207 212 4269 Email: justin.f.martin@uk.pwc.com
Charlotte Bilsland	Engagement Senior Manager	Telephone: 07715 484 470 Email: charlotte.bilsland@uk.pwc.com
Lucy Gresswell	Engagement Manager	Telephone: 07718 098 321 Email: lucy.j.gresswell@uk.pwc.com
Joshua Thomas	Internal Auditor	Telephone: 07718 978 628 Email: joshua.thomas@pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Patrick Bailey	Deputy Vice-Chancellor	pat.bailey@lsbu.ac.uk	Review and approve terms of reference
Alison May	Apprenticeship Manager	0207 815 7314 maya4@lsbu.ac.uk	Review draft report Review and approve final report
Mike Simmons	Director of Corporate Affairs	michael.simmons@lsbu.ac.uk	Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan
Richard Flatman	Chief Financial Officer	0207 815 6301 richard.flatman@lsbu.ac.uk	Receive draft and final terms of reference Receive draft report
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Receive final report

Timetable



Timetable

Fieldwork start	20 March 2017
Fieldwork completed	31 March 2017
Draft report to client	14 April 2017
Response from client	28 April 2017
Final report to client	5 May 2017

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.

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



Information Request (1 of 2)



Please find attached a deliverables listing outlining items we expect to have available in advance of the audit (15/03/2017):

- Policy and / or guidance notes explaining the ESFA higher education institution funding rules, including the roles and responsibilities for London South Bank University staff.
- A listing of all apprentices from 01/08/2016 to present. We will select a sample from these to test.

For the sample of students selected for testing:

- The apprenticeship agreement between London South Bank University and the employer;
- The commitment statement between employer, apprentice and London South Bank University;
- An eligibility declaration form, signed by the employer;
- The employer incentive claim form, prepared by London South Bank University; and
- The learner file (previously called learning agreement), containing the evidence needed to support the funding claimed per the ESFA: Common and performance management funding rules, section A89 and A92. The learner file should include:
 - Supporting evidence for the ILR;
 - assessment and evidence of eligibility for funding and a record of what evidence the learner has provided;
 - All initial, basic skills and diagnostic assessments;
 - Information on prior learning that affects the learning or the funding of any of the learning aims or programme;
 - For 'personalised learning programmes', for example, learning not regulated by a qualification, full details of all the aspects of the learning to be carried out, including supporting evidence of the number of planned hours reported;
 - A description of how you will deliver the learning and skills and how the learner will achieve;
 - The supporting evidence about why you have claimed funding and the level of funding for a learner, including details of any learner or employer contribution;
 - Support needs identified, including how you will meet these needs and the evidence of that;

Information Request (2 of 2)



- That learning is or has taken place and records are available;
- A learner's self-declarations as to what state benefit they claim;
- A learner's self-declarations on their status relating to gaining a job;
- All records and evidence of achievement of learning aims or an apprenticeship or traineeship programme. This must be available within three months of you reporting it in the ILR;
- the apprentice's job role;
- relevant experience and achievements, both inside and outside their current working role;
- the learning and skills they have to carry out while on their apprenticeship outside of named qualifications;
- the name of the employer and the agreed contracted hours of employment, the total planned length of the apprenticeship, and
- confirmation that an apprenticeship agreement is in place or confirmation that the employer has been told about their legal duty for an apprenticeship agreement.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor’s work

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

Internal control

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

Future periods

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

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

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

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

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

Appendix D: Insight

Insight

PwC has published a number of blogs and publications on apprenticeships. These publications can be viewed here: <http://www.pwc.co.uk/industries/government-public-sector/education/higher-apprenticeships.html>

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

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

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

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	CONFIDENTIAL
Paper title:	Update on the response to the 2016 PwC Placements Internal Audit Report
Board/Committee	Audit Committee
Date of meeting:	08/06/17
Author:	Shân Wareing/Valerie Tomlinson/Sukaina Jeraj
Executive/Operations sponsor:	Shân Wareing, Pro-Vice Chancellor Education and Student Experience
Purpose:	To inform Audit Committee of progress regarding the 4 medium risks, 2 low risks and one advisory risk identified by the 2016 PWC internal audit of placements.

Executive summary:

The Audit Committee is requested to note the response to the internal audit report on placements.

Risks identified in LSBU's 2016 Placements Audit	Actions Target completion date July 2017	Update 19.05.17
MEDIUM		
1. LSBU is unable to provide a list of all students on a placement. Completeness of placement records cannot be verified because LSBU is reliant on the student informing them they are going on placement	1. We will use <i>Inplace</i> to manage and monitor all placements	Completed for student self-placements and credit bearing HSC placements. Will be completed for all remaining placements in 2017/8.
	2. We will actively encourage students to inform the university of all placements they are undertaking so that appropriate risk management and academic procedures can be instigated	Completed.
2. We identified that a number of the checks required to be completed before a student starts a placement, including risk assessments and academic approval from the School, could not be evidenced	1. The introduction of <i>InPlace</i> will allow LSBU to monitor the status of placements and mitigate the risk that a student starts on a placement before the required checks have been completed	See 1 above
	2. Going forward, all placements will be signed off by academic staff before the placement commences. This sign off will confirm that the School has completed all the necessary checks, including review of the risk assessment and insurance documentation.	See 1 above
3. Centralised guidance on the placement risk assessment and monitoring process is not in place	1. We will create centralised guidance documents on the placement process for all relevant staff, students and other stakeholders	Will be completed by July 2017
4. The plan for developing and implementing InPlace needs to be expanded and include areas such as feedback mechanisms and training day to day users of the system	1. We will involve key users in the tailoring of software in terms of reports and monitoring functionality, to enable a smoother transition when the system goes live, and enable the system to be used to the best of its capacity	Completed.
	2. A user survey will be created in <i>Inplace</i> to allow monitoring of the student experience of the tool	Completed.

	3. We will explore the reporting tools within <i>InPlace</i> and utilise a report which will show when placements are coming to an end, so that the placement provider can be contacted to understand their business needs and the possibility of further placements for LSBU students	Completed.
	4. We will tailor training courses to different Schools and user groups to ensure they understand how to get the best of the software and how it can improve both staff productivity and student experience	Completed.
	5. We will use the reporting function on <i>InPlace</i> to track the progress of placement applications and follow up on slow-moving placement applications where appropriate	To date, partially in use (in Health and Social Care). This functionality will be supported across LSBU.
	6. Appropriate due diligence checks will be completed before giving placement providers access	Protocols, roles & responsibilities are defined for the university, student & provider. Placement provider and approver guidance completed and will be issued to providers prior to placement
	7. If access is granted to placement providers, their access will be limited to prevent them from viewing sensitive data	Only providers for HSC will currently be given access to Inplace. Their access is appropriately limited.
LOW		
5. The onus is on the placement provider to monitor placement attendance. This could mean that a non-attendance is not captured.	1. We will use the functionality available on <i>InPlace</i> to monitor student attendance in a more proactive way, such as through the timesheets module.	Capability is available and training for key staff has been completed.

<p>6. Workplace inspections do not take place for all placements, and whilst this is to be expected due to the large number of placements, there is no clear guidance as to what type of placement/workplace would require an inspection. This decision is left to the judgement of the employability team or the responsible academic.</p>	<p>1. We will produce guidance on when workplace inspections are required.</p>	<p>Completed.</p>
<p>ADVISORY</p>		
<p>7. Placement providers are required to go through the same due diligence process each time they employ a student. This creates additional work for LSBU's staff which could be avoided.</p> <p>This process could be improved through introducing a central database of approved placement providers to reduce the administrative burden, and maintain good placement provider relationships.</p>	<p>1. We will use the agency functionality available on <i>InPlace</i> to keep provider profiles and only request additional information from providers when required (e.g. insurance policy certification once a year)</p>	<p>Functionality is live.</p>

	CONFIDENTIAL
	PAPER NO:
Paper title:	Draft Internal Audit Plan 2017 – 2018
Board/Committee	Audit Committee
Date of meeting:	8 th June 2017
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Committee with the draft plan for the Internal Audit programme for the 17/18 Academic Year.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	The internal audit plan relates to controls and processes that relate to the entire organisation.
Recommendation:	Committee is requested to review and approve the draft plan

Matter previously considered by:	Executive	24 May 2017
Further approval required?	N/A	

Executive Summary

The draft Internal Audit programme for the 17/18 Academic Year is attached.

The plan overview is featured on pages 10-11, and includes four elements that feature every year; continuous audit of financial and of student data, and reports on risk management and value for money.

A risk assessment of the audit universe has been undertaken, and the additional reviews proposed this year include a review of Health & Safety compliance in Q1, a review of International Partnership arrangements in Q2, and an IT and an HR audit in Q3.

The plan for 2017/18 has been reviewed by the Executive and is recommended for approval by Audit Committee.

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Internal Audit Risk Assessment and Plan 2017/18

DRAFT

London South Bank
University

May 2017

DRAFT

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Distribution List

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

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

1. Introduction and approach

Introduction

This document sets out our risk assessment and our 2017/18 Internal Audit Risk Assessment and Plan (the Internal Audit Plan) for London South Bank University.

Approach

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



Basis of our plan

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

As the Internal Audit Plan has been limited to 125 days, it does not claim to address all key risks identified across the audit universe as part of the risk assessment process. The level of internal audit activity represents a deployment of limited internal audit resources and in approving the Internal Audit Plan the Audit Committee recognises this limitation.

Basis of our annual internal audit conclusion

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

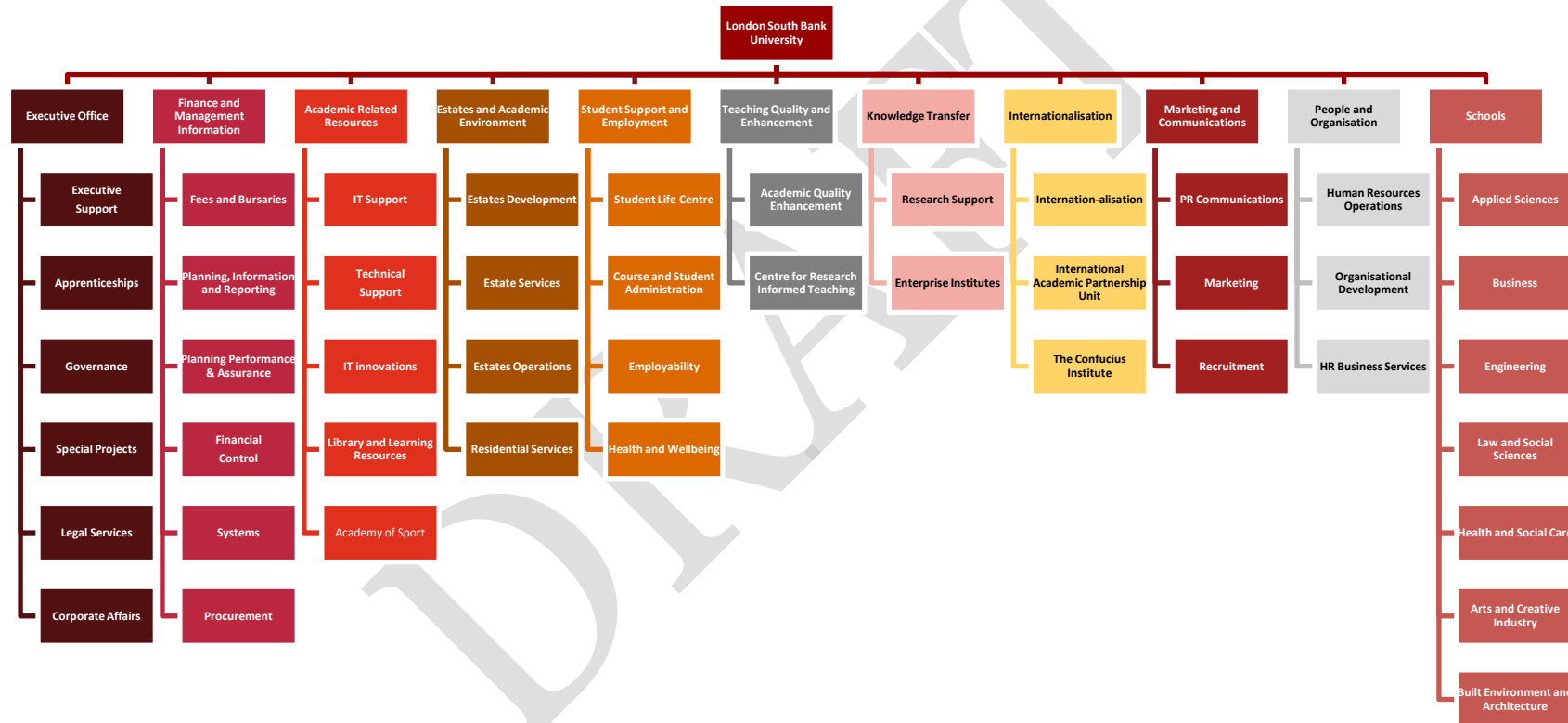
Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit.

