

Meeting of the Audit Committee

4.00 - 6.00 pm on Tuesday, 1 October 2019
in Technopark, SE1 6LN

* 3.30 – 4.00 pm pre-meeting with the audit committee and the internal and external auditors only

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		DB
2.	Declarations of interest		DB
3.	Minutes of the previous meeting	3 - 8	DB
4.	Matters arising	9 - 12	DB
	Chair's business		
5.	Draft Group Audit terms of reference	13 - 22	JS
	2018/19 year-end internal audit (PwC)		
6.	South Bank Academies risk management and Value for Money (VfM) audit report	23 - 48	JM
7.	Student data continuous audit follow up report	49 - 90	JM
8.	GDPR compliance update	91 - 104	JS
9.	Draft internal audit annual report, 2018/19	To Follow	JM
	2019/20 internal audit (BDO)		
10.	Internal Audit Strategy, 2019/20	105 - 140	RI
11.	Internal audit progress report	141 - 148	RI
	External audit		
12.	External audit progress report and technical update	149 - 158	FN
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14.	2019/20 Group Risk Policy Approach	183 - 184	RF
15.	Corporate risk update	185 - 196	RF
	Other matters		

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
16.	Anti fraud bribery and corruption report	197 - 200	RF
17.	Speak up report and annual policy review	201 - 208	JS
18.	OfS compliance	209 - 216	JS
19.	Audit Committee business plan	217 - 220	SEC
20.	Matters to report to the Board following the meeting		SEC

**Date of next meeting
4.00 pm on Thursday, 7 November 2019**

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

Apologies: Gemma Wright

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

External auditors: Fleur Nieboer and Jack Stapleton (KPMG)

Internal auditors: Justin Martin and Amy Chiu (PWC)

Ruth Ireland (BDO)

**Minutes of the meeting of the Audit Committee
held at 4.00 pm on Thursday, 13 June 2019
1B16 - Technopark, SE1 6LN**

Present

Duncan Brown (Chair)
Steve Balmont
John Cole
Mark Lemmon
Mee Ling Ng
Rob Orr

In attendance

David Phoenix
Natalie Ferer
Richard Flatman
Askari Jafri
James Stevenson
Justin Martin
Fleur Nieboer
Jack Stapleton
Ruth Ireland
Gemma Wright

1. Welcome and apologies

The Chair welcomed members to the meeting, also:

- Ruth Ireland and Gemma Wright from BDO as the LSBU Group internal auditors from 1 August 2019; and
- John Cole and Mark Lemmon as new governors and members of the committee.

No apologies had been received.

2. Declarations of interest

Steve Balmont and Mee Ling Ng declared an interest in minute item 12 due to their current positions as directors of South Bank Colleges (SBC).

David Phoenix declared an interest in minute item 11 as a director of South Bank Academies (SBA) and minute item 12 due to his position as both Accounting Officer and director of SBC.

Richard Flatman declared an interest in minute items 11 and 12 due to his position as a director of SBA.

John Cole declared an interest in minute item 12 as his son is an employee of BDO.

3. **Minutes of the previous meeting**

The committee approved the minutes of the meeting of 5 February 2019 subject to amendments to minute items 13, 14 and 17.

4. **Matters arising**

The committee noted that the outstanding action raised at the meeting in February 2019 in relation to the ICT risk diagnostic, undertaken as part of the LEAP project, was completed in March 2019.

Update on Group Audit Committee

The committee noted an introductory meeting took place in May 2019 to discuss the Group audit arrangements and a first draft of the legal basis of control within the Group will be circulated. A further meeting to discuss Group audit arrangements will be arranged before the Board of Governors meeting in July 2019 with all members of the 'Group' represented (LSBU, SBA and SBC).

5. **External audit progress report**

The committee noted the external audit progress report including:

- The completion of the audit for the final six months of Lambeth College; and
- The completion of KPMG's planning procedures and preparation of the Group Audit Plan for 2018/19.

6. **Draft Group external audit plan**

The committee discussed the draft Group external audit plan including the new risk of consolidation of South Bank Colleges. The committee approved the addition of an audit timetable for subsidiary companies and KPMG confirmed resources have been assigned for this work.

The committee discussed the treatment of a potential legal claim from a former subsidiary of Carillion plc. Management confirmed that at this stage the legal advice was that no liability had arisen.

The committee approved the draft external audit plan and a revised version will be circulated. The committee delegated to the Executive negotiation of the remaining external audit fees with KPMG.

7. **Internal audit progress report (PwC)**

The committee noted the internal audit progress report from PwC including the good engagement of management with the auditors and that 79% of the programme is complete. PwC's final Audit Committee meeting would be October 2019, when the annual opinion would be presented.

8. **Continuous audit phase 2 audit report (PwC)**

The committee noted the continuous audit phase 2 report and the broadly satisfactory position of the key financial systems.

9. **Procurement audit report (PwC)**

The committee discussed the procurement audit report, in particular the high risk finding in relation to expenses on purchase cards and the medium risk finding in relation to monitoring of spend per contractual agreements. The committee noted LSBU management are analysing the areas of concern identified by the report and will review how operating processes can be improved. A follow-up report will be provided for the Audit Committee at the next meeting in October 2019.

10. **SBA follow up (PwC)**

The committee noted the SBA follow up audit report and the good progress made on implementation of SBA internal audit actions. Committee also noted that a follow up report will be provided to the next SBA Audit Committee on audit matters identified by Kingston Smith during the external audit. A further update will be provided to the next LSBU Audit Committee meeting in October 2019.

11. **GDPR plan review (PwC)**

The committee discussed the GDPR plan review as conducted by PwC, noting the overall high risk rating, and expressed their disappointment with the findings. The committee noted the need for the GDPR plan to be effective in reducing the risk of GDPR non-compliance to an acceptable level within an agreed timescale, particularly in view of the reputational risk and potential for fines.

The committee noted that the Executive had approved additional internal resources to assist the Data Protection Officer (DPO) with the actions and that Executive believed the bulk of activity agreed as part of the preparatory work was complete. An update report will be brought to the Audit Committee meeting in October 2019.

12. **Draft Group internal audit strategy (BDO)**

The committee discussed the draft Group internal audit strategy noting the importance of data accuracy in the Group entities, the need for continuing analysis of UKVI compliance and any inputs from the review of corporate risk management (see minute 13 below).

The committee requested a revised and updated plan for the next meeting in October 2019, with clearer references to Group and management responsibilities (including in the Group internal audit charter). The committee

noted work on a continuous audit plan and risk management will start in August 2019.

13. Corporate Risk

Richard Duke joined the meeting

The committee discussed the corporate risk register and noted the risk register is currently being reviewed, to analyse how risk can be more easily embedded within the Group's business processes.

The committee agreed that a sub-group of members would meet with the Director of Strategy and Planning to provide input into this review.

Richard Duke left the meeting

14. LSBU TRAC (T) return

The committee ratified the TRAC(T) return.

15. Annual LSBU debt write-off

As required by the Financial Regulations, the committee approved the annual LSBU debt write-off of £564k.

16. Anti-Fraud Policy review

The committee noted the Anti-Fraud Policy review and the LSBU policy of zero tolerance to fraud. The committee further noted the Policy is available on the staff intranet and the completion of an e-learning module yearly by all staff is compulsory.

17. Re-appointment of external auditors for SBA

The committee approved, on behalf of LSBU as a member of SBA, the re-appointment of Kingston Smith as the external auditors of the SBA accounts for the 2019 financial year end.

18. Apprenticeships Ofsted report

The committee noted the 'Good' outcome of the 2019 Ofsted inspection of LSBU's level 4 and level 5 apprenticeship provision.

19. Anti-fraud, bribery and corruption report

The committee noted the two matters to report in relation to the anti-fraud, bribery and corruption report, and neither was of concern.

20. **Speak up report**

The committee noted the speak up report, with confirmation no new speak up issues have been raised.

The committee further noted the approach to a Group speak up policy will be reviewed with management in SBC and SBA.

21. **Prevent monitoring OfS response**

The committee noted the Prevent monitoring (ADR and risk assessment outcome) response dated 15 April 2019 received from the Office for Students (OfS), confirming that LSBU is “not at higher risk of non-compliance with Prevent”.

22. **PwC Risk Benchmarking report**

The committee noted the PwC Risk Benchmarking report outlining key risks and trends identified for 2018/19 across the Higher Education (HE) sector.

23. **Group Audit committee business plan**

The committee noted the Group Audit Committee business plan.

24. **Matters to report to the LSBU Board following the meeting**

The committee noted the matters to report to the Board are:

- Update on discussions on Group Audit Committee;
- Group external audit plan;
- BDO internal audit plan;
- Corporate risk register;
- 2 high risk PwC internal audit reports; and
- Compliance with Prevent duty.

25. **Any other business**

The committee noted it is the last Audit Committee meeting for both Steve Balmont and Mee Ling Ng. The committee members expressed their thanks to Mr Balmont and Ms Ng for their contributions to the LSBU Audit Committee and looked forward to their continued contributions to the Group.