DRAFT

2. Audit universe, corporate objectives and risks

Audit universe

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



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Corporate objectives and risks

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

3. Internal Audit Plan and indicative timeline

HEFCE Requirements

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

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

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

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

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



Key Priorities

In line with the HEFCE Audit Code of Practice, internal audit plans should be reviewed on a regular basis to ensure that the internal audit services provided continue to reflect the changing needs and priorities of the HEI. With our knowledge of London South Bank University and the way it operates we have identified the following current priorities and have produced our 2017/18 plan to reflect these priorities.

Data Quality

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

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

Our 2017/18 plan includes continuous auditing of key student data controls and will provide additional oversight of the design and effectiveness of controls over data quality.

Risk Management and Governance

The Audit Committee needs assurance that the risks facing London South Bank University are being managed properly. We will perform a review of risk management in 2017/18 and consider governance arrangements as part of all our internal audits.

Financial Systems Key Controls

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

Value for Money

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

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

We are required to include an opinion on the adequacy and effectiveness of London South Bank University's value for money arrangements (not results, outputs or achievement) in our annual internal audit report to the Audit Committee, governing body and designated officer. A review of value for money arrangements will be performed in 2017/18.

Follow Up Reviews

The purpose of follow up of internal audit recommendations is to reinforce the importance of controls within the Institution, and provides updated information about whether important risks have been properly dealt with through remedial control actions. We will continue to perform follow up work in 2017/18 and report progress through to the Audit Committee.

Risk assessment results

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

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

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

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

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
J.5	Academy of Sport	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2017/18.
K	Schools						
J.1	Applied Sciences	5	3	4	●	Annual	Elements of controls operated by Schools are picked up through our continuous auditing programme of key financial systems and student data.
J.2	Business	5	3	4	●	Annual	
J.3	Built Environemnt and Architecture	5	3	4	●	Annual	
J.4	Engineering	5	3	4	●	Annual	
J.5	Law and Social Sciences	5	3	4	●	Annual	
J.6	Health and Social Care	5	3	4	●	Annual	
J.7	Arts and Creative Industry	5	3	4	●	Annual	

Key to frequency of audit work

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

4. Annual plan and internal audit performance

Annual plan and indicative timeline

The following table sets out the internal audit work planned for 2017/18, with indicative start dates for each audit.

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

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

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

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

- Student expectations are much greater in response to rises in fees, and students expect to be able to interact with London South Bank University in a modern and efficient way. You are investing in your information systems but opportunities could be missed if the IT platform doesn't enable you to meet your outcomes or comply with your financial control requirements. The impact of a failure related to data loss, system failure, lack of business continuity, system and information breach for example is huge, not only operationally, but reputationally and financially. We have previously reviewed Business Continuity, Information Security, performed two Phishing exercises and completed an IT Controls Benchmarking Assessment. We are proposing to use the results of the Assessment to determine our IT Audit, this may include: **IT general controls, cyber security, IT infrastructure** and/or **IT migration**.
- London South Bank University is operating in a 'crowded market'. Your competition is global and your strategy needs to reflect this. Your strategy is critical to ensuring you must have unique 'USP's that make you stand out as a place to study so that London South Bank is differentiated as a provider. We can help provide critical friend support of **business plans** and **financial analysis**. We can also challenge robustness of business plans, appropriateness of underlying assumptions, as well as broader commercial considerations.
- Institutions are continuing to invest in overseas activities, either through recruiting international students, investing in overseas campuses or branches or alternative forms of transnational education. We have included a review over partnership arrangements in the 2017/18 plan, we could also review and provide feedback on your **internationalisation strategy** or **marketing strategy**, including key assumptions and overall oversight. We could also look at the University's approach to the potential decline in EU students following the **Brexit** decision.
- We could perform a review of **Teaching Quality**, including how you record this and how you encourage staff to take on teaching qualifications in advance of the TEF coming in.
- The Home Office continues to enforce its compliance regime for Tier 4 students and Tier 2 staff. Our student data continuous audit provides ongoing assurance over attendance monitoring, reporting processes and compliance with acceptance criteria for Tier 4 students. However, due to the number of changes to processes we would recommend our Legal team perform a review of overall **Tier 4 and Tier 2 procedures** to assess that these are designed appropriately and comply with Home Office guidance. We would also suggest some testing of **Tier 2 controls** to confirm these are operating effectively.

- We completed a review over contract management and spend activity in 2016/17. We could also perform a **contract deep dive**, for example your IBM contract to ensure that key contract terms and conditions are complied with. We could also assess the **due diligence and risk management** procedures in place for entering into new contracts.
- **Computer assisted audit techniques (CAATS)** –We can use CAATS to query and analyse data from business systems. This provides a strong mechanism for improving business insight and developing recommendations for ways to improve governance, risk management, compliance and cost management. Automated audit tests can be designed to address most transactional risks, including those associated with regulatory and financial risk. Some examples which may be beneficial include:
 - Accounts payable, purchase cards and staff expenses audits looking for: duplicate payments; multiple suppliers providing the same product or service; and abuse of expense policy;
 - Payroll; and
 - Revenue mapping.
- We would also recommend a review of your **anti-fraud arrangements** given the nature of the risks associated with this area. We have a diagnostic tool that we can use to identify the areas of higher fraud risk and an assessment of the controls in place to mitigate these threats.
- Student expectations are much greater in response to rises in fees, and students expect to be able to interact with London South Bank University in a modern and efficient way. We would suggest a review of **Social Media Governance**.
- We performed a review over Placements in 2016/17, which included reviewing the controls in place for introducing the new placements system. We'd suggest that we perform another review of **Placements** once the new system is in place, this could also look at how London South Bank University is performing against their commitment to offer all students the opportunity of a placement, internship or a professional experience during their time with the University.

Appendix 1: Detailed methodology

Step 1 - Understand corporate objectives and risks

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

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

Step 2 - Define the Audit Universe

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

Step 3 - Assess the inherent risk

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

The inherent risk assessment is determined by:

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

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

Step 4 - Assess the strength of the control environment

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

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

Step 5 - Calculate the audit requirement rating

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

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

Step 6 - Determine the audit plan

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

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

Step 7 - Other considerations

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

Appendix 2: Risk assessment criteria

Determination of Inherent Risk

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

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

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

Appendix 3: Mapping the risk register to the Internal Audit Plan in 2017/18

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

Loss of NHS contract income.	We have not included any specific reviews of this in our Internal Audit Plan.
Data is not used/maintained security.	We have included time for an IT audit as part of our 2017/18 Internal Audit Plan.
Impact of Low staff engagement	We have not included any specific reviews of this in our Internal Audit Plan.
Increasing pension deficit reduces flexibility	We have not included any specific reviews of the pension deficit in the plan but we have pension expertise within PwC that would enable us to assist management in this area if required.
Unrealised research & enterprise £ growth	We performed a review of processes and controls surrounding entering into research and enterprise contracts as part of 2015/16 Internal Audit Plan, our Risk Assessment indicates that a further review is not required this year.
Progression rates don't rise	We have not included a specific review of this but we could include controls around data accuracy of progression rates within our Student Data continuous audit.
Negative Quality Assessment	We have not included any specific reviews of this in our Internal Audit Plan. We have suggested completing a review over Teaching Quality in our list of other potential audits.
Impact of EU Referendum result on operating conditions & market trends	We have not included any specific reviews of this in our Internal Audit Plan. However, we have suggested a review looking at London South Bank University's preparedness for Brexit in our list of other potential audits.

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

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

System	2010/11 Days	2011/12 Days	2012/13 Days	2013/14 Days	2014/15 Days	2015/16 Days	2016/17 Days	2017/18 Days
Financial Systems								
Financial Forecasting	0	0	5	0	0	0	0	0
Financial Systems Key Control Reviews including continuous auditing	45	43	43	50	40	31	25	30
Funding arrangements for Confucius Institute	10	0	0	0	0	0	0	0
Payments to Hourly Paid Lecturers	10	0	0	0	0	0	0	0
Payroll Implementation	0	0	7	12	0	0	0	0
Payroll Follow Up	0	0	4	0	0	0	0	0
<i>Sub Total</i>	<i>65</i>	<i>43</i>	<i>59</i>	<i>62</i>	<i>40</i>	<i>31</i>	<i>25</i>	<i>30</i>
Operational Systems								
Apprenticeships	0	0	0	0	0	0	7	0
Bribery Act 2010	0	5	0	0	0	0	0	0
Business Continuity	0	0	0	10	0	0	0	0
Change Programme	0	0	0	0	15	0	0	0
Contract Management	10	0	0	0	0	0	10	0
Data Quality – rolling programme of reviews:								
2011/12 – HESA Staff Return	0	5	0	0	0	0	0	0
2012/13 – Key Information Set	0	0	10	0	0	0	0	0
2013/14 – HESA Finance Return	0	0	0	10	0	0	0	0
Delegated Authority arrangements	0	10	0	0	0	0	0	0
Enterprise	0	0	10	0	0	0	0	0
Extenuating Circumstances, Academic Appeals & other processes that could result in a student complaint to the OIA	0	0	0	16	0	0	0	0
Health and Safety	10	0	0	0	0	0	0	12
HEFCE 5 Year Review	0	0	0	0	0	0	5	0
HR System Implementation	0	0	0	0	0	2	9	0
HR audit	0	0	0	0	0	0	0	10

Internal Audit Risk Assessment and Plan 2017/18

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

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	CONFIDENTIAL
Paper title:	Corporate Risk Register
Board/Committee	Audit Committee
Date of meeting:	8th June 2017
Author:	John Baker – Corporate & Business Planning Manager
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Committee with the current corporate risk register.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	All aspects as the risk entries on the register are aligned to the goals of the Corporate Strategy.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> • the risks and their ratings, • the allocation of risks to corporate objectives

Matter previously considered by:	Operations Board	On: 23 rd May
Further approval required?		

Executive Summary

The latest version of the Corporate Risk Register is attached for review. This has also been reviewed by the May meeting of the Strategic Risk Review Group.