Date of next meeting
4.00 pm, on Tuesday, 1 October 2019

Confirmed as a true record

..... (Chair)

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**AUDIT COMMITTEE - THURSDAY, 13 JUNE 2019
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Officer	Action Status
9.	Procurement audit report (PwC)	Follow up update on procurement audit to October 2019 meeting	Justin Martin	Please see note below
10.	SBA follow up (PwC)	Update on SBA audit to October 2019 audit committee meeting	Justin Martin	On agenda
11.	GDPR plan review (PwC)	Update on GDPR to October 2019 audit committee meeting	James Stevenson	On agenda
12.	Draft Group internal audit strategy (BDO)	Updated internal audit plan for October 2019 audit committee meeting	Ruth Ireland	On agenda

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Actions from IA report on Procurement

Minutes ; Procurement audit report (PwC)

"The committee discussed the procurement audit report, in particular the high risk finding in relation to expenses on purchase cards and the medium risk finding in relation to monitoring of spend per contractual agreements. The committee noted LSBU management are analysing the areas of concern identified by the report and will review how operating processes can be improved. A follow-up report will be provided for the Audit Committee at the next meeting in October 2019".

Update:

On the recommendation of the University's new Director of Procurement, James Rockliffe, new processes around the management of purchasing cards are planned, including;

- Issuing of new cardholder procedures
- Compulsory and regular attendance at cardholder forums
- Cardholders are aware they are responsible for getting their procurement card spend approved. They will have a period of time to clear any backlog before the 100% sample check commences, reducing to a more manageable size when cardholder behaviour changes.
- introducing ongoing frequent sample checks on both the supporting documentation submitted and the nature of the transactions.
- Sanctions for non-compliance including suspending of cards
- Consideration of software used for the management of purchasing cards including moving onto Agresso
- Reporting non-compliance in monthly summaries highlighting specific areas of concern and allow us to take targeted action. The design of this report is also in progress.

These initiatives are planned to begin between October and December 2019. These steps will embed long term change and we are confident that these steps will stimulate a change in behaviour and increase compliance.

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	CONFIDENTIAL
Paper title:	Draft Group Audit Committee terms of reference
Board/Committee:	Audit Committee
Date of meeting:	01 October 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	Duncan Brown, Chair of the Committee
Purpose:	For Approval
Recommendation:	The Committee is requested to recommend its revised terms of reference to the Board for approval

Executive Summary

Following the formation of the LSBU Group (comprising South Bank Colleges, South Bank Academies, South Bank University Enterprises Ltd and SW4 Catering Ltd), governance arrangements for the group are being reviewed.

As noted at the previous audit committee meeting an initial discussion on the role of the audit committee in the group governance structure took place in May 2019. A further meeting took place in September 2019 to finalise recommendations to the committee.

In summary, it was recommended that LSBU audit committee has a group-wide remit and that SBA and SBC will continue to have audit committees to oversee local audit matters. A draft summary of the meeting is attached.

The terms of reference of the committee have been revised following that meeting to reflect the discussions. The committee is requested to recommend its revised terms of reference to the Board for approval.

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Group Audit and Risk Committee arrangements draft meeting notes – 10 September 2019

Present

Duncan Brown, Chair of LSBU Audit Committee and chair of meeting

Steve Balmont, member of SBC Audit Committee

Michael Broadway, Deputy University Secretary

Natalie Ferer, Group Financial Controller

Richard Flatman, Group CFO and Chair of SBA Audit Committee

Andrew Owen, Chair of SBC Audit Committee

James Stevenson, Group Secretary

Agreed:

- That LSBU exercises legal control over its subsidiaries
- That the group executive will act as the lynchpin of the group
- LSBU audit committee to continue but to have a group-wide remit
- To continue to have audit committees for SBA and SBC to oversee local audit matters – please see below for more detail
- To agree group standards/guiding principles for audit-related matters for all audit committees to adhere to
- For complex matters, draft meeting papers should be sent out as early as possible for comment and the opportunity to resolve queries ahead of the meeting
- Desirable to (sequence) meetings and reporting

Actions:

- To revise terms of reference for LSBU, SBA and SBC audit committees based on the discussion
- Feedback to Chair of the LSBU Board on the outcome of the meeting
- Brief VC
- To draft group-wide audit standards
- To set SBC audit committee dates for 2020 (SBA are set)
- Draft IA plan to SBC and SBA audit committee by email to agree. To arrange a call to discuss if required.

Internal audit

- Group AC to approve number of audit days
- Group AC to approve scope of LSBU/Group audits and review the reports
- SBA/SBC AC to approve scope of SBA/SBC audits within the number of days allocated in the group plan and review the reports. To note reports/summaries of group-wide audit reports
- Agree fee at group-level and notify local audit committees

Draft

Fraud/speak up

- Managed at local level but reported to group.

Risk

- Needs to be 'bottom up' and determined locally.

DRAFT – FOR DISCUSSION

LSBU Group Audit and Risk committee

Terms of reference

1. Constitution

1.1 The LSBU Board of Governors has established a committee of the Board known as the LSBU Group Audit Committee.

1.2 Each entity in the LSBU group¹ will have an audit committee to review audit matters relevant for that entity and in line with its terms of reference.

2. Membership

2.1 The ~~Audit~~ Committee and its chair shall be appointed by the Board, from among its own members, and must consist of members with no executive responsibility for the management of the institution.

2.2 There shall be no fewer than three members; a quorum shall be at least two members.

2.3 The chair of the Board should not be a member of the committee.

2.4 Members should not have significant interests in LSBU or any LSBU group company.

2.5 At least one member should have recent relevant experience in finance, accounting or auditing.

2.6 The committee may, if it considers it necessary or desirable, co-opt members with particular expertise.

2.7 Members of the committee should not also be members of the ~~finance committee (or equivalent)~~ Major Projects and Investment Committee or the Finance, Planning and Resources Committee.

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

3. Attendance at meetings

3.1 Members of the ~~The chief group~~ Executive may attend meetings where business relevant to their remit is to be discussed.

3.2 The Group Chief Financial Officer, ~~head of finance~~ (or equivalent), the head of group internal audit and a representative of the group external auditors shall normally attend meetings ~~where business relevant to them is to be discussed.~~

3.23 At least once a year the committee should meet with the group external and group internal auditors without any officers present.

4. Frequency of meetings

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

5. Authority

5.1 The committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the committee.

5.2 The committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the head of institution and/or chair of the Board. However, it may not incur direct expenditure in this respect in excess of £20,000 without the prior approval of the Board.

5.3 The Audit Committee will review the audit aspects of the draft annual financial statements. These aspects will include the external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' management letter. The committee should, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to the Board.

6. Secretary

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

7. Duties

7.1 The duties of the committee shall be to:

7.1.1 advise the LSBU Board on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors;

7.1.2 consent, on behalf of LSBU, to the appointment of the external auditors of SBA and SBC;

7.1.2 discuss with the external auditors, before the audit begins, the nature and scope of the audit of the LSBU Group consolidated accounts;

7.1.3 as necessary, to hold regular discussions with the group external auditors (in the absence of management where necessary);

7.1.4 consider and advise the LSBU Board on the appointment and terms of engagement of the group internal audit service (and the head of internal audit if applicable), the audit fee, the provision of any non-audit services by the internal auditors, and any questions of resignation or dismissal of the internal auditors;

7.1.5 review the group internal auditors' annual audit risk assessment, strategy and programme for LSBU; consider major findings of internal audit investigations and management's response for audits relating to LSBU and group-wide audits; consider a summary of internal audit reports relating to SBA or SBC; and promote co-ordination between the internal and external auditors. The committee will monitor that the resources made available for group internal audit by the group executive are sufficient to meet the LSBU Group's needs (or make a recommendation to the LSBU Board as appropriate);

7.1.6 keep under review the effectiveness of the group risk management, control and governance arrangements, and in particular review the group external auditors' management letter, the group internal auditors' annual report, and management responses;

7.1.7 monitor the implementation of agreed audit-based recommendations, from whatever source;

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

7.1.18 receive reports made under the group “speak up” policy and to monitor annually the performance and effectiveness of the “speak up” policy and procedures;

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

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

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

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

8. Reporting procedures

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

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

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

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

Approved by the Audit Committee on [1 October 2019]

Approved by the Board of Governors on ~~9 July 2015~~[17 October 2019]

	CONFIDENTIAL
Paper title:	Internal Audit – SBA Risk and Value for Money
Board/Committee	Audit Committee
Date of meeting:	1 st October 2019
Author:	Pricewaterhouse Coopers
Sponsor:	Nicole Louis, Chief Customer Officer
Recommendation:	The Committee is requested to note the report and its findings

Summary

A summary is shown on page 3 of the attached report and has identified 3 medium risk findings in the areas of risk management strategy, risk registers and risk reporting and monitoring.

Recommendation:

The Committee is requested to note this report.

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Internal Audit Report 2018/19

South Bank Academy Trust – Risk Management and VFM

*London South Bank
University*

September 2019

Final

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Click to launch

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Executive summary

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Background and scope

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Findings

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Appendices

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


Distribution list

For action: Clym Cunnington, Trust Business Manager
Natalie Ferer, Group Financial Controller

For information: Nicole Louis, Chief Executive Officer, South Bank Academy Trust
Richard Flatman, Group Chief Financial Officer
Audit Committee



Executive summary (1 of 3)

Report classification Medium Risk 	Trend N/A – We have not performed a review of this area previously.	Total number of findings	Critical	High	Medium	Low	Advisory
		Control design	0	0	2	0	1
		Operating effectiveness	0	0	0	0	0
		Control design and Operating effectiveness	0	0	1	0	0
		Total	0	0	3	0	1



Summary of findings

Following our initial review of the South Bank Academy (SBA) Trust in September 2018, where we reviewed Trust’s Key Financial Controls, Budgeting and Financial Monitoring and Student Safeguarding against good practice; LSBU has requested a further review of the Trust’s Risk Management and Value for Money controls and processes in place against good practice. We also performed a follow up on the exceptions identified from the initial review which is reported under separate cover.