An overview of the updates and changes is provided in the middle column of the summary table on pages 2 -4, with notes on overdue actions on the right, and the risks are grouped by Corporate Objective.

The Committee is requested to note:

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

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

Date: 25th May 2017

Author: John Baker – Corporate & Business Planning Manager

Executive Lead: Richard Flatman – Chief Financial Officer

Page 209	<p>4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty /</i></p>		<p>2: Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (IM)</p>	
	<p>3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i></p>	<p>37: Affordability of Capital Expenditure investment plans (RF) 305: Data not used / maintained securely (IM) 494: Inconsistent delivery of Placement activity across the institution (SW) 495: Higher Apprenticeship degrees (PB)</p>	<p>6: Management Information perceived as unreliable, doesn't triangulate or is not presented (RF) 14: Loss of NHS contract income (WT) 362: Impact of Low staff engagement (ME) 3: Increasing pensions deficit reduces flexibility (RF) 467: Progression rates don't rise (SW) 457: Anticipated international & EU student revenue unrealised (PI) 519: Negative Quality Assessment (SW)</p>	
	<p>2 Medium <i>failure to meet operational objectives of the University</i></p>	<p>1: Capability to respond to change in policy or competitive landscape (DP) 402: Unrealised research & enterprise £ growth (PI)</p>	<p>398: Academic programmes not engaged with technological and pedagogic developments (SW)</p>	<p>517: Impact of EU Referendum result on regulation & market trends (DP) 518: Failures in core student systems (SW)</p>
	<p>1 Low <i>little effect on operational objectives</i></p>		<p>530: Impact on HE business of LSBU family acquisition projects (DP)</p>	
		1 - Low	2 - Medium	3 - High
		<i>This risk is only likely in the long term</i>	<i>This risk may occur in the medium term.</i>	<i>The risk is likely to occur short term</i>
Residual Likelihood				
Executive Risk Spread: VC – 3, DVC – 1, CFO – 3, PVC-S&E – 5, PVC-R&EE – 2, COO – 1, CMO -1, Dean Health – 1, ExD-HR – 1, US - 0				

Changes since presentation at February Audit Committee, and overdue action progress updates detailed below:

Reference	Risk title	Completed Actions & Risk Changes	Overdue Actions
Goal 1: Teaching & Learning: Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise			
398 (SW)	Low engagement with tech or pedagogic developments	New actions added.	DEL Appointments progress note: Interviews for Academic Developer & Learning Technology Developer took place in February, but we were not able to appoint to either position. The CRIT team are now reviewing the JDs for these roles.
467 (SW)	UG Progression rate doesn't rise	New actions added. Learner Analytics environment now live: The rollout of the Dashboard occurred in January, with it now available to all academic staff, and to Professional Services staff working in student support. Course validation review action implemented: CRIT worked with the AQDO team to review and develop validation processes. Regulations amendment completed: The regulations were amended to update procedures around withdrawal.	
Goal 2: Student Experience: Seeing students as learning participants & encouraging and listening to the student voice.			
548 (SW)	Failure in Core Student System operations	New action added.	My LSBU staffing progress note: Developer role not filled during Feb. A service review has been conducted, and work is underway with ICT to implement the changes.
519 (SW)	Negative Quality Assessment	Course review action implemented: CRIT worked with AQDO team to develop alternative to validation event-based model. New action for workshop series to develop revised quality processes for 17/18:	
Goal 3: Employability: Ensuring students develop skills, aspiration and confidence.			
494 (SW)	Inconsistent delivery of Placement activity across institution	Policy & Agreement ProForma action completed: Agreement pro-forma completed. Quality assurance action completed: Quality assurance templates and processes for placement providers now signed off.	
Goal 4: Research & Enterprise: Delivering outstanding economic, social and cultural benefits from our intellectual capital.			
402 (PI)	2020 £ growth through	Rating revised. (impact & likelihood reduced)	

	Research & Enterprise		
Goal 5: Access: Work with local partners to recruit, engage and retain students with the potential to succeed.			
495 (PB)	Impact of Higher Apprenticeship degrees	New actions added. Internal Audit review completed.	
530 (DP)	Impact of LSBU family acquisition projects	New risk entry.	
Goal 6: Internationalisation: Developing a multicultural community of students & staff through alliances & partnerships.			
457 (PI)	International & EU student £income unrealised		
517 (DP)	Impact of EU Referendum	Rating revised. (impact reduced) Research strategy review implemented: Research Institutes are now established, and new action for 2017/18 to add 4 academic leads to these, who will be tasked with building strategic relationships with UKRI and UK research Councils as well as other UK (Russell Group) HEIs to support us to partner and secure funding we may not otherwise have access to.	
Goal 7: People & Organisation: Attracting proud, responsible staff, & valuing & rewarding their achievements.			
100 (DP)	Response to environmental change & reputation	Rating revised. (impact reduced)	
302 (ME)	Poor Staff Engagement	New actions added. Action plan review completed: Controls updated to include champions, campaigns and Ops Board review of plans	
Goal 8: Resources & Infrastructure: Investing in first class facilities and outcome focused services, responsive to academic needs.			
2 (IM)	Home UG Recruitment income targets		
3 (RF)	Pensions deficit	New actions added.	
6 (RF)	Quality and availability of Management Information	New action added around MIKE. Scenario planning action completed: To address concerns around conversions rates, a University-wide unconditional offer scheme has been put in place, with candidates being phoned personally by tutors to discuss this, supporting an extensive range of 'personalised' communications with applicants.	

14 (WT)	Loss of NHS income		
37 (RF)	Affordability of Capital Investment plans		Student Centre negotiations action progress update: Programming expert engaged to adjudicate on the decisions taken in respect of the refused extension of time claim. We await a meeting with the senior Director of Balfour Beatty early in 2016.
305 (IM)	Corporate and personal data not used appropriately or maintained securely	<p>Rating revised. (likelihood reduced)</p> <p>New actions & controls added</p> <p>Mandatory training action completed: An online mandatory training programme for 'Data Protection, Info security & FOI' has been developed with the ODT team, and has now been made available to all staff through the new 'Learning Station' online modules: available via OurLSBU or https://learningstation.lsbu.ac.uk/my/</p>	

Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
398	Academic programmes do not employ suitable technological and pedagogic developments to support students and promote achievement	Shan Wareing	<p>Cause: Sustained underinvestment in expertise and dedicated human resource to support utilisation of learning technologies, comparative to new and existing competitors.</p> <p>Effect: LSBU does not effectively exploit the learning potential of new technologies, impacting negatively on student retention, achievement, or cost base (eg in terms of physical estate, inability to use virtual facilities) and our ability to delivery new provision such as apprenticeships Curriculum do not adapt sufficiently to remain relevant, jeopardising the employability of LSBU graduates. More flexible and efficient educational models which enable us to remain adaptable and competitive are out of institutional reach Support mechanisms do not provide some students with the learning support they need to navigate and succeed in the learning environment so retention does not meet the targets within the 5 year forecast. Market appeal of courses is impaired, impacting negatively on recruitment.</p>	I = 2 L = 2 Medium (4)	<p>CRIT (Centre for Research Informed Teaching) reports regularly to the Student Experience Committee & to the Quality & Standards Committee on the Achievements of work undertaken.</p> <hr/> <p>Delivery of the Technologically Enhanced Learning Strategy (TEL) through the Educational Framework and Quality Processes, monitored by Academic Board.</p>	I = 2 L = 2 Medium (4)	Saranne Weller	Complete activity to establish a baseline across all modules for core digital enhanced learning practice.	31 Jul 2018
							Saranne Weller	Increase organisational capability for utilising lecture capture technology, through champions in all divisions trained in appropriate technology.	31 Jul 2018
							Marc Griffith	Appoint to positions within DEL team to develop and support use of MyLSBU and Digitally Enhanced pedagogies.	23 Dec 2016
							Saranne Weller	Develop role clarity and deliver professional development for course directors.	31 Jul 2018

Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
467	Progression rate across undergraduate programmes does not rise in line with targets of Corporate Strategy	Shan Wareing	<p>Cause: Students admitted through clearing with lower tariff and less commitment to the course. High risk students are not identified in a timely way and supported sufficiently. Failures in timetabling, organisation and communication increase during periods of change, and high risk students are more vulnerable. New initiatives don't engage students. Provision fails to meet immediate needs of students entering through non-traditional access routes. Unable to finance student support adequately to meet level of demand.</p> <p>Effect: Progression rate fails to increase sufficiently . HEFCE, or OFS could view LSBU as high risk. Data could have negative impact in TEF metric assessment. Considerable loss of income from UG non-progression to level 5 and 6.</p>	I = 3 L = 2 High (6)	Study Support & Skills Sessions provided by the Library & LRC	I = 3 L = 2 High (6)	Shan Wareing	Review current Job Description for Course Directors, ensuring fit with current priorities and Career Pathway structure.	22 Dec 2017
				Student Welfare advice and support provided by Student Life Centre		Shan Wareing	Implement a minimum specification for personal tutoring, ensuring consistent student support & increasing progression rates.	31 Jul 2018	
				Saranne Weller	CRIT to work with Schools and course teams to embed learning development in targeted courses or high impact modules with pass rates less than 40%.	31 Jul 2018			
				Jamie Jones	Review impact of Engagement and Attendance Monitoring Strategy.	31 Jul 2017			

Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
518	Failures in core student systems negatively impact student experience	Shan Wareing	<p>Cause: Core business processes and systems - e.g. QL, timetabling, Moodle, MyLSBU – already requiring manual and emergency interventions to function, or fail completely due to increased activity, e.g. January starts.</p> <p>Effect: Confusion amongst students and staff, NSS impact and reputational damage. students unable to attend teaching sessions, submit work on time or receive marks, so progression suffers Staff compensating for systems failures are distracted from other activity leading to failures elsewhere. Staff morale suffers and sickness rate and turnover rate increase.</p>	I = 2 L = 3 Medium (6)	SRS Replacement Project Updates scrutinised at Academic Board, to oversee progress and assess fit with strategy and existing practice. Operational Issues reported and tracked through ICT TopDesk system, with internal escalation protocols.	I = 2 L = 3 Medium (6)	Andrew Wignall	Review possibility of utilising the automated functions of timetabling system	01 May 2017
							Lisa Upton	Amend QL to mitigate known problems with Sessions with January starts.	28 Jul 2017
							Marc Griffith	Upgrade our Moodle VLE during the summer recess to improve the service further.	11 Sep 2017
							Kirsteen Coupar	Implement a modern student enquiry management approach, to deliver a holistic approach to information provision and query management	31 Jul 2018
							Marc Griffith	Allocate staffing to support my LSBU	30 Nov 2016
Shan Wareing	Complete review of requirements for new Student Record System, and complete procurement proposal.	31 Jul 2017							



Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
519	Negative Quality Assessment	Shan Wareing	<p>Cause: Reductions in staffing, or increase in activity could lead to overstretched teams and a failure to complete adequate quality processes in the Schools or PSGs. Academic staff are insufficiently prepared for quality processes, (because of being new to HE or not having had appropriate professional development) do not follow quality processes. High risk activity with partners (placement, international partners, UK partners (particularly FE or schools education) does not have adequate resource or expertise allocated to it to identify and manage risks.</p> <p>Effect: Failures in quality: Negatively impacts on Board of Governors ability to sign off HEFCE assurances, affecting income, reputation and university status. Negative affect on Annual Provider Review, and TEF outcome, impacting negatively on income through reputational impact on recruitment and through static fee levels. Could act as barrier to recruitment of international students, affecting income and reputation.</p>	I = 3 L = 3 High (9)	Academic Audit process monitored by Academic Board via periodic reports from Quality & Standards Committee (QSC).	I = 3 L = 2 High (6)	Janet Bohrer	Review approach to electronic document management, in conjunction with ARR and the Governance team, to seek to manage harmonisation of Curriculum details across the institution.	30 Sep 2017
							Janet Bohrer	Facilitate series of 3 workshops "Course Approval and Validation" with the aim to establish new Quality processes for implementation in 2017/18 that will meet the requirements for LSBU course approval and facilitate course enhancement and to put improved student experience at the centre of our new processes.	01 Aug 2017

Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
494	Inconsistent delivery of Placement activity across institution	Shan Wareing	<p>Cause: Insufficient human resource allocation centrally and in Schools Insufficient expertise within LSBU. Lack of allocation of sufficient central and School human resource. Speed of implementation without underpinning project planning or learning from the sector. Lack of assurance over offsite workplace conditions.</p> <p>Effect: Placement practice may not comply with Chapter B10 of the Quality Code, so may be a quality risk. LSBU may not be able to provide a placement, internship or professional opportunity for all UG students entering in 2016 and after, leading to a CMA risk Placements may not deliver a good student experience, creating a risk to achievement of NSS improvement plans. Duty of care to students re workplace safety may not be met, creating a reputational risk. Potential insurance risk.</p>	I = 3 L = 2 High (6) 	Utilisation of new software platform 'InPlace' enables efficiencies in the Schools & the centre, and supports constancy of process and knowledge sharing.	I = 3 L = 1 Medium (3) 	Sukaina Jeraj	Establish Placements Steering Group; with representatives from each School and relevant PSGs, to review operations managed through InPlace system and develop practice and procedure across the university in relation to the recruitment guarantee.	28 Apr 2017
							Sukaina Jeraj	Oversee upload to OurLSBU of Placements agreement and assurance pro-formas, and related comms to staff.	31 May 2017

Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
402	Income growth expected from greater research and enterprise activity does not materialise	Paul Ivey	<p>Cause:</p> <ol style="list-style-type: none"> 1) Challenging market environment with high competition for similar opportunities and funders. 2) Lack of proven forecasting systems & recent static performance 3) Aggressive and complex turnaround required carries intrinsic high risk. 4) Dependence on HSC CPPD income (circa 50% of enterprise£) 5) New structures fail to entice and encourage academic participation in activity. 6) Limitations of academic capacity and capability. 7) Internal competition for staff time over and above teaching. <p>Effect:</p> <ol style="list-style-type: none"> 1) Income growth expectations unrealised. 2) Undiversified enterprise portfolio. 3) Lower financial contribution, as an increased proportion of delivery is sourced outside core academic staff. 4) Increased dependency on generating enterprise opportunities via Knowledge Transfer outreach as opposed to an academic-led stream, results in higher opex costs. 5) The holistic benefits for teaching and the student experience are reduced. 6) Proportion of staff resource diverted to winning new funding is significantly increased. 7) Reduced research income adversely affects the research environment, publication rates, evidence of impact, student completions, & ultimately LSBU REF 2020 rating. 8) Inability to align academic resource with identified market opportunities. 	I = 2 L = 2 Medium (4)	<p>Operation of Sharepoint Enterprise Approval Process for authorisation of new income opportunities.</p> <hr/> <p>R&E activity Pipeline Reports (Financial & Narrative) will be provided to each Operations Board Meeting to aid constant scrutiny and review of progress against 5 year income targets.</p> <hr/> <p>Bid writing workshops for academic staff delivered routinely</p> <hr/> <p>Enterprise Business Plan & strategy submitted for approval annually to Operations Board.</p>	I = 2 L = 1 Low (2)	<p>Karl Smith</p> <hr/> <p>Gurpreet Jagpal</p> <hr/> <p>Graeme Maidment</p> <hr/> <p>Paul Ivey</p> <hr/> <p>Graeme Maidment</p>	<p>Complete 17/18 AURA Research Audit Process to review progress with Units of Assessment regarding REF2.</p> <hr/> <p>Gain approval for 17/18 Comms strategy focusing on Entrepreneurial University.</p> <hr/> <p>Conduct student led audit of operation of London Doctoral Academy.</p> <hr/> <p>Establish revised operating structure for new SBUEL+ enterprise subsidiary.</p> <hr/> <p>Oversee submission of bids for LURN partnerships.</p>	<p>22 Dec 2017</p> <hr/> <p>30 Sep 2017</p> <hr/> <p>30 Nov 2017</p> <hr/> <p>31 Jan 2018</p> <hr/> <p>22 Dec 2017</p>

Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
495	Impact of Higher Apprenticeship degrees on existing recruitment markets	Pat Bailey	<p>Cause: The Introduction of Higher Apprenticeship degrees may present an opportunity for LSBU to grow student numbers in a new market. Offering and administrating apprentice schemes requires compliance with SFA funding regulations, with revised funding models depending on successful EPAs, and opens up new areas of the institution to scrutiny from Ofsted.</p> <p>Effect: These degrees could cannibalise existing employer sponsored students. This represents a risk to existing income and markets. LSBU currently has c.4,000 students on part-time courses, majority employer-sponsored & initial estimations are that income from 1,400 students (£3.3m of surplus) could be affected. SFA audit failure could lead to funding clawback, and Ofsted inspection failure could lead to reputational damage.</p>	I = 3 L = 1 Medium (3)	6 monthly progress report from Apprenticeships Steering Group scrutinised by Academic Board covers IPTE and Passmore Centre. <hr/> Monthly meetings of Apprenticeships Committee review all related operational matters.	I = 3 L = 1 Medium (3)	Pat Bailey	Oversee 'launch' events, planned during 16/17 to raise the profile of IPTE at key points in the recruitment cycle.	31 Oct 2017
							Matthew Amos	Complete recommendations for internal improvement arising from Internal Audit review.	31 Aug 2017

Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
530	Impact on HE Business of LSBU Family Acquisition Projects	David Phoenix	<p>Cause: Executive and senior staff time taken up with exploration of project opportunities and negotiation and due diligence operations. Opportunity costs born outside of normal budgeting process. Unforeseen impacts of inherited assets. Impact of third party decisions on project progress. New regulatory requirements.</p> <p>Effect: Management focus pulled away from core HE business and issues. Flex of educational framework to stakeholders through anchor institution across South London. Additional pressure on budgets & resources. Additional pension burdens, and governance support requirements. Impairment to positive industrial relations. Economies of scale and resource efficiency.</p>	I = 1 L = 2 Low (2)	<p>Separate project team reviews progress monthly, with participation of only 50% of Executive team (DVC & PVCs focused on LSBU)</p> <hr/> <p>Project inception dependent on Board approval of full business case, developed with external input and full due diligence process.</p>	I = 1 L = 2 Low (2)	James Stevenon	Produce Heads of Terms document for potential Family Project partnerships for Executive Approval.	30 Jun 2017
							David Phoenix	Present formal business case relating to FE activity to Board of Governors meeting	13 Jun 2017
							David Phoenix	Develop overarching group strategy for Board approval.	22 Dec 2017

Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
457	Anticipated international & EU student revenue unrealised	Paul Ivey	<p>Cause: UK government process / policy changes. Restriction on current highly trusted sponsor status. Issues connected with english language test evidence. Anticipated TNE growth does not materialise. TNE partnerships are not approved, present quality risks, or break down due to absence of adequate support structures, or when contacts relocate.</p> <p>Effect: LSBU unable to organise visas for students who wish to study here. International students diverted to other markets. Expected income from overseas students unrealised. Conversion impact of LSBU TNE students doesn't materialise. TNE enterprise expectations unrealised.</p>	I = 3 L = 3 High (9)	Regular reporting of Visa refusal rates to Director of Internationalisation by Immigration Team.	I = 3 L = 2 High (6)	Stuart Bannerman	Oversee Internationalisation campaign across LSBU Schools.	31 Jul 2018
					International Office runs annual cycle of training events with staff to ensure knowledge of & compliance with UKVI processes.		Paul Ivey	Ensure financial model for partnerships recognises the costs of managing risks to quality and the student experience.	01 Aug 2017
					International & EU recruitment Reports presented to each meeting of Ops Board.		Stuart Bannerman	Establish up to 5 overseas offices, with common management oversight and reporting lines.	31 Jul 2018
					Engagement between International Office, Registry & School Admin teams to ensure UKVI requirement compliance, specifically regarding:		Stuart Bannerman	Develop new institutional partnerships with EU partners.	31 May 2018
					- Visa applications and issue of CAS - English language requirements - Reporting of absence or withdrawal		Richard Duke	Oversee submission to QS for 4 Star rating, utilising 15/16 data.	31 May 2017

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Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
517	Impact of EU Referendum result on operating conditions & market trends	David Phoenix	<p>Cause: Following the vote to 'Leave', the Government is working towards a plan to extract the UK from the European Union. Whilst we appear to be a long way from the triggering of article 50, itself a 2 year process, the news of the outcome of the plebiscite has already seen impact in markets and international opinion.</p> <p>Effect: Staff impact: The outcome could impact on the ability of some existing staff to remain in the UK, and could impair the ability for future recruitment, both from Europe, and from other overseas territories. Recruitment impact: Currently EU students pay home fees & can access the UK student loan system. It is likely that higher fees and removal of this access will have a significant impact on the appeal of the UK to European applicants long term. Additionally the reporting of the Brexit outcome is having a negative impact on the reputation of the UK as a welcoming destination. These impacts on the sector could also cause changes in recruitment patterns at well-ranked institutions, which could have a negative impact on applicant pools elsewhere. Research Funding: Leaving the EU is likely to remove the ability of LSBU to partner in EU research projects, and access Horizon 2020 funding opportunities. Legislative Compliance: There could be additional administration cost in updating many EU compliant processes if regulations are amended. Impact on bond yields could affect year end pension liabilities.</p>	I = 2 L = 3 Medium (6)			Gurpreet Jagpal	Add 4 academic leads to Research Institutes, to build strategic relationships with UKRI, UK research Councils and UK (Russell Group) HEIs.	30 Apr 2018
							David Phoenix	Continue to monitor closely, through UUK and other sector bodies, the potential impacts and responses.	31 Jul 2017
							Stuart Bannerman	Develop strategic plan for marketing and support of EU student cohort, preparing for future removal of student loan funding mechanism.	30 Mar 2018
							Mandy Eddolls	Monitor situation with regard to employment law and right to work, and ensure that appointments are made in compliance with any changes to regulation.	28 Jul 2017

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Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
1	Failure to position LSBU to improve reputation & effectively respond to policy changes & shifts in competitive landscape	David Phoenix	Cause: - Changes to fees and funding models - Increased competition from Private Providers - TEF and Apprenticeship development - Failure to anticipate change - Failure to position (politically) - Failure to position (capacity/structure) - Failure to improve League Table position Effect: - Failure to recruit students - Failure to differentiate	I = 2 L = 3 Medium (6) 	Chief Marketing Officer appointed to Executive to advise LSBU on opportunities for strategic development of brand and portfolio.	I = 2 L = 1 Low (2) 	Nicole Louis	Review brand development mechanisms & supply chain for core UG & PG activity.	30 Nov 2017
					Financial controls (inc. forecasting & restructure) enable achievement of forward operating surplus target communicated to Hefce in July Forecast.		Pat Bailey	Oversee launch of new portfolio developments relating to Institute of Professional & Technical education.	30 Nov 2017
					PPA team provide Senior Managers with trend analysis & benchmarking against KPIs, and access to MIKE platform for information analysis.		Janet Jones	Oversee introduction of new portfolio relating to new division of Creative Industries, including fashion promotion.	30 Apr 2018
					Local Roadmap alignment with Corporate Roadmaps ensures linked strategic focus across operational areas, with 6 monthly Executive performance review meetings.				
					Horizon scanning report produced weekly by the Corporate Affairs Unit				
					Corporate Affairs unit maintain relationships with key politicians and influencers, in local boroughs and amongst FE providers.				
					Annual review of corporate strategy by Executive and Board of Governors through Corporate Roadmaps document.				

Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by	
362	Low staff engagement impacts performance negatively	Mandy Eddolls	Cause: <ul style="list-style-type: none"> •Systems and structure do not facilitate teamwork between areas of the University •Staff feeling that they do not have easy access to relevant information directly linked to them and their jobs •Poor pay and reward packages •Poor diversity and inclusion practises •Limited visibility of Leadership •Lack of quality physical estate Effect: <ul style="list-style-type: none"> •Decreased customer (student) satisfaction •Overall University performance decreases •Low staff satisfaction results •Increased staff turnover •Quality of service delivered decreases 	I = 3 L = 3 High (9)	Cascade messages from Ops Board circulated for Cascade / Congress / Town Hall Meetings within each School & PSG.	I = 3 L = 2 High (6)	Jennifer Hackett	Develop and approve Leadership Visibility plan.	30 Jun 2017	
								Mandy Eddolls	Develop employee value proposition strategy.	31 Jul 2017
								Cheryl King-McDowall	Conduct EES Pulse survey for key themes.	31 May 2017
					New social spaces and forums for staff established.					
					RAG progress reports from 3 themed institutional plans, and School & PSG action plans, are monitored at every other Operations Board meeting.					
					Planning process promotes golden thread connection from Corporate Strategy, through Roadmaps to Staff Appraisal.					
					Direct staff feedback is encouraged through the Continuing the Conversation VC events, & through discussions on Yammer.					
					Internal Comms campaign to promote Employee engagement using #wevalueyourvoice.					
					Employee engagement champions established for each Shools & PSG with regular network meetings to actively support engagement initiatives.					

Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
2	Course portfolio, or related marketing activity and admissions processes do not achieve Home UG recruitment targets	Nicole Louis	Cause: <ul style="list-style-type: none"> - Changes to UGFT fees & loan arrangements - Increased competition (removal of SNC cap in 15/16) - Failure to develop and communicate brand & lsbu graduate attributes - Lack of accurate real-time reporting mechanisms - Media bias and low league table position - Portfolio or modes of delivery do not reflect market need - Tighter tariff policy during clearing Effect: <ul style="list-style-type: none"> - Under recruitment - Related loss of income, and impact on corporate ambitions - Failure to meet related income targets - cost of legal challenge relating to CMA guidance 	I = 4 L = 3 Critical (12)	Report on student applications is presented to every monthly meeting of Operations Board & reviewed by Board of Governors	I = 4 L = 2 Critical (8)	Seth Stromboli	Develop revised School & College Outreach Strategy, with broader footprint outside local boroughs, and which includes LSBU Family institutions.	30 Sep 2017
					Weekly Report linking student numbers to anticipated income levels circulated to Ops Board.		Pat Bailey	Develop scheme to incorporate market analysis into course validation process with defined operational timeframes.	31 Jul 2017
					Advance predictions of student recruitment numbers informs the Annual five year forecast submitted to Hefce each July		Ian Mehrtens	Oversee transition of Marketing & Communications team to new Chief Marketing Officer - Nicole Louis.	31 May 2017
					Differentiated marketing campaigns are run for FTUG, PTUG and PG students on a semesterised basis.				

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Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
3	Staff pension scheme deficit increases	Richard Flatman	Cause: - Increased life expectancies - Reductions to long term bond yields, which drive the discount rate - Poor stock market performance - Poor performance of the LPFA fund manager relative to the market - Further change to accounting requirements for TPS & USS schemes Effect: - Increased I&E pension cost means other resources are restricted further if a surplus is to be maintained - Balance sheet is weakened and may move to a net liabilities position, though pension liability is disregarded by HEFCE - Significant cash injections into schemes may be required in the long term - Inability to plan for longer term changes	I = 3 L = 3 High (9)	Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars by FMI Management team.	I = 3 L = 2 High (6)	Mandy Eddolls	Review future options from wider HR perspective	30 Nov 2017
					Annual FRS 102 valuation of pension scheme		Richard Flatman	Obtain actuarial advise on costed options.	31 Jul 2017
					Regular participation in sector review activity through attendance at LPFA HE forum, BUFDG events & UCEA pensions group by CFO or deputy.				
					Reporting to every Board of Governors meeting via CFO Report				
					DC pension scheme for SBUEL staff.				
					Tight Executive control of all staff costs through monthly scrutiny of management accounts				
					Strict control on early access to pension at redundancy/restructure				

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Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
6	Management Information is not meaningful, reliable, or does not triangulate for internal decision or external reporting	Richard Flatman	Cause: - Lack of strategic vision for ICT - Proliferation of technology solutions - Data in systems is inaccurate - Data in systems lacks interoperability - Resource constraints & insufficient staff capability delay system improvement - Lack of data quality control and assurance mechanisms Effect: - Insufficient evidence to support effective decision-making at all levels - Inability to track trends or benchmark performance - Internal management information insufficient to verify external reporting - unclear data during clearing & over-recruitment penalties - League table position impaired by wrong data - Failure to satisfy requirements of Professional, Statutory and Regulatory bodies (NHS, course accreditation etc)	I = 3 L = 3 High (9)	Data Assurance Group meets every 6 months to review matters of data quality and provides reports to Operations Board.	I = 3 L = 2 High (6)	Shan Wareing	Develop a specification for a new Student Record system, underpinned by configuration requirements and workflows.	29 Jul 2017
					Internal Auditors Continuous Audit programme provides regular assurance on student and finance information, including UKVI compliance.		Richard Duke	Deliver phase 2 of MIKE data programme, to incorporate Financial and HR data in management platform, with related dashboards for management teams.	29 Jun 2018
					Systematic data quality checks and review of external data returns prior to submission to HESA by PPA team.				
					Sporadic internal audit reports on key systems through 3 year IA cycle to systematically check data and related processes: - HR systems - Space management systems - TRAC - External returns				

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Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
14	Loss of NHS contract income	Warren Turner	<p>Cause: NHS financial challenges/ structural change is resulting in a total review of educational commissioning by Health Education England with an expected overall reduction in available funding (affecting CPPD).</p> <p>Plus London Educational Contracts (pre-registration) are running out from Sept 2017 with students paying their own fees via student loan system. Recruitment to contracted programmes could dip following shift from bursaries to tuition fees. Applications numbers are down overall, but quality of applications generally higher.</p> <p>Effect: Reduction in income Reduced staff numbers Reduced student numbers</p>	I = 3 L = 3 High (9)	<p>Named Customer Manager roles with NHS Trusts, CCGs and HEE.</p> <hr/> <p>Monitor quality of courses (QCPM and NMC) annually in autumn (QCPM) and winter (NMC)</p> <hr/> <p>Support with numeracy and literacy test preparation.</p> <hr/> <p>Complete review in 2016/17 of all post-registration/ PG and CPPD courses and modules to ensure these remain leading edge and fit for the future. Review programmed to involve all stakeholders and to be employer driven.</p>	I = 3 L = 2 High (6)	Anthony Mcgrath	<p>FE progression agreements - we are discussing with FE colleges in central, south and north-east London additional progression agreements and partnerships to encourage FE students into pre-reg/ UG health courses. We are also leading a project with Guy's & St Thomas's Hospitals NHS Foundation Trust to develop a 16-18 cadetship apprenticeship which will also provide links to FE providers locally and to health careers/ courses at LSBU</p> <hr/> <p>Sue Mullaney Improve NSS participation & scores Develop action plans for Departments and School from results of 2015 NSS</p> <hr/> <p>Warren Turner Havering lease - EAF dealing with negotiations with NHS Properties - extension of lease to 2021 had been offered. Potential for further/ alternative location at either Care City site (Barking) or Purfleet New Town site.</p> <hr/> <p>Warren Turner Grow into new markets for medical and private sector CPPD provision - include as part of Ipsos Mori bi-annual survey to identify workforce/ education requirements. Include these in CPPD course review</p> <hr/> <p>Sheelagh Mealing Increase uptake in band 1-4 activity Support Trusts in seeking external (non NHS) funding Work with NHS partners to meet demand for apprenticeship programmes/ Foundation Degrees (esp around Assistant/ Associate Practitioner roles)</p>	25 Sep 2017

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Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
37	Affordability of Capital Expenditure investment plans	Richard Flatman	Cause: - Poor project controls - Lack of capacity to manage/deliver projects - Reduction in agreed/assumed capital funding - Reduction in other government funding Effect: - Adverse financial impact - Reputational damage - Reduced surplus - Planned improvement to student experience not delivered - Inability to attract new students	I = 3 L = 3 High (9) 	Full Business Cases prepared; using Executive approved process - including clarity on cost and funding, for each element of Estates Strategy.	I = 3 L = 1 Medium (3) 	Ian Mehrtens	Complete report on the final Student Centre negotiations. Update: the 12 month defects liability period concluded & working through the final defect list. POE was due by Feb 14.	30 Apr 2013
					Financial regulations require all major (>£2m) capital expenditure to receive Board approval Major Projects & Investments Committee (MPIC) reviews all property related capital decisions, and is empowered to approve all unplanned capital expenditure > £500K but <£1M. Capex reporting is embedded into management accounts provided to each meeting of the FP&R Committee, & into financial forecasts approved annually by Board. Estates & Academic Environment PSG have local project methodology, with project controls, & governance applied to all Capex projects.		Ian Mehrtens	Creation and submission of business case for wider estate development programme to MPIC Board Committee.	29 Jun 2017

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Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
305	Corporate & personal data not accessed or stored securely, or processed appropriately	Ian Mehrtens	Cause: Unauthorised access to data Inappropriate use of personal data Loss of unencrypted data assets Breach of digital security; either en masse (e.g. cyber attacks) or specific cases (e.g. phishing scams) Regulatory failure Use of unsupported storage locations Effect: Financial penalty under General Data Protection Regulations. Cost and impact of staff resource diverted to deal with issues, Staff downtime when systems unavailable Reputational damage, undermining academic credibility. Compromise of competitive advantage.	I = 3 L = 2 High (6)	Logical security protocols relating to passwords require change every 6 months, and multiple character combinations.	I = 3 L = 1 Medium (3)	Craig Girvan	Implement action plan developed in response to gaps identified through infrastructure penetration test.	31 Aug 2017
					Robust breach notification process to close down & contain any breach.		Craig Girvan	Oversee complete upgrade of all remaining Windows XP and Windows 2003 machines.	22 Dec 2017
					IT access permissions linked directly with live iTrent HR system records through Active Directory account synchronisation.		Joanna Jennings	Oversee PWC led Risk Assessment Tool (RAT) review, Special Characteristics and Game of Threats workshops.	29 Sep 2017
					A privacy impact assessment is a required stage of the ICT project initiation process.		Tom Kelly	Oversee development of Technical Roadmaps for all areas of the institution to ensure all data needs are met through central management & oversight.	31 Jul 2017
					Quarterly Mandatory Training Compliance reports are circulated to all Level 2 managers, which includes information on staff compliance with training on data protection and data security.				
Weekly running of infrastructure vulnerability management software test results reviewed by Head of Digital Security									
Weekly Change Control Board chaired by Director of ICT Services reviews all proposed technical changes to infrastructure prior to implementation.									