Overall, in order for South Bank Academy to meet good practice standards, improvements are needed to further develop their current risk management processes and also, to give further consideration on defining how Value for Money will be achieved at the top level and at each Academy.

We identified 3 medium risk findings as below:

- **Risk Management Strategy and Risk Appetite statement** – There is no risk strategy or strategic plan in place for risk management at the Trust. Furthermore there is no risk appetite statement that ensures the risks are consistently managed in line with the Trust’s expectations. This is required as part of good practice for risk management
- **Risk Registers** – Our review of the 3 risk registers identified two issues in relation to the Trust’s and/or Academies’ objectives not being aligned to the risks within the risk registers for completeness, and the responsible risk owner is not being named but rather by the job title.
- **Risk Reporting and Monitoring** - From our sample testing of risk registers being presented at the appropriate boards such as the Audit Committee and SBA Governance Board for two selected months, we could not evidence the risk register being reported to either the UTC or UAE Schools Advisory Boards for both of the months we tested for each school. We note that these risk registers should be presented to these boards at every two months.

We would like to thank Clym Cunnington and all the other members of the team who gave their time to support this review.

Background and scope



Background

The South Bank Academies' Trust is a Multi-Academy Trust was established in January 2016 and sponsored by London South Bank University (LSBU). The Trust has two Academies, the University Academy of Engineering South Bank in Southwark (UAESB) and the South Bank Engineering UTC (UTC) in Lambeth. There are operational boards for each academy that report into the Trust's audit committee.

There have been concerns raised by LSBU on the internal control environment at the Trust and LSBU Management want to improve the current level assurance in place, focussing on the highest risk areas facing the Trust. A New Business Manager has been in place since October 2018, to coordinate and manage the reviews.

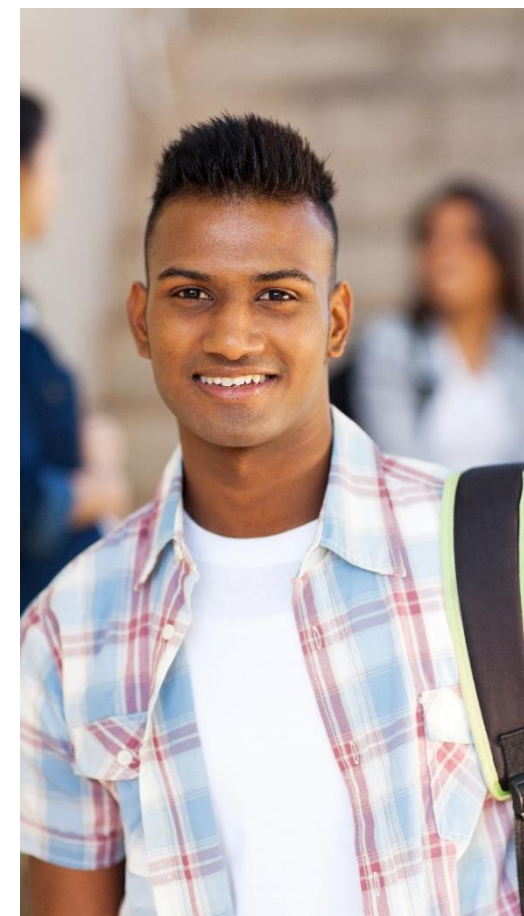
This internal audit will review the controls and processes in place at the Trust for Risk Management and Value For Money. We have also performed a follow up of the 21 control exceptions identified from the audit in September 2018 which is reported in separate cover.

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
17	x	x		x	x

x = area of primary focus

x = possible area of secondary focus



Risk Management Strategy and Risk Appetite statement

1

Control Design

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Finding rating

Rating

Medium

Findings

There is no risk strategy or strategic plan in place for risk management at the Trust. Furthermore there is no risk appetite statement that ensures the risks are consistently managed in line with the Trust's expectations. This is required as part of good practice for risk management as it allows for the vision, commitment and ownership to be defined and for wider awareness.

We acknowledge that this is not required by the Academies Financial Handbook or the Education and Skills Funding Agency (ESFA) guidelines, however these are good practice standards for embedding risk management throughout the Trust and to bring wider awareness and transparency on their approach.

Implications

Without a clearly defined and communicated risk management strategy, risks may not be managed in a consistent manner nor be in line with the Trust's expectations and risk appetite. This could also lead to a failure in achieving the Trust's objectives.

Risk Appetite is not defined or understood this could lead to inappropriate management decisions.

Agreed action

LSBU are broadly looking at the risk strategy across the group and this will define the role that the local board will have in this process, how they define their risk appetite and the process of reporting to the different groups.

The aim is to decide on the group process before December 2019– and that in turn to be rolled out to the subsidiary companies, including SBA in the first quarter of 2020.

Responsible person/title:

Richard Duke, Director of Strategy & Planning

Target date:

31 December 2019

Reference number:

1

Risk Registers

Control Design

2

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Finding rating

Rating

Medium

Findings

In our testing of the risk registers maintained for the Trust and for each of the Academies, we identified the following issues across all 3 risk registers which should be addressed as part of good practice:

1. There are no organisational objectives listed in the risk registers and therefore the identified risks do not align to the specific objectives that it may impact. For example, the risks are not aligned to the objectives as specified in the South Bank Academies Strategic Plan. Ensuring the objectives of the Trust and/or Academies are included in the risk register would allow for improved relevance of the defined risks and the management of the actual risks impacting the objectives, rather than general risks.
2. The responsible person for each risk is not defined but instead the job title is listed i.e. Finance Manager, Financial Controller etc. Listing the key risk owner would enable clear accountability and transparency for the management of the risk.

Implications

Risks are not aligned to objectives and are not assessed or rated appropriately.

Agreed action

LSBU are broadly looking at the risk strategy across the group and this will define the role that the local board will have in this process, how they define their risk appetite and the process of reporting to the different groups.

The aim is to decide on the group process before December 2019– and that in turn to be rolled out to the subsidiary companies, including SBA in the first quarter of 2020.

Responsible person/title:

Richard Duke, Director of Strategy & Planning

Target date:

31 December 2019

Reference number:

2

Risk Reporting and Monitoring

Control Design and Operating Effectiveness

3

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Finding rating

Rating

Medium

Findings

From our sample testing of risk registers being presented at the appropriate boards such as the Audit Committee and SBA Governance Board for two selected months, we could not evidence the risk register being reported to either the UTC or UAE Schools Advisory Boards for both of the months we tested for each school. We note that these risk registers should be presented to these boards at every two months.

Furthermore, there is no clearly defined responsibility and accountability for monitoring and reporting of key risks for both the Trust and within each of the academies. This may lead to potential risks not being detected and reported to the appropriate authority.

Implications

Inadequate structures are in place to ensure accurate and timely reporting and monitoring of risk.

Agreed action

LSBU are broadly looking at the risk strategy across the group and this will define the role that the local board will have in this process, how they define their risk appetite and the process of reporting to the different groups.

The aim is to decide on the group process before December 2019– and that in turn to be rolled out to the subsidiary companies, including SBA in the first quarter of 2020.

Responsible person/title:

Richard Duke, Director of Strategy & Planning

Target date:

31 December 2019

Reference number:

3

Value for Money considerations in Trust's Strategy

Control Design

4

Page 32

Finding rating

Rating

Advisory

Findings

As part of the annual accounts reporting, Academy Trusts are required to include a review of value for money in the accounts. Whilst we acknowledge this has been adhered to, value for money overall is not formally documented and defined at the Trust, for overall clarity and transparency to staff and otherwise. For instance, there is no mention of achieving value for money in the Trust's strategy.

We therefore advise the Trust as good practice, to highlight value for money in their overall strategy and/or objectives including how this will be achieved and the expected outcomes. This would provide improved transparency and clarity over the Trust's aims and objectives in relation to value for money.

Implications

N/A – advisory only.

Agreed action

This will be considered when updating our strategy and objectives.

Responsible person/title:

Nicole Louis, Chief Executive Officer, South Bank Academy Trust

Target date:

31 December 2019

Reference number:

4



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**




Appendices

Page 33

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 A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendix B: Terms of reference

South Bank Academy Trust – Follow up

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

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Background and audit objectives



This review is being undertaken as an addition to the prior South Bank Academy Trust review. The latter review was from the 2018/19 internal audit plan approved by the Audit Committee.

Background and audit objectives

The South Bank Academies' Trust is a Multi-Academy Trust was established in January 2016 and sponsored by London South Bank University (LSBU). The Trust has two Academies, the University Academy of Engineering South Bank in Southwark (UAESB) and the South Bank Engineering UTC (UTC) in Lambeth. There are operational boards for each academy that report into the Trust's audit committee.