	CONFIDENTIAL
Paper title:	Transparent Approach to Costing – TRAC(T) Sign off
Board/Committee	Audit Committee
Date of meeting:	8 June 2017
Author:	David Kotula, Reporting Analyst
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To understand the cost of teaching across each of the current HESA cost centres..
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial sustainability
Recommendation:	This is a sub-analysis of the TRAC return for 2015/16 that has already been approved by Audit committee. The Executive recommends, based on the assurances provided herein, that the committee retrospectively approves the attached return which was made to HEFCE on 21 nd April 2017.

Matter previously considered by:	Audit Committee	Annually
Further approval required?	N/A	N/A

Executive Summary

The Transparent Approach to Costing (Teaching) return - TRAC(T), is a sub-analysis of the Transparent Approach to Costing (TRAC) return and has been made annually since 2007.

TRAC (T) has three main aims:

- to enable higher education institutions (HEIs) to understand their own costs better, so that they can use cost information for planning, decision-making and management;
- to inform HEFCE's allocation of funds for teaching;
- to assist in understanding the total costs of sustainable teaching.

A reconciliation of the total costs in TRAC(T) to the figures published in the TRAC return is shown in table A – Source Data (see Appendix 1). LSBU is benchmarked against a group of universities with similar levels of income from Teaching. For this purpose we are included in Peer Group E. (see Appendix 2). The return analyses the costs of HEFCE fundable teaching into HESA cost centres and then divides this cost by the total student numbers in each of those cost centres as reported in the HESA return to give *Subject-FACTS* for each of the current HESA cost centres (Full Average Annual Subject-related Cost of Teaching a HEFCE-fundable FTE student in a HESA academic cost centre). This output forms table B of the return (see Appendix 1).

The outcome of the benchmarking exercise was that LSBU has a higher mean Subject-FACT of £8,982 compared to the peer group mean of £8,762. Comparative figures for 2014/15 were £8,598 for LSBU compared to the peer group mean of £8,307. The mean Subject-FACT of £8,982 is still higher than the peer group benchmark but has increased at a lower rate during 2015/16. Our increase for 2015/16 can be attributed to a reduction in student FTE's of 2.8%, combined with a 1.6% increase in applicable costs.

The draft benchmark figures (Appendix 3) have been reviewed and we are satisfied that we have complied in full with the requirements.

The report was signed off and has been submitted to HEFCE. We have had confirmation from HEFCE that the return relating to TRAC(T) has been received and no detailed issues have been raised following submission.

Assurances regarding process

The following assurances are provided to Committee with regard to process:

1. Reconciliation to accounts
 - The TRAC(T) return is an annual return based on the teaching element of the TRAC annual return. The basis for the 2015/16 return was the financial accounts for year ending 31/07/2016.
 - The financial information used is a sub-set of the TRAC return. All costs that do not relate to publicly funded teaching are extracted. This information includes costs down to individual staff level for teaching staff and to cost centre level for school support staff. The individual staff costs are extracted from establishment data used in the budgeting process. All figures are reconcilable back to the published accounts and the 2015/16 TRAC return.
2. Compliance with guidelines/regulations
 - The return has been prepared by the University's Reporting Analyst in accordance with the regulations set down by HEFCE for the preparation of the TRAC(T) return.

This includes any updated regulations or issues raised at TRAC self-help groups organised by the TRAC Development Group and BUFDG.

- The report has been shared with Schools and input received as appropriate.
- A draft report was issued to HEFCE at the end of February. This was followed by a benchmarking exercise with our peer group. This exercise allows for adjustments to be made prior to the final report sign off. The final report was then issued to HEFCE.
- The core costing information is based on the amount of time spent teaching for each academic member of staff. This is derived from a Time Allocation Survey (TAS) that is completed four times a year. The results have been reviewed and verified by school managers to allow for any adjustments to be made prior to using the data in the TRAC return.
- The TRAC(T) requirement is for all costs to be allocated based on the relevant HESA Cost centres. Staff HESA cost centres are derived from a report collated by the HR department and then reviewed by school managers at a division level.
- Non-Staff costs are derived from the TRAC return that is sourced from the Agresso finance system at a cost centre level. HESA cost centres are applied on a department level.
- The robustness and accuracy of the data is verified during a reconciliation process by a suitably qualified colleague.
- Our data return sign-off protocols have been complied with, including review and approval by the Data Steward and the Head of Planning, Performance and Assurance before signature by the Vice Chancellor.
- A member of the Audit Committee has reviewed the TRAC process.

The committee is requested to retrospectively approve the attached return made to HEFCE on 21st April 2017

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TRAC(T) 2015-16

Institution: London South Bank University UKPRN: 10004078

This form should be completed by the accountable officer and not by the individual responsible for completing the return.

With reference to the TRAC(T) data loaded on: 28/02/2017 16:31

I confirm that the data held by the HEFCE for this institution are correct.

I understand that this data may be used by the funding councils to inform their teaching funding methods.

Signed:



Name:

Professor David Phoenix

Position:

Vice Chancellor & Chief Executive

Date (dd/mm/yyyy):

21/4/2017

The name and position of the accountable officer who will be signing this return must be completed before the return is uploaded to the HEFCE extranet (secure area of the HEFCE website). Please print out and fill in the Sign-off sheet and then scan and upload this document to the funding councils via the HEFCE extranet no later than Friday 21st April 2017. The funding councils do not require a paper copy.

This workbook contains two sections: A and B (in 2 worksheets)
 A provides source data for Subject-FACTS
 B is the calculation of Subject-FACTS

Sections A and B are mandatory (part of the TRAC requirements).

Institution: London South Bank University
 UKPRN: 10004078

A Source Data

MANDATORY

This section should be completed by all institutions.
 The purpose of this section is to provide a reconciliation to the figures returned under annual TRAC.

	£000		
Total expenditure (derived from audited financial statements)	134,907		per annual TRAC report
plus target surplus for sustainable operations	<u>18,289</u>		per annual TRAC report (infrastructure adjustment + return for financing and investment adjustment)
gives TRAC costs	153,196		per annual TRAC report
less Research	11,286		per annual TRAC report
Other	<u>17,346</u>		per annual TRAC report
gives Teaching	124,565		per annual TRAC report
		% of Teaching	
less NPFT	10,092	8.1%	per annual TRAC report
non-Funding Council-fundable PFT	<u>48,011</u>	38.5%	
gives Funding Council-fundable PFT	66,463	53.4%	
		% of Funding Council-fundable	
less non-subject related funding proxy	7,784	11.7%	per funding table (Annex 4.3c or Annex 4.3d) (note 1)
bursaries (note 2)	<u>803</u>	1.2%	actual costs and charges included in financial statements
total non-subject related	8,587	12.9%	
gives Subject-related costs of Funding Council-fundable provision	<u><u>57,875</u></u>		

1. The funding proxy total should agree to the total costs of non-subject related areas where Funding Council funding is used as the proxy, provided at the bottom of the table in Annex 4.3c of the TRAC(T) guidance. The main exceptions to this are listed in Section 4.3.5.15 of the TRAC Guidance published in July 2016, (www.hefce.ac.uk/funding/finsustain/trac/), and are:

- institutions with collaborative awards or arrangements
- two named institutions
- institutions who are carrying forward or bringing forward some of this income, or who are capitalising it.

Please note that the figures in Annex 4.3c are displayed to the nearest £ and need to be divided by 1000 before entering in this table.

Annex 4.3c for 2015-16 can be found on the HEFCE website (www.hefce.ac.uk/funding/finsustain/trac/)

Please give reasons for entering a different figure to that provided in Annex 4.3c in the "Validation" worksheet or on a separate word document if necessary.

2. The non-subject related bursaries figure comprises the actual costs or charges made to the financial statements for bursaries, hardship payments and scholarships of Funding Council-fundable taught students. Please note that any scholarships relating to research students or non-Funding Council-fundable students should not be included in this figure - those are research costs or non-Funding Council-fundable Teaching costs and should be deducted under the lines "less Research" or "less non-Funding Council-fundable PFT" or "less NPFT" in the table above. Also note that fee waivers should not be included in this figure - they should instead be netted off against income.

A.1 Cost recording methods

MANDATORY

Do you believe that you have met all of the TRAC requirements (once your figures have been benchmarked and reviewed for reasonableness)?

Please select Yes or No from the drop-down list

To inform their teaching funding methods, the Funding Councils need representative data for the sector (covering all subject areas) on the costs of different subjects. Do you believe that your TRAC(T) figures are fit for the purpose of informing the relevant Funding Councils' teaching funding methods?

Please select Yes or No from the drop-down list

Do you consider your figures to be robust at the level of department? (Robustness is defined as: meeting the TRAC requirements and recording academic time allocation data that are statistically robust at the level of department)

Please select Yes or No from the drop-down list

Do you produce a cost per student by department for use by institutional managers?

Please select Yes or No from the drop-down list

Are you reporting that you recover more than 105% of your costs on PFT activity on your Annual TRAC return and if so have you assessed the impact of this on your Subject-FACTS?

Please select Yes, No or n/a from the drop-down list

Institution: London South Bank University
UKPRN: 10004078

B. Report to Funding Councils

MANDATORY

This section should be completed by all institutions.

The purpose of this section is to collect the information that could be used by the Funding Councils.

		Price groups in use for 2015-16 reporting	Total subject- related costs of Funding Council- fundable provision (a) £000	Funding Council- fundable student FTEs from HESA (b) FTEs	Subject-FACTS (c)=((a)/(b))*1000 £
HESA academic cost centre					
101	Clinical medicine	A	0	0.00	0
		B	0	0.00	0
		Total	0	0.00	0
102	Clinical dentistry	A	0	0.00	0
		B	0	0.00	0
		Total	0	0.00	0
103	Nursing and allied health professions		1,490	151.37	9,843
		Total	1,490	151.37	9,843
104	Psychology and behavioural sciences		3,000	380.72	7,879
105	Health and community studies		0	0.00	0
106	Anatomy and physiology		0	0.00	0
107	Pharmacy and pharmacology		0	0.00	0
108	Sports science and leisure studies		873	91.74	9,514
109	Veterinary science	A	0	0.00	0
		B	0	0.00	0
		Total	0	0.00	0
110	Agriculture, forestry and food science		1,011	102.91	9,822
111	Earth, marine and environmental sciences		0	0.00	0
112	Biosciences		2,855	289.05	9,876
113	Chemistry		0	0.00	0
114	Physics		0	0.00	0
115	General engineering		3,314	434.76	7,622
116	Chemical engineering		1,584	197.99	8,001
117	Mineral, metallurgy and materials engineering		0	0.00	0
118	Civil engineering		1,553	193.95	8,008
119	Electrical, electronic and computer engineering		1,754	220.32	7,962
120	Mechanical, aero and production engineering		1,525	196.87	7,749
121	Information technology, systems sciences and computer software engineering		1,829	219.40	8,335
122	Mathematics		0	0.00	0
123	Architecture, built environment and planning		10,712	1,033.48	10,365
124	Geography and environmental studies		0	0.00	0
125	Area studies		0	0.00	0
126	Archaeology		0	0.00	0
127	Anthropology and development studies		0	0.00	0
128	Politics and international studies		0	0.00	0
129	Economics and econometrics		0	0.00	0
130	Law		2,978	332.12	8,967
131	Social work and social policy	C2	940	160.74	5,849
		D	97	16.61	5,849
		Total	1,037	177.35	5,849
132	Sociology		2,863	292.55	9,785
133	Business and management studies		11,023	1,199.62	9,188
134	Catering and hospitality management		0	0.00	0
135	Education	C2	0	0.00	0
		D	1,836	184.21	9,966
		Total	1,836	184.21	9,966
136	Continuing education		0	0.00	0
137	Modern languages		0	0.00	0
138	English language and literature		0	0.00	0
139	History		0	0.00	0
140	Classics		0	0.00	0
141	Philosophy		0	0.00	0
142	Theology and religious studies		0	0.00	0
143	Art and design		2,415	290.51	8,313
144	Music, drama, dance and performing arts		2,769	296.53	9,337
145	Media studies		1,456	157.68	9,233
Total in HESA academic cost centres			57,875	6,443.13	8,982
999	Cost centre not assignable			0.00	
Total			57,875	6,443.13	8,982

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	CONFIDENTIAL
Paper title:	Anti – Fraud, bribery and corruption report
Board/Committee	Audit Committee
Date of meeting:	8 June 2017
Author:	Natalie Ferer – Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To alert Audit Committee to any instances of fraud, bribery or corruption arising in the period since the committee last met
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	
Recommendation:	That the Committee notes this report

Matter previously considered by:	Audit Committee	At each meeting
Further approval required?	n/a	n/a

Executive Summary:

Since the last report there is nothing to report

Recommendation:

The Committee is requested to note this report

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	CONFIDENTIAL	
Paper title:	Anti-Fraud Policy Review	
Board/Committee	Audit Committee	
Date of meeting:	8 June 2017	
Author:	Natalie Ferer – Financial Controller	
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer	
Purpose:	To review the current Anti-Fraud Policy and Fraud Response Plan	
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial Sustainability	
Recommendation:	It is recommended that Audit Committee approve the current anti-fraud policy and fraud response plan and note the self-assessment check list	
Matter previously considered by:	Audit Committee	Annually

Executive Summary

The Anti-Fraud Policy and Fraud Response Plan.

No changes to the existing policy and plan are recommended. A copy of the policy and plan are attached.

Self Assessment

The British Universities Finance Directors Group (BUFDG) have produced a 'self-assessment checklist' for Universities that can be used to strengthen institutional counter-fraud measures, help institutions think through their policies and preparedness, identify strengths and weaknesses, and identify where further steps can be taken. We have completed the self-assessment as of May 2016 and a copy is attached for information.

Recommendation

It is recommended that Audit Committee approve the current anti-fraud policy and fraud response plan and note the self-assessment check list.

Anti Fraud Policy

1. Introduction

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

It applies to all staff and students in all group companies.

2. Policy

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

Consistent with our values and behavioral 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 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 the University or any subsidiary or associated company, including SBUEL.

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

- The theft of cash, assets or any other property of the University by staff or students
- False accounting – dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with the intent to cause loss to the University or furnishing information which is or may be misleading, false or deceptive
- Deliberate claiming of expenses that were not incurred on University business, or the use of University Purchasing Cards for the same purpose
- Abuse of position – abusing authority and misusing University resources or information for personal gain or causing loss to the University
- Entering into unfavourable contracts or arrangements with suppliers in order to benefit personally from the relationship.

- Attempting to make payments to the University with a stolen or unauthorised credit/debit card.

4. Prevention of fraud

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

The University has established systems and procedures in place which incorporate effective and efficient internal financial controls. One of the main objectives of these controls is to minimise the risk of fraud and allow fraud to be detected promptly. These systems and processes are embodied in the Financial Regulations, and it is therefore important that all staff are aware of, and follow, the Financial Regulations.

All staff should be vigilant and consider the risk of fraud within their areas. Staff should notify their line manager if they believe an opportunity for fraud exists because of poor procedures or lack of effective supervision. The Finance Department can provide guidance where procedures need to be improved.

Managers should be aware that certain patterns of behaviour may indicate a desire for concealment. These include, but are not limited to:

- Taking few holidays
- Resistance to delegation
- Resentment to normal discussion of work issues
- Frequently working alone late or at weekends

Managers should consider the risk of fraud when these patterns of behaviour are apparent in their staff.

5. Reporting a suspected fraud

Any member of staff who suspects with good cause that fraud has been committed must report the matter immediately to their line manager. The line manager should then immediately inform the relevant Dean/Head of Professional Function and the Chief Financial Officer.

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. This policy can be viewed at <https://my.lsbu.ac.uk/assets/documents/regulations/speak-uppolicy.pdf>

All reported cases of suspected fraud will be investigated.

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

6. Fraud Response plan

When an incidence of fraud is identified, there is an immediate need to safeguard assets, recover losses and secure evidence for legal and disciplinary processes. In order to meet these objectives, the University has a fraud response plan. Staff and students are required to act in accordance with 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 Dean or Head of Professional Function and the Chief Financial Officer. Failure to do so will result in disciplinary action. The Chief Financial Officer will instigate the following responses:

- Take action to mitigate the potential loss to the University
- Immediately inform the Vice Chancellor, the University Secretary, the Head of Internal Audit and The University's Employee and Officers insurers.
- Initiate an investigation. The scope of this investigation should be agreed with the Vice Chancellor and the University Secretary.
- 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 Audit Committee, the Chair of the Board of Governors and the University's HEFCE accounting officer should also be informed (The Accountability and Audit: HEFCE Code of Practice, which flows from the HEFCE Financial Memorandum, contains a mandatory requirement that any significant fraud must be reported to the HEFCE Accounting Officer)
- The Chair of Audit Committee will decide whether or not to convene an extraordinary meeting of Audit Committee to consider action already taken, or proposed to be taken.
- The CFO will liaise with the VC, Chair of Audit Committee and Head of Internal Auditors appropriate to determine the role of internal audit in the investigation.

A significant fraud is one where:

- The sums of money involved are significant
- The fraud involves senior officers of the University
- The particulars of the fraud or irregularity are novel, unusual or complex
- There is likely to be public interest because of the nature of the fraud or irregularity, or the people involved.

In the event of a suspected fraud involving Finance and Management Information (FMI), the Vice Chancellor will initiate action. The Chief Financial Officer will not be involved in the subsequent investigations.

In the event of a suspected fraud involving the Vice Chancellor, the Chief Financial Officer will inform the Chair of the Board of Governors directly.

Investigation of a suspected fraud

The investigation must be conducted on a timely basis, observing the principles of natural justice and preserving confidentiality.

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

The Vice Chancellor may take action during the investigation against any member of staff who is potentially implicated in the suspected fraud. This action may include:

- Temporary suspension from duty
- Denial of access to University buildings and computer networks

Result of investigation

In the event that an allegation is substantiated, the action taken by the Vice Chancellor as a consequence will be recorded in writing. Such action should be proportionate to the allegation but may include:

- Temporary suspension from duty
- Denial of access to University buildings and computer networks
- Summary dismissal or dismissal under notice
- Notification of the police
- Notification of other parties likely to be affected
- Restitution by the perpetrator
- Other disciplinary procedures

HEI Fraud Self-Assessment Checklist

Name: Natalie Ferer

Position: Financial Controller

Date of completion: June 2017

Question	Response and comments	Flag
1. Anti-fraud arrangements		
1.1. Do you have a formal fraud policy and/or fraud response plan, approved by the governing body? If so, how often are these updated?	Yes, reviewed and updated annually	
1.2. Do you undertake a formal fraud risk assessment? If so, how often is this done?	No formal separate fraud risk assessment although significant fraud risk would be covered by local operational risk assessment processes	
1.3. Does your university do business overseas? Does your fraud risk assessment include specific risks from international activity?	Yes. Further consideration required for specific risks for each new overseas activity	Y
1.4. Is there a nominated senior manager with overall responsibility for anti-fraud management arrangements? If so, what is their role/position?	Yes, Chief Financial Officer	
1.5. Do you have any staff trained in handling suspected frauds or running a fraud investigation?	Any investigations are led by the CFO and involve senior staff with experience. If significant, investigations involve specially trained forensic staff from our Internal Auditors.	
1.6. Is there a dedicated Counter-Fraud group in your institution? If so, does it include representatives from Finance, Registry, HR, Procurement, Estates, and Academia?	There is an Organisational Integrity review group which includes representatives from Organisation and People, Legal, Governance, Finance and Procurement.	

1.7. What specific actions do your internal auditors take to detect and prevent fraud?	The Internal Auditors endeavour to plan their work so that they have a reasonable expectation of detecting significant control weaknesses and, if detected, carry out additional work directed towards identification of consequent fraud or other irregularities. They cannot however guarantee that fraud will be detected.	
1.8. Do you have fraud insurance in place? How recently have you claimed on it? How much has it cost/saved?	Yes, no claims	
2. Internal Controls and Audit		
2.1 Does staff induction and training include guidance on fraud? Does it include: A whistleblowing policy, anti-bribery policy, money laundering policy, and code of conduct?	The Anti -Fraud Policy, Anti -Bribery Policy, LSBU values, Financial Regulations and whistleblowing policy are all available on the staff intranet.	
2.2. Does internal management training cover fraud culture and policy awareness? Who is this aimed at and how often is the training run?	Mandatory training for staff is being developed and will be rolled out during 2017	Y
2.3 Do you test the effectiveness of internal controls designed to prevent or detect fraud? If so, how?	Through management controls and the Internal Audit process	
2.4 Does your institution publish details of attempted or successful frauds internally? Either as a deterrent or for awareness-raising?	To Finance team and Audit committee	
2.5 What work do your external auditors undertake in accordance with ISA 240? How is this work reported?	Included in 2017 external audit plan any findings will be in the Audit Finding Report in November	
2.6 Is your institution signed up to the HE sector's NAFN fraud alert service?	Yes	
2.7 How are your audit committee made aware of frauds and of internal fraud	Yes, A report is taken to every audit committee meeting	

controls? Are all frauds reported?		
2.8 How are your governing council made aware of frauds, and of internal fraud policies, controls, and awareness measures?	The governing body is made aware of suspected or attempted frauds through the Anti-Fraud Reports to Audit Committee and through reports from Internal and External Auditors. The Board also reviews annually the Anti-Fraud and Anti-Bribery Policy and Whistleblowing Policy and report.	
3. Assessment and experience of financial fraud		
3.1 Is your current assessment that fraud is a low, medium or high risk? Is this an overall assessment? There could be variability of risk rating across different areas.	Overall assessment is low risk	
3.2 Do you believe that there is an effective anti-fraud culture in your organisation, with high levels of fraud risk awareness amongst all staff?	More should be done to raise fraud risk awareness through training and is addressed in 2.2 above	Y
3.3 In the last two financial years how many frauds or suspected frauds have you experienced that were above the HEFCE reporting threshold? How many were below the threshold?	No frauds or suspected frauds have been experienced in the past two financial years	
3.4 If you have trained fraud-response staff (Q1.5), are there any recent instances of these staff being deployed in an investigative capacity?	See response to 1.5	
3.5 Have you disciplined, dismissed or, with the relevant authorities, prosecuted any members of staff for fraud in the period?	No	
3.6 Have you involved the police in any action to deal with suspected or actual fraud in the period?	No	
3.7 Have you reported any	None to report in past 2 years	

<p>frauds, successful or attempted, to NAFN via the intel@nafn.gov.uk email address? Have you used the email address to request counter-fraud advice or advice on running an investigation?</p>		
<p>3.8 Do you have grounds to suspect that there have been any other attempts to defraud the University either by staff or by outside organisations such as suppliers in the period?</p>	No	
<p>3.9 Have you reviewed your fraud policy in the light of any actual frauds you have experienced? Have any gaps in your policy, or failures in its implementation, been identified and addressed as a result?</p>	Yes	

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CONFIDENTIAL	
Paper title:	Speak up report
Board/Committee	Audit Committee
Date of meeting:	8 June 2017
Author:	Michael Broadway, Deputy University Secretary
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To update the committee on any speak up matters raised since the last meeting
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	N/A - The speak up policy enables workers and students to report any concerns about malpractice, helping to create an open and ethical culture in the workplace.
Recommendation:	The committee is requested to note the report.