There have been concerns raised by LSBU on the internal control environment at the Trust and LSBU Management want to improve the current level assurance in place, focussing on the highest risk areas facing the Trust. A New Business Manager has been in place since October 2018, to coordinate and manage the reviews.

This internal audit will review the controls and processes in place at the Trust for Risk Management and Value For Money. We have also performed a follow up of the 21 control exceptions identified from the audit in September 2018 which is reported in separate cover.

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

X = area of primary focus

x = possible area of secondary focus

Audit scope and approach (1 of 3)

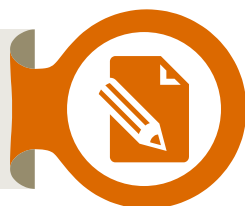


Scope

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

Sub-process	Key control objectives
Risk Management	
Risk Strategy	<ul style="list-style-type: none"> Vision, commitment and ownership of risk management are defined within the Academy Trust. Roles and responsibilities are clearly defined. Risks – at a corporate and operational level - are aligned to the LSBU’s Strategic Plan.
Statement of Risk Appetite	<ul style="list-style-type: none"> The Risk Appetite is defined and is considered in the management of risk and resource allocation. Sufficient data is captured to allow the organisation to assess performance against Risk Appetite.
Risk identification	<ul style="list-style-type: none"> The risk identification process encourages the identification of risk, an assessment of magnitude, likelihood and impact at all levels of the Academy Trust, with key partners and is a continuous process. There is clear ownership and responsibility for managing key risks at an operational level.
Monitoring and reporting	<ul style="list-style-type: none"> Risks are regularly monitored and mitigation measures updated. This is reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level.

Audit scope and approach (2 of 3)

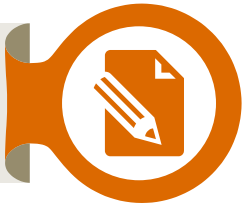


Scope

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

Sub-process	Key control objectives
Value for Money	
Strategy and Corporate Plan	<ul style="list-style-type: none"> • Vision and commitment to delivering Value for Money is defined within the corporate plan and strategy. • Roles and responsibilities are clearly defined. • These are aligned to SBA’s strategy, where applicable.
Defined outcomes	<ul style="list-style-type: none"> • There is a clear, documented plan of how Value For Money will be delivered across the Trust, including the initiatives, activities and measurable outcomes. This could be documented for example in budget setting guidance and/or business plans.
Monitoring and reporting	<ul style="list-style-type: none"> • Activities to achieve Value for Money are tracked and monitored against the Strategy and Corporate plan for measurable progress. This is reported to a sufficient level of management to ensure awareness and recognition of the activities at a corporate level.

Audit scope and approach (3 of 3)



Limitations of scope

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

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.

This audit will not confirm compliance with the Academies Financial Handbook and will only provide assurance of the key controls in place. We will not test the operating effectiveness.

For Value for Money, the audit will only provide assurance against and will not confirm compliance with DfE guidelines.

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 (1 of 3)



Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	Telephone: 0207 212 4269 Email: justin.f.martin@pwc.com
Amy Chiu	Engagement Manager	Telephone: 07843 330 912 Email: amy.chiu@pwc.com
Farbas Miah	Internal Auditor	Telephone: 07970 165232 Email: farbas.miah@pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Group Chief Financial Officer (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference Review draft report
Richard Duke	Director of Strategy and Planning	duker3@lsbu.ac.uk	Review and approve final report Hold initial scoping meeting
Natalie Ferer	Group Financial Controller	0207 815 6316 ferern@lsbu.ac.uk	Review and meet to discuss issues arising and develop management responses and action plan
Nicole Louis	Chief Executive Officer, South Bank Academy Trust	louisn@lsbu.ac.uk	Receive draft and final terms of reference Receive draft report Receive final report

Internal audit team and key contacts (2 of 3)



Key contacts – South Bank Academy Trust

Name	Title	Contact details	
Clym Cunnington	Trust Business Manager	020 7815 6021 cunninc4@lsbu.ac.uk	Key contact for Finance, Risk Management and Value for Money
Jacqui Collins	Trust HR manager	Jacqui.Collins@southbank-utc.co.uk	Involvement with Payroll
Loretta Audu	Financial Accountant, LSBU	audul@lsbu.ac.uk	Part of the LSBU team overseeing South Bank Academy Trust
Sharlyn Villamayor	School Finance Officer, UAESB (University Academy of Engineering South Bank)	Sharlyn.Villamayor@uaesouthbank.org.uk	For all Finance queries including Payroll
Natasha Padmore	School Finance Officer , UTC (South Bank Engineering University Technical College)	Natasha.Padmore@southbank-utc.co.uk	For all Finance queries excluding Payroll
Dan Cundy	Trust Executive Principal and has responsibilities across the two schools Head Teacher, UTC (South Bank Engineering University Technical College)	Dan.Cundy@southbank-utc.co.uk	Has overall responsibility across the two schools For all Finance queries including Payroll
John Taylor	Head Teacher, UAESB (University Academy of Engineering South Bank)	John.Taylor@uaesouthbank.org.uk	For all Finance queries including Payroll

Internal audit team and key contacts (3 of 3)



Key contacts for Safeguarding scope

Name	Title	Contact details	
Rob Harding	Safeguarding lead - UAESB	Rob.Harding@uaesouthbank.org.uk	Safeguarding Lead for University Academy of Engineering South Bank
John Taylor	Head Teacher, UAESB	John.Taylor@uaesouthbank.org.uk	Additional Safeguarding contact
Dan Cundy	Head Teacher, UTC	Dan.Cundy@southbank-utc.co.uk	Additional Safeguarding contact

Timetable



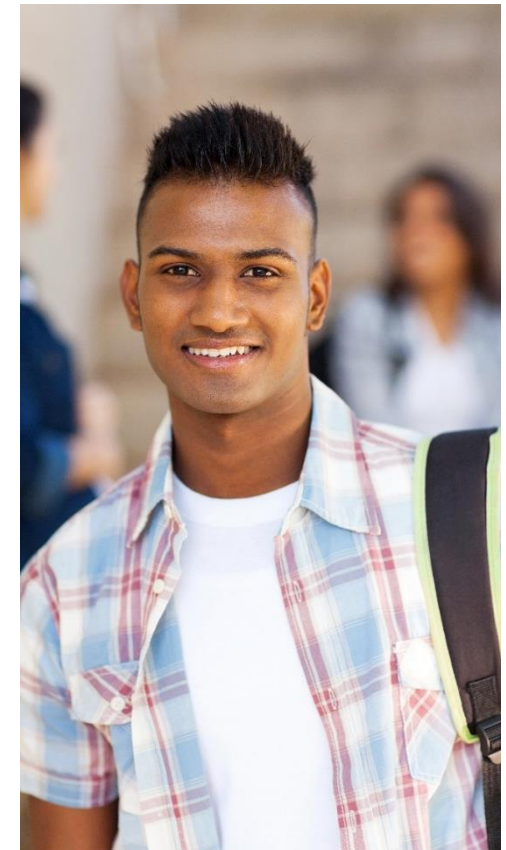
Timetable

Fieldwork part 1 – Follow up of exceptions	25 – 28 March 2019
Fieldwork part 2 – Risk Management and VFM	29 April - 3 May 2019
Draft report to client	17 May 2019
Response from client	31 May 2019
Final report to client	7 June 2019

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



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Ahead of the audit fieldwork date, please provide:

Risk Management

- A copy of the Trust and or School Risk Register;
- A copy of the Risk Management Strategy, Risk Appetite and Risk Management Policy;
- Access to any minutes for relevant oversight Boards, including any Risk Review Groups, Audit and Risk Committee and the Board of Governors;
- Any other document that details how risks are currently managed e.g. the process for identifying and reviewing risks.

Value for Money (VFM)

- Any Strategic, Corporate or Operational plans that outline VFM for the Trust and/or Schools;
- Evidence of logging / tracking VFM outcomes from the above or otherwise;
- Any reports that evidence VFM being reported either operationally or at Executive level.

This listing is not exhaustive, additional items may be asked for on request.

We understand that the above contains sensitive information, please speak to PwC to determine the best method of sharing the requested items.

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 16 October 2017. 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 the Office for Students and institutions. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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

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	CONFIDENTIAL
Paper title:	Internal Audit – Student data continuous audit
Board/Committee	Audit Committee
Date of meeting:	1 October 2019
Author:	Pricewaterhouse Coopers
Sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Review
Recommendation:	The Executive is requested to note the report and its findings

Summary

PwC has classified this report as medium risk based on the number and severity of findings identified. Overall there has been a deterioration in overall performance from the previous period with 43 exceptions identified compared to 27 in the previous period. No exceptions were identified for S4 (Student Engagement) and S10 (QLS: New Starters), compared to the previous phase. Although there were slight decreases in the number of exceptions identified for the controls S3 (Apprenticeships), S8 (Module Data) and S10 (QLS: New Starters), they identified increased exceptions for all other controls.

The report contains management responses to address all the exceptions identified and progress with these will be reviewed by BDO as part of their work in 2019/20. A summary is shown on page 3 of the attached report and has identified three medium risk findings.

Recommendation:

The committee is requested to note this report

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Internal Audit Report 2018/19

Continuous Auditing: Student Data 2018/19 – Phase 2

*London South Bank
University*

Final

September 2019

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Click to launch

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

Distribution list

For action: Dave Lewis (Software Development Team Leader)
 Sheila Patel (Applications Support and Maintenance Team Leader)
 Lisa Upton (Head of Registry)
 Nuria Prades (Head of Operations, International Office)
 Lauren O'Brien- Immigration and Compliance Manager
 Alan Butt (Student Engagement Team Leader)
 Heather Collins (Apprenticeship Implementation Manager)

For information: Richard Flatman (Group Chief Financial Officer)
 Natalie Ferer (Group Financial Controller)
 Jamie Jones (Head of Student Administration)
 Andrew Ratajczak (Manager: Fees, Bursaries and Central Enrolment)
 Audit Committee



Executive summary



System Classification

Medium Risk



System Summaries

We have classified this report as medium risk based on the number and severity of findings identified. Our rating criteria are set out at Appendix A. The table below summarises the number of exceptions for each period. Overall there has been a deterioration in overall performance from the previous period with more exceptions identified.

No exceptions were identified for S4 (Student Engagement) and S10 (QLS: New Starters), compared to the previous phase. Although there were slight decreases in the number of exceptions identified for the controls S3 (Apprenticeships), S8 (Module Data) and S10 (QLS: New Starters). We also identified increased exceptions for all other controls.

Control	P2 18/19 Effectiveness	P2 18/19 Control design	P1 18/19 Effectiveness	P1 18/19 Control design	Trend
S1	2	-	1	-	↑
S2	11	-	11	-	↔
S3	4	-	7	-	↓
S4	-	-	-	-	↔
S5	5	1	3	-	↑
S6	7	-	2	-	↑
S7	5	-	1	-	↑
S8	1	-	1	1	↓
S9	6	-	-	-	↑
S10	-	-	1	-	↓
S11	2	-	-	-	↑
Total	43	1	27	1	↑

Background and scope



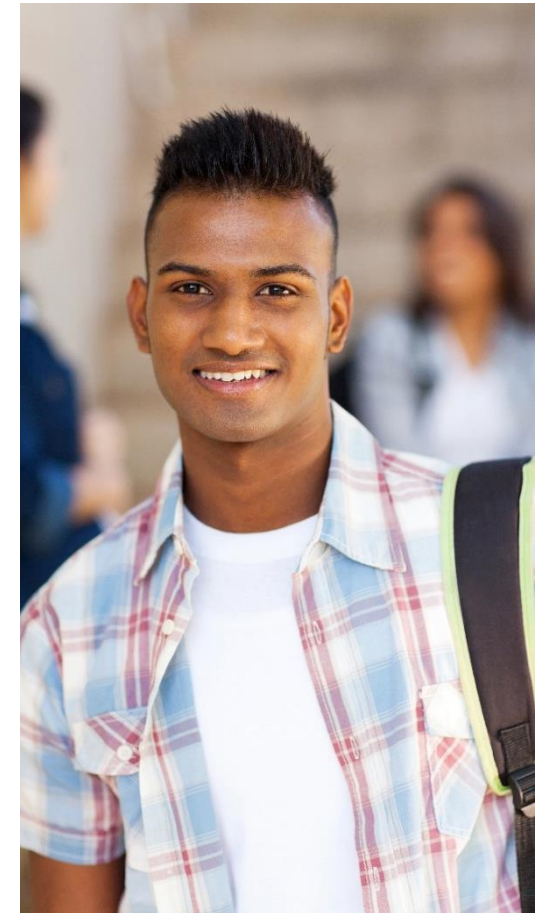
Background

The Office for Students' (OfS and formerly 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 (SLC), OfS 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 2018/19 has been designed to support the Audit Committee in forming its conclusion.

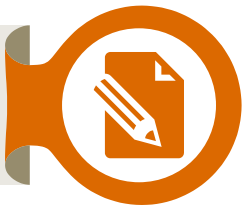
Our Student Data Continuous Audit programme will test key controls associated with data quality on an on-going basis to assess whether they are operating effectively and to flag areas and/or report transactions that appear to circumvent controls.

We have outlined the specific controls we have tested in the Terms of Reference (please refer to 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).

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 8)



	Key Control	Exceptions P2 2018/19	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 	<p>2</p>	<p>Exceptions identified for 2/25 new students tested.</p> <ul style="list-style-type: none"> • For 2/25 new students, evidence of their criminal conviction checks were not evidenced. However one student is a current University employee and the other is a student on the Nursing course, where DBS checks are part of their course requirements. 	<p>Management response and action:</p> <p>As specified, we did not re-perform these checks as they both would have either had a criminal conviction check (existing staff member) or a DBS check (Nursing student). We will make sure these are noted on the system in future.</p> <p>Owner</p> <p>Lisa Upton, Head of Registry</p>

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 8)



	Key Control	Exceptions P2 2018/19	Details on exceptions	Management Comment
S2	<p>Tier 4 controls</p> <p>Supporting documentation is obtained and retained to ensure Tier 4 requirements are met.</p>	<p>11</p>	<p>Exceptions identified for 11/25 Tier 4 students tested.</p> <ul style="list-style-type: none"> For 10/25 Tier 4 students who enrolled, did not state their UK mobile number. For 1 / 25, the conclusion from their CAS interview was not provided. 	<p>Management response and action:</p> <p>Action 1: International to contact the relevant students to collect their UK mobile number</p> <p>Action 2: Outcome of LSBU pre-CAS interview no longer needed as this applicant was sponsored and was granted a visa. In line with LEAP, this process should be automatic via software or application to be able to identify missing information and complete all files as needed.</p> <p>Owner:</p> <p>Nuria Prades, Head of Operations</p>

Detailed Findings (3 of 8)



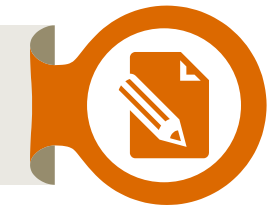
	Key Control	Exceptions P2 2018/19	Details on exceptions	Management Comment
S3	<p>Apprenticeships</p> <p>Before the apprentice is enrolled at the University, the following must be completed:</p> <ul style="list-style-type: none"> • Apprenticeship contract signed by learner, employer and university prior to commencement of programme • Individual Learner Plan (ILP) including calculation of anticipated hours of off the job training • BKSb initial assessment results on file • DBS check completed (if HSC programme) 	<p>4</p>	<p>Exceptions identified for 4/25 apprentices tested.</p> <ul style="list-style-type: none"> • For 4/25 apprentices, the Individual Learner Plan (ILP) was incomplete as it did not contain details of the apprentices line manager. 	<p>Management response and action:</p> <p>We have now made the changes to our online enrolment system that make it compulsory to the name their line manager (system validation). Those learners identified were all enrolled prior to the changes and we have now addressed those.</p> <p>Owner:</p> <p>Heather Collins, Apprenticeship Implementation Manager</p>

Detailed Findings (4 of 8)



	Key Control	Exceptions P2 2018/19	Details on exceptions	Management Comment
S4	<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>	0	No exceptions noted.	

Detailed Findings (5 of 8)



Key Control	Exceptions P2 2018/19	Details on exceptions	Management Comment
<p>S5 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>5</p>	<p>A control design issue has been identified – see finding 1.</p> <p>Exceptions identified for 5/25 students tested.</p> <ul style="list-style-type: none"> For 1/25, the student had been on placement and therefore could not attend semester 2 – this should have been noted in the record. For 1/25, the student had graduated– this should have been noted in the record. For 1/25, the student had a DESE meeting in November 2018 which resulted in no follow up instruction. Next point of contact was February 2019, where the applicant explained their reason for the lack of attendance. For 1/25, the student was only required to attend tutorials and not lectures by the Course Director (due to a resit) – this should have been noted in the record. For 1/25, the student attendance record did not match the turnstile report but upon further review during our fieldwork, the student had actually met the attendance criteria. 	<p>Management response and action:</p> <ol style="list-style-type: none"> There has been a change in staffing related to placements so we will start to receive the data at the start of each year which should allow us to keep accurate records with annotations made against cohorts of students to inform on placement and study activity. We will run a report which we will use to identify the graduated students at the beginning of the year and periodically within it to ensure we keep up to date. This student had changed from full time to part time in November and we will make sure this is noted. We will contact course directors where students have less than the full list of modules on their records for the academic year or request that they contact us where they have made arrangements with students as per the exception noted. There is ongoing work in this areas as it is recognised that the current system used for attendance monitoring is struggling to exceed its initial build requirements as the needs within the attendance / engagement monitoring processes have increased. <p>Owner:</p> <p>Alan Butt, Student Engagement Team Leader</p>

Detailed Findings (6 of 8)



	Key Control	Exceptions P2 2018/19	Details on exceptions	Management Comment
S6	<p>Course Changes</p> <p>Supporting evidence is obtained prior to processing any course changes or withdrawals.</p>	<p>7</p>	<p>Exceptions identified for 7/25 course changes tested.</p> <ul style="list-style-type: none"> For 5/25 course changes, it took 21 – 71 working days (3 – 6 weeks) to update the QLS system of the course change. Furthermore for 1 /5 exceptions above, the course change did not match what was stated on the form. For 1/25, the change had been updated on the QLS system, 1 day before the course change form had been completed. 	<p>Management response and action:</p> <p>There had been some delays and inaccuracies in processing the student changes, and in one case, the student had changed their mind on their course change.</p> <p>However a new automated course change process has been planned (subject to agreement by Exec) to ensure compliance, data completion and accuracy in the future.</p> <p>Owner:</p> <p>Lisa Upton, Head of Registry</p>