Executive Summary

Two speak up matters were reported at the last Audit Committee meeting of 7 February 2017.

One was an internal matter that relates to an allegation of unfairness in a university process. After an initial investigation to establish the facts of the case, it was decided that a formal HR investigation should take place. An HR member of staff conducted the investigation including interviewing the relevant staff members. No deliberate malpractice had been found in the investigation of the issue, but some areas for improvement had been recommended. A formal report on the investigation is being prepared.

The other matter was an external matter relating to a member of staff. As agreed with the chair of the committee a response had been sent to the complainant that it was primarily a matter for the relevant professional body and if, if necessary, the police. No further communication on this matter has been received and so this matter is now closed.

The committee is requested to note the report.

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	CONFIDENTIAL	
Paper title:	External Return Review Process	
Board/Committee:	Audit Committee	
Date of meeting:	8 June 2017	
Author:	Richard Duke	
Purpose:	Note	
Recommendation:	<i>To note the process relating to the authorisation of external returns and ensure the requests below are actioned.</i>	
Matter previously considered by:	Operations Board	23 May 2017

Executive Summary

The attached paper details the LSBU process in relation to the authorisation of external returns.

Audit Committee is requested note the process for reviewing annual returns.

Audit Committee is required to give an opinion on the quality of data returns in its annual report.

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THE PLANNING, PERFORMANCE AND ASSURANCE (PPA) EXTERNAL RETURNS REVIEW PROCESS

Introduction

A central role of PPA is the assurance for the University Executive of all data returns for the University. This role is underpinned by the Data Quality Project Policy and Framework, agreed by the University Executive on 14th April 2015. This policy details how each external return requires assurance sign off from PPA. This paper details the process to be followed.

PPA has undertaken an audit of all external returns, and sought to understand the external impact of each return and ranked its impact from 1 (low impact) to 3 (high impact). The higher a return's impact the more scrutiny is required from PPA. The systems used for each return has also been derived, to feed into the overall Data Quality process.

Sign Off Process

All external returns subject to the PPA assurance sign off process will be listed in the PPA External Return Assurance Register; this will detail the external return deadline date. Data Stewards for each return are responsible for insuring that the timescales and authorisation requirements set out in this process are followed.

All returns in the PPA External Return Assurance Register, regardless of impact rating, require the sign off form to be completed before executive sign will be granted. This form requires the Data Steward(s) for the system(s) used to derive the data to sign. Once this has occurred, the Head PPA will sign the External Return Authorisation Form prior to Executive sign off. See Appendix A for the External Return Authorisation Form. Depending upon the impact rating of the external return the PPA's authorisation process will vary. This process is detailed below.

Impact 1 Returns (no funding and no external reputation impact)

The author of the return and data steward would be expected to arrange a meeting with the Head of the PPA at least one week before the submission deadline to discuss the output. In this meeting, a report summarising the return, compared to the previous submission or other useful comparator should be produced. Subject to the Head of the PPA being satisfied that the data contained in the return is accurate and compliant with relevant requirements the External Return Authorisation Form can be signed during the meeting. If further work is required to gain PPA's authorisation, a further meeting shall be arranged to discuss how requested changes have been implemented.

Impact 2 Returns (moderate funding impact, but external reputation impact)

As per the process for Impact 1 returns, with the exception that the summary of the return against relevant comparator returns shall be submitted to the Head of PPA one week prior to the scheduled meeting (two weeks before the return date).

Impact 3 Returns (significant funding streams and/or external reputation impact)

The process will vary depending upon the return, as detailed below.

For all returns not listed below, but categorised as Impact 3, the process will follow the above process, except draft data should be submitted one month before the submission deadline, with weekly meetings (if required) to discuss remedial actions.

Student/FSR & HEBCI/Staff HESA Returns

These returns contribute to a number of external outputs that significantly influence LSBU's external reputational, such as league tables, HESA KPIs and UniStats. As such, they require a higher level of scrutiny.

It is envisaged that School KPIs will be calculated using external return definitions to enable goal congruence with external measures. This has the consequence that some key HESA return outputs will be required throughout the year. This will enhance levels of PPA assurance as key HESA outputs will be monitored by stakeholders across the University throughout the year.

In terms of the formal assurance process for HESA returns; the following timetable will be followed for the HESA returns (exact dates will be shared with relevant stakeholders in July of each year):

Date	Action
End of July	Submit to PPA 1st Draft of all HESA returns
August	LTWG
Early September	Submit to PPA 2nd Draft of all HESA returns
Mid September	Review of Student and Staff Data with VC with PPA authorisation and report
Mid September	Student HESA Return Date
Late September	Student HESA Commit Date
Mid September	LTWG
Late September	Staff HESA Return Date
Mid October	Submit to PPA 3rd Draft of all HESA returns
Mid October	Staff HESA Commit Date
Mid October	Meet VC for final sign off of Student/Staff HESA
End of October	Student HESA Final Submission
Early November	Student HESA Sign Off

Mid November	Staff HESA Final Submission
Mid November	Staff HESA Sign Off
Late November	HESA FSR & HEBCI Final Draft to PPA
Late November	Review of HESA FSR & HEBCI with VC with PPA Authorisation and report
Early December	HESA FSR & HEBCI Return Date
Early January	HESA FSR & HEBCI Final Submission
Mid January	HESA FSR & HEBCI Sign Off

Represents internal deadlines. Non-highlighted text signifies HESA deadline.

DLHE

Due to DLHE's nature of being a survey, it is difficult to set long lead deadlines for review of data. PPA will work with colleagues in Employability during preparation for the survey, and review data throughout the survey period. A review of final data between Employability and the PPA will occur as soon as the survey period closes.

Conclusion

This approach to assurance should ensure that all data submitted externally has been reviewed with an appropriate level of scrutiny. This allows the University Executive to have confidence that externally submitted data is accurate, consistent and portrays the institution as positively as possible. This timetable will be reviewed for the 2015/16 process.

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Paper title:	Committee business plan, 2016/17
Board/Committee	Audit Committee
Date of meeting:	8 June 2017
Author:	Michael Broadway, Deputy University Secretary
Board sponsor:	Steve Balmont, Chair of the Committee
Purpose:	To inform the committee of its annual business plan
Recommendation:	To approve the committee's annual business plan

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

Audit Committee Business Plan

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

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

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

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

	Feb	June	Sept	Nov
Anti-bribery policy review				x
Audit Committee, Annual Report to Board and VC				x
Audit Committee business plan	x	x	x	x
Audit Committee, self-assessment of performance	x			
Membership and Terms of Reference - approve			x	
Speak up report	x	x	x	x
Annual Report and Accounts				x
Anti-fraud policy review		x		
Anti-fraud, bribery and corruption report	x	x	x	x
Data assurance report	x			
Debt write off - annual		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 audit tender			x	
External auditors - consider policy in relation to non-audit services				x

Finance and Management Information (FMI) structure and leadership team	x			
Internal audit annual report			x (draft)	x (final)
Internal Audit plan - approval		x		
Internal audit plan - review at each audit cttee meeting	x	x	x	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 (indicative)	x	
Risk Register	x	x	x	x
Risk strategy and appetite			x	
TRAC return to HEFCE to be ratified	x			
TRAC(T) return to HEFCE to be ratified		x		
Value for money report, annual				x

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	CONFIDENTIAL
Paper title:	Grant Thornton resignation letter
Board/Committee	Audit Committee
Date of meeting:	8 June 2017
Author:	Megan Evans, Governance Assistant
Executive/Operations sponsor:	James Stevenson, University Secretary.
Purpose:	Information
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	N/A
Recommendation:	The meeting is requested to note the resignation letter

Executive Summary

The meeting is requested to note the resignation letter from Grant Thornton and note that there are no circumstances connected with their resignation which need to be raised with the Board of Governors. This letter was circulated to the Board of Governors on 19 April 2017 by email.

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Richard Flatman
London South Bank University
103 Borough Road
London
SE1 0AA

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP.

T +44 (0)20 7383 5100
F +44 (0)20 7383 4715
DX 2100 EUSTON
grantthornton.co.uk

6 April 2017

Dear Richard

Auditor resignation

I enclose our resignation letters for the University and its subsidiary for your attention. We have very much enjoyed working with you and I wish you and the University all the best for the future.

Yours sincerely



Carol Rudge
Partner
For Grant Thornton UK LLP



Grant Thornton

London South Bank University
103 Borough Road
London
SE11 0AA

6 April 2017

Dear Sir

We hereby give notice of our resignation in accordance with section 516 of the Companies Act 2006 as auditors of London South Bank University (company number: 986761) with effect from 7 April 2017.

There are no circumstances connected with our ceasing to hold office which we consider should be brought to the attention of the members or creditors of the University.

You are required to send a copy of this notice to the Registrar of Companies within fourteen days.

In accordance with the requirements of the HEFCE Memorandum of Assurance and Accountability dated July 2016, the Accountable Officer is also required to inform Higher Education Funding Council for England that we have ceased to hold office and send a copy of the statement of reasons to them.

Yours faithfully

Grant Thornton UK LLP

Grant Thornton UK LLP

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP.

T +44 (0)20 7383 5100
F +44 (0)20 7383 4715
DX 2100 EUSTON
grantthornton.co.uk



Grant Thornton

The Company Secretary
South Bank University Enterprises Limited
103 Borough Road
London
SE11 0AA

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP.

T +44 (0)20 7383 5100
F +44 (0)20 7383 4715
DX 2100 EUSTON
grantthornton.co.uk

6 April 2017

Dear Sir

We hereby give notice of our resignation in accordance with section 516 of the Companies Act 2006 as auditors of South Bank University Enterprises Limited (company number: 02307211) with effect from 7 April 2017.

There are no circumstances connected with our ceasing to hold office which we consider should be brought to the attention of the members or creditors of the company.

You are required to send a copy of this notice to the Registrar of Companies within fourteen days.

Yours faithfully

Grant Thornton UK LLP

Grant Thornton UK LLP

London South Bank University
103 Borough Road
London
SE11 0AA

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Melton Street
London NW1 2EP.
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DX 2100 EUSTON
grantthornton.co.uk

6 April 2017

Company number: 986761

London South Bank University

Further to the requirements of HEFCE Memorandum of Assurance and Accountability dated July 2016, the reasons connected with our ceasing to hold office are as follows:

- we were not reappointed after a tender process for the auditors

Auditor Name: Grant Thornton UK LLP
Auditor Address: Grant Thornton House, Melton Street, London NW1 2EP
Auditor Registration Number: C001110317

Yours faithfully



Grant Thornton UK LLP