Detailed Findings (6 of 8)



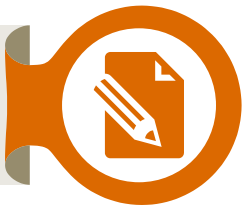
	Key Control	Exceptions P2 2018/19	Details on exceptions	Management Comment
S7	<p>Withdrawals</p> <p>Supporting documentation is retained for all change of circumstances. Changes of circumstances are processed on a timely basis.</p> <p>This testing is restricted to the testing of withdrawals.</p>	<p>5</p>	<p>Exceptions identified for 5/25 withdrawals tested.</p> <ul style="list-style-type: none"> For 2/25, students were withdrawn from their course on the QLS system 11 and 65 days (2 and 13 weeks) after being notified. For 1 /25, the student was not authorised for the change until 24 days (3 weeks) after the course change interview. For 1/25, the International Office had confirmed to Registry that the student had to withdraw from the course in November 2018. There was further confirmation in March 2019 from the International Office on this matter and at the time of our fieldwork, this had not yet been updated on QLS. For 1/25, the withdrawal form did not have the two required signatures - it was only signed on the last page. 	<p>Management response and action:</p> <ul style="list-style-type: none"> We will consider introducing an SLA so that Student Administration can action these requests within an acceptable agreed timeframe. The delays arose as a result of staffing issues in the International Office, which have been addressed now new trained staff are in place. School/Student Admin to be trained as part of Registry CPD program in agreed procedure. <p>Owner:</p> <p>Lisa Upton, Head of Registry</p>

Detailed Findings (7 of 8)



Key Control	Exceptions P2 2018/19	Details on exceptions	Management Comment
<p>S8 Module Data Exception Reporting</p> <p>Exception reports are run to identify changes made to student module data and are investigated.</p>	<p>1</p>	<p>Exceptions identified for 1/2 exception reports tested.</p> <ul style="list-style-type: none"> For 1/2 exception reports, 3/7 schools did not provide a response. 	<p>Management response and action:</p> <p>These responses were received from 1 working day after deadline, as waiting on academic colleagues. Not a significant issue but we will continue to monitor timelines.</p> <p>Owner:</p> <p>Lisa Upton, Head of Registry</p>

Detailed Findings (7 of 8)



Key Control	Exceptions P2 2018/19	Details on exceptions	Management Comment
<p>S9 Changes to Module Data</p> <p>Evidence is retained to support any changes to student module data.</p>	<p>6</p>	<p>Exceptions identified for 6/25 changes tested.</p> <ul style="list-style-type: none"> For 1/25, the Student had the wrong amount of credits on the QLS system. For 1/25, the expected number of credits for the student is not defined in QLS. For 3/25, a course had cancelled a 20 credit module and therefore this should have been deducted from the students expected credits total, on the QLS system. For 1 of 25, the student is a member of staff that is only taking 1 module worth 20 credits yet they are enrolled as completing a full course with 120 credits on QLS. 	<p>Management response and action:</p> <p>Theses exceptions were relating to specific issues where the students could not select additional modules due to changes within the Schools that hadn't been confirmed. We will make sure that any changes or gaps will be followed up and with notes added to explain. In sum:</p> <ul style="list-style-type: none"> With regards to the 3 exceptions relating to the cancelled 20 credit module, students could select another optional module as there was uncertainty from the School as to which semester it will run in. However this should have been updated as soon as it was confirmed. Some students were on the non-EU study abroad course and therefore could not confirm the number of credits they would select. Some student should be on another piece of curriculum so that it's clear they are only taking the one module, but they've not been transferred by the school to the correct AOS/session code. To be followed up. <p>Owner:</p> <p>Lisa Upton, Head of Registry</p>

Detailed Findings (8 of 8)



	Key Control	Exceptions P2 2017/18	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>	0	No exceptions noted.	
S11	<p>QLS: Leavers</p> <p>Leavers are removed from the QLS system on a timely basis.</p>	2	<p>Exceptions identified for 2/5 leavers.</p> <ul style="list-style-type: none"> For 1 of 5, IT did not send the confirmation email indicating that the leaver had been removed from the system. They were due to be removed in December and this did not occur until the time of our fieldwork (April). For 1 of 5, the leaver was removed 15 working days since it was notified to the team. 	<p>Management response and action:</p> <p>1) Change of process now implemented so that all requests for removal of accounts will be sent to the ICT Help Desk.</p> <p>2) Change of process now implemented so that notifications of leavers from HR are now directed to the Registry Help Desk rather than a named individual.</p> <p>Owner:</p> <p>Lisa Upton, Head of Registry</p>

Student updates to Registry (S5)

Control design

1

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Finding rating

Rating

Advisory

Findings

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.

Our testing of control S5 identified 3 of 25 instances, where if the Registry team had either been informed in advance of the students either on placement, due to graduate or had only been required tutorials due to resits; it would help to reflect a more accurate student attendance record and also help to ensure resources are used to effectively chase the students that not complying with their attendance.

We therefore advise the Registry team to consider requesting updates for the specific students that have attendance requirements on at least a bi-annually basis from the Course Director (or otherwise), in order to ensure they have more accurate student records.

Implications

Student attendance records are incorrect undermining the reliability of management information.

Action plan

- 1) There has been a change in staffing related to placements so we will start to receive the data at the start of each year which should allow us to keep accurate records with annotations made against cohorts of students to inform on placement and study activity.
- 2) We will run a report which we will use to identify the graduated students at the beginning of the year and periodically within it to ensure we keep up to date.
- 4) We will contact course directors where students have less than the full list of modules on their records for the academic year or request that they contact us where they have made arrangements with students as per the exception noted.
- 5) There is ongoing work in this areas as it is recognised that the current system used for attendance monitoring is struggling to exceed its initial build requirements as the needs within the attendance / engagement monitoring processes have increased.

Responsible person/title:

Alan Butt, Student Engagement Team Leader

Target date:

1st April 2020

Reference number:

1



**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: Student Data 2017/18

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 2018/2019 internal audit plan approved by the Audit Committee.

Background and audit objectives

The Office For Students and Institutions (OFS) 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 (SLC), OFS 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 2018/19 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

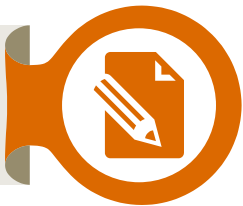
Our work touches upon the following areas that form part of our annual report to Audit Committee:

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)

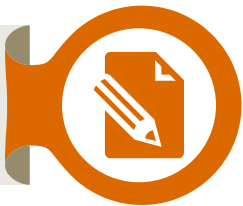


Scope

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. ESFA requirements are not complied with. This could result in London South Bank University losing funding for apprentices or restrictions being imposed on future apprenticeship programmes. 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 2018/19:

- Phase 1: April 2018 – October 2018
- Phase 2: November 2018 – March 2019



Internal audit team



Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@pwc.com
Amy Chiu	Engagement Manager	07843 330 912 Amy.chiu@pwc.com
Janak Savjani	Continuous Auditing Supervisor and Technician	07802 660 974 janak.j.savjani@pwc.com
Maya Patel	Continuous Auditing Technician	07841 102 404 maya.yogini.patel@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
Nuria Prades	Senior International Officer (UK & non-EU Europe)	pradesn@lsbu.ac.uk	
Lisa Upton	Head of Registry	uptonl@lsbu.ac.uk	
Dave Lewis	Software Development Team Leader	dave.lewis@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
Heather Collins	Apprenticeship Implementation Manager	heather.collins@lsbu.ac.uk	Audit contact

Timetable



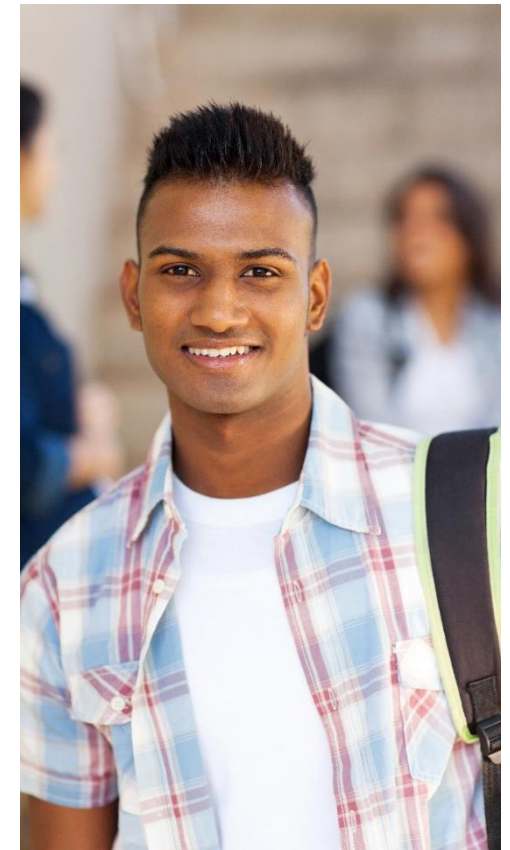
Timetable

	Phase 1	Phase 2
Fieldwork start	04/12/2018	08/04/2019
Fieldwork completed	17/12/2018	19/04/2019
Draft report to client	07/01/2019	03/05/2019
Response from client	18/01/2019	17/05/2019
Final report to client	25/01/2019	24/05/2019

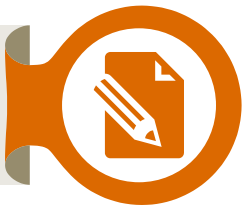
Agreed timescales are subject to the following assumptions:

- 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
Testing approach and deliverables request		
<p>We will obtain a listing from management of students who have applied to London South Bank University and check that the following checks have been performed prior to EFE status:</p> <ul style="list-style-type: none"> • Criminal conviction check (self-declaration by students) • Entry criteria have been met • An enrolment form has been completed and that this confirms an ID check has been performed. 		

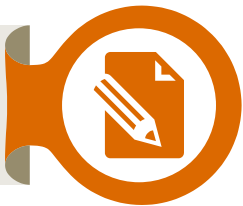
Appendix 1: Key controls schedule



Enrolment (continued)

Key risk	Key Control	Reference
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.	Supporting documentation is obtained and retained to ensure Tier 4 requirements are met. Key contact: Nuria Prades	S2
Testing approach and deliverables request		
<p>We will obtain a listing from management of Tier 4 students who have enrolled and select a sample to confirm that the following evidence has been retained on their student record:</p> <ul style="list-style-type: none"> • Copy of the student’s current passport pages showing all personal identity details including biometric details, leave stamps, or immigration status document including their period of leave to remain (permission to stay) in the UK. • Copy of the student’s biometric residence permit (BRP). • Record of the student’s absence/attendance • A history of the student’s contact details to include UK residential address, telephone number and mobile telephone number. • Where the student’s course of study requires them to hold an Academic Technology Approval Scheme (ATAS) clearance certificate, LSBU must keep a copy of the certificate or the electronic approval notice received by LSBU, from the Foreign and Commonwealth Office. • Copies or originals where possible of any evidence assessed by you as part of the process of making an offer to the student, this could be copies of references, examination certificates. <p>We shall also need a list of LSBU courses which require ATAS clearance.</p>		

Appendix 1: Key controls schedule



Enrolment (continued)

Testing approach and deliverables request	Reference
<p>Continued</p> <p><u>LSBU internal requirements before issuing a CAS</u></p> <ul style="list-style-type: none"> · Evidence that financial documents (e.g. bank statements) have been submitted by the student to ensure they meet requirements of Tier 4, with the exception of low-risk nationals; · Evidence that the student meets English language requirements (e.g CEFR level B2 equivalent) · A pre-CAS interview has been conducted with the student (not applicable to low-risk nationals and UK-based PhD students) · A valid TB test has been submitted by the student where applicable; · An Immigration Information Form has been completed <p><u>UKVI Reporting requirements:</u></p> <ul style="list-style-type: none"> · That the Home Office has been informed by the Sponsor Management System (SMS) where the student has started a placement or internship as part of the course. · That the Home Office has been informed by the Sponsor Management System (SMS) where the student has changed course. 	<p>S2</p>

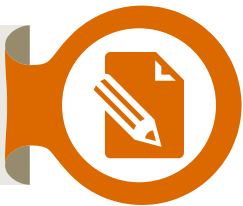
Appendix 1: Key controls schedule



Enrolment - Apprenticeships

Key risk	Key Control	Reference
ESFA requirements are not complied with. This could result in London South Bank University losing funding for apprentices or restrictions being imposed on future apprenticeship programmes.	<p>Before the apprentice is enrolled at the University, the following must be completed:</p> <ul style="list-style-type: none"> • Apprenticeship contract signed by learner, employer and provider ahead of programme start date; • Individual Learning Plan completed (with prior learning information) including calculation of anticipated hours of off the job hours of training; • BKSb initial assessment results on file; and • DBS check completed (if is a HSC programme). <p>Key contact: Heather Collins</p>	S3
Testing approach and deliverables request		
<p>We will obtain a listing of new apprentices who have enrolled at the University and check that the following have been completed:</p> <ul style="list-style-type: none"> • Apprenticeship contract signed by learner, employer and provider ahead of programme start date; • Individual Learning Plan completed (with prior learning information) including calculation of anticipated hours of off the job hours of training; • BKSb initial assessment results on file; and • DBS check completed (if is a HSC programme). 		

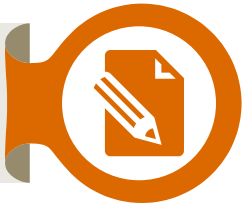
Appendix 1: Key controls schedule



Student Attendance Monitoring

Key risk	Key Control	Reference
<p>Student engagement records are incorrect undermining the reliability of management information.</p>	<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</p>	<p>S4</p>
<p>Testing approach and deliverables request</p>		
<p>We will select a sample of students from the most recent engagement report and confirm that actions have been taken to investigate periods where the student fell below the minimum thresholds outlined in the Student Engagement Procedure.</p>		

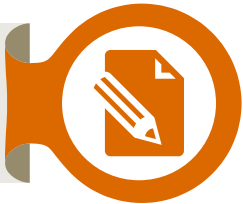
Appendix 1: Key controls schedule



Student Attendance Monitoring (continued)

Key risk	Key Control	Reference
Student attendance records are incorrect undermining the reliability of management information.	<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</p>	S5
Testing approach and deliverables request		
We will select a sample of students from the most recent attendance report generated by the School of Health & Social Care and confirm that actions have been taken to investigate periods of non-attendance in accordance with the Attendance Monitoring Procedure.		

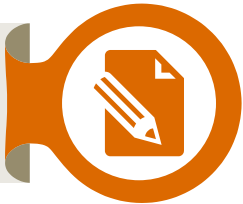
Appendix 1: Key controls schedule



Enrolment Amendments

Key risk	Key Control	Reference
Course changes are not identified on a timely basis this could affect fee income, as well as student data quality.	Supporting evidence is obtained prior to processing any course changes or withdrawals. Key contact: Andrew Ratajczak	S6
Testing approach and deliverables request		
<p>We will obtain a report from management of all course changes within the testing period. We will select a sample of students and for each student we will confirm:</p> <ul style="list-style-type: none"> • A form has been completed which supports the change; • The form has been authorised by the student and the School; • The course changes log has been updated and agrees to QLS; • The change was only action on QLS after the form was authorised by the student and faculty and after the course change log was completed; <p>*This will include ETROC and EFAFU codes only.</p>		

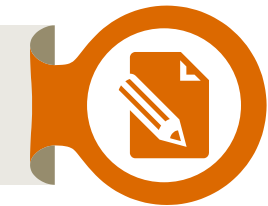
Appendix 1: Key controls schedule



Enrolment Amendments (continued)

Key risk	Key Control	Reference
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	S7
Testing approach and deliverables request		
We will obtain a listing of all students who have withdrawn in the period and select a sample to test that: <ul style="list-style-type: none"> • There is a letter or form from the student requesting withdrawal; • That the date the change was applied to the system on a timely basis. 		

Appendix 1: Key controls schedule

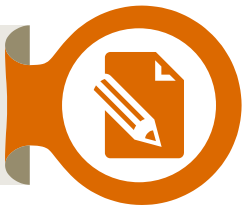


Enrolment Amendments (continued)

Key risk	Key Control	Reference
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	S8
Testing approach and deliverables request		
We will select a sample of months and confirm that: <ul style="list-style-type: none"> • An exception report has been generated; • The exception report has been discussed at periodic meetings; • Actions have been taken to interrogate and resolve exceptions. 		

Key risk	Key Control	Reference
Student module data is inaccurate or incomplete, undermining the reliability of data.	Evidence is retained to support any changes. Key contact: Lisa Upton	S9
Testing approach and deliverables request		
Using the most recent exception report, we will select a sample of changes to module data and test to confirm that these have been processed correctly and agree to supporting evidence.		

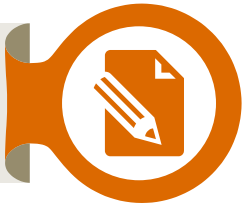
Appendix 1: Key controls schedule



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
Testing approach and deliverables request		
We will obtain a listing of all new users set up on QLS in the testing period and select a sample of users to test that: <ul style="list-style-type: none"> • An authorisation form was completed; • The form has been authorised by their line manager and IT; • The form is dated before their system set up date. 		

Appendix 1: Key controls schedule



System access (continued)

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.	Leavers are removed from the system on a timely basis. Key contact: Lisa Upton	S11
Testing approach and deliverables request		
We will obtain a listing of all leavers during the testing period and select a sample of users to test that their account has been de-activated.		

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 16 October 2017. 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 the Office for Students 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:	GDPR – Response to Internal Audit Report, May 2019
Board/Committee:	Audit Committee
Date of meeting:	01 October 2019
Author(s):	Hywel Williams, Data Protection and Information Compliance Officer (DPO)
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The Committee is requested to note the following response to the GDPR Plan Review Internal Audit Report 2018/19 and prior readiness preparation.

Executive Summary

1. Response to the GDPR Readiness Assessment Test carried out by PwC in July 2017

In July 2017, PwC was commissioned to carry out a GDPR Readiness Assessment Test (RAT). This led to a programme of work from December 2017 to July 2018 to prepare for GDPR coming into force on 25.5.18, which was overseen by a GDPR Project Board. From 9 November 2017 to date, actions have been reported to Audit Committee. A detailed update of work carried out in response to the RAT is attached in the appendix.

2. Internal audit report on GDPR, May 2019

An internal audit of LSBU's progress against the forward GDPR Action Plan and ongoing GDPR compliance was carried out in April-May 2019. The final report delivered three high risk findings and two medium risk findings. The following is a summary of LSBU's management actions in response to these findings.

Completion of Actions

High risk finding 1 – LSBU's awareness of DP risks and issues

In response to the findings relating to LSBU's understanding of its data protection risks and issues, the following actions were agreed to:

- a) Review local risk registers and bring together University-wide view of current data protection risks by 31 July. Identify gaps, impact assess and prioritise all risks and add to the risk register by 30 September.
- b) Review LSBU's approach in view of the consolidated view of data protection risks and the corporate risk appetite for legal compliance of 'cautious'.
- c) Relay the outcome of the above exercise to inform senior management so that they have an understanding of the real risks and issues now faced by LSBU, and how you plan to manage and mitigate them.
- d) Review current Corporate Risk Register entry and amend if necessary.

This is complete. The Executive has now reviewed the data protection risk log developed from University-wide risk logs to give effect to actions a) and c). Following the review, the Executive does not recommend that the corporate risk appetite for legal compliance of 'cautious' is changed in relation to this area.

High risk finding 2 – GDPR action plan progress

In response to the findings relating to completeness and progress of the GDPR action plan, the following actions were agreed to:

- a) Review the plan and insert columns for start and end dates. Review the plan and populate the target completion date fields to all activities.
- b) Create linked dependencies between relevant items showing which items cannot start until others have finished.
- c) Review all relevant activities and unpack them to a greater level of detail to make visible the various stages and actions, and progress being made in, the delivery of a specific item.
- d) Fill in the missing gaps (e.g. priority, owner and status of each action in the plan). This should be done periodically and be kept up-to-date, in order to create an accurate picture of current progress.
- e) Review the sign-off column and determine whether it is deemed as a necessary step in the process of completing actions in the GDPR action plan.

Partially complete with first draft plan produced. In line with action 5 (below) an external consultant expert in GDPR has been engaged to support the revision of the work plan. The draft plan is now being reviewed by the Executive.

High risk finding 3 – Register of Processing Activities (RoPA)

In response to the findings relating to gaps in the Records of Processing Activities process, the following actions were agreed to:

- a) Review the RoPA and ensure that all mandatory columns are included.

- b) Leverage the existing information from the questionnaires and privacy notices to populate the RoPA.
- c) Create a process and trigger points within existing LSBU business processes (e.g. DPIA process; procurement processes) to ensure that when a new data processing activity and/or new third party supplier arrangement has been agreed, that this is flagged to the DPO for consideration of inclusion within the RoPA so that the RoPA can be updated accordingly.

Actions a) and b) are complete. Action c) is partially completed.

Medium risk finding 4 – Prioritisation for planned activities

In response to the findings relating to prioritisation for planned activities, the following actions were agreed to:

- a) Review and reassign priority ratings to each activity and take to the new oversight body for data protection and quality assurance for approval.
- b) Review and update the current prioritisation criteria following development of the Risk Register (finding 1) to ensure that it reflects LSBU's agreed risk appetite and risk framework (e.g. likelihood/impact model)
- c) Agree a change process for when any deviations from the plan materialise (including a log to capture the decisions and reasons why). Implement the new change process for ongoing delivery against the plan.

Work on these actions is in progress and will be completed by the deadline of 30 September.

Medium risk finding 5 – Review data protection resource levels

In response to the findings relating to data protection resourcing, the following actions were agreed to:

- a) Review the current operating model and assess the actual level and type of resources required to complete the outstanding GDPR activities.
- b) Following action 5 a), consider passing over responsibility to another role to manage, maintain and deliver against the Plan (as well as passing over any other associated administrative duties, such as updating the RoPA and managing the RAID Log/Risk register). The DPO should be providing input, oversight and independent assurance (critiquing the plan, acting as a DP SME).
- c) Following action 5 a), consider appointing a Deputy DPO to support the DPO.

A consultant has been appointed as additional resource. Phase 1 is to review the work plan. Phase 2 will execute high priority actions over a period of time to be agreed with the Executive. Actions 5 b) and c) are under review as part of identifying the role of a Group compliance unit.

A further report on these actions will be provided to the next Audit Committee meeting.

Recommendations:

The Committee is requested to note this paper and the attached Summary of GDPR Actions in Response to the RAT.

**Management’s actions in response to the high level findings from the GDPR Readiness Assessment Test of July 2017
(September 2019)**

	RAT – High level finding / recommendation by PwC	Action taken
1.	“Need to document LSBU’s GDPR vision and strategy”	
1.1	The ability of the business to deliver the necessary improvement for GDPR compliance will be severely hindered if there is no developed vision and strategy underpinning its compliance activity. A well-developed vision and strategy will help LSBU understand what its prioritised road map should look like, and allow for a meaningful and measurable change across business operations to be designed.	<p>This has been articulated through briefing the executive on the ICO’s approach, the GDPR compliance project (see below), the compulsory training module, and is based on the board’s appetite for legal compliance risk, set at “cautious”.</p> <p>Best practice is that a formal data protection vision/strategy is not considered in isolation but is developed in the context of the organisation’s overall strategy and vision. This will be done in light of the 2025 strategy.</p>
1.2	Resource and training from LSBU’s management will also help overcome potential obstacles, in particular by reducing the reliance on a single point of contact as the source of GDPR knowledge, strategic planning and operation improvement or assurance. We therefore recommend that LSBU formalise its vision and strategy to inform its compliance activity.	<p>30.11.17 – PwC led a special characteristics workshop with wide attendance from across LSBU. This was used primarily to raise awareness and communicate the compliance project and the vision for compliance.</p> <p>Targeted and general training delivered in 2018 included key managers.</p>
1.3	LSBU should also secure support for this compliance activity from all management levels within the University and ensure the strategic and operational elements of the compliance programme are adequately resourced to reduce the risk of programme failure.	Buy-in from all management levels was achieved through the network of managers /data owners created and used for the population of the ROPA. These continue to be the “go-to” people for data requests, and are usually where the DPO goes to raise any issues or have queries answered. Buy-in from Executive members

		was achieved by having 3 members of the Executive on the GDPR project Board as well as relevant directors and heads of departments in advisory positions. Data protection updates have also been provided at every meeting of the Audit Committee since 3 October 2017.
1.4	<p>Although the vision is not formally documented, the Information Compliance Officer articulated the Vision to touch on the three following points:</p> <p>1) Accountability – the need to create a formal compliance structure by appointing a Data Protection Officer (“DPO”) as required by GDPR together with the formal network of Data Protection leads across the University.</p> <p>2) Control – in terms of how personal data is consistently managed across the University, in particular consent.</p> <p>3) Transparency – to students and staff as how their personal data is managed by the University, in terms of how the University upholds the rights of individuals, clear roles and responsibilities of staff and mandatory training in place to support them.</p>	<p>Feb 2018 – a formal statutory DPO role was established. The appointment was made in February 2018.</p> <p>This was addressed in the revised Data Protection Policy which was in place by 25.5.18.</p> <p>This was addressed by the new policy and compulsory training for all permanent staff. First tier privacy notices were published by 25.5.18. Work has continued since on second tier privacy notices and ‘just-in-time’ statements.</p>
1.5	Trust of the employees was mentioned as being crucial to the University. LSBU students / partners and all University stakeholders need to be confident that the University will uphold their data protection rights and will manage, process and secure their data in the right way.	<p>Employees’ and students’ rights are explicitly set out in the DP policy and first tier privacy notices (which went live on 25.5.18). These rights are being upheld – evidenced by the number of statutory data subject requests responded to:</p> <p>2017 = 10 data subject requests (out of 106 requests for personal data)*</p>

		<p>2018 = 38 data subject requests (out of 165 requests for personal data)* 2019 = 47 (ytd – 25/09/2019) (out of 136 requests for personal data)* *Total requests for personal data include disclosure requests for internal investigations and third parties (e.g. police, councils, regulatory bodies).</p>
2.	Governance and responsibilities	
2.1	LSBU does not have a formal, top-down, structure governing how the University uses consent, or a structure for formalising data protection practices across the organisation.	<p>22.11.17 – the Executive approved the PID for the GDPR compliance project and the project was formally initiated. Membership (3 members of executive + Director of ACC) was agreed with lead functional managers as advisors. The Project Board met from January 2018.</p> <p>9.11.17 – The Audit Committee was briefed.</p>
2.2	There is also no formal governance around employee training and awareness on retention and deletion practices, or on data retention, in terms of records management or testing adherence to the data retention schedule.	<p>Updated compulsory DPA training module in place from 4 July 2018 to reflect GDPR changes – with a separate GDPR “top-up” as well.</p> <p>The existing data retention schedules were reviewed prior to 25.5.18 and staff are referred to this document when specific queries arise. They were further reviewed in April 2019 and updated with a full review planned for the 2019/20 academic year.</p>
2.3	For an organisation of LSBU’s size, it seems data protection roles are formally assigned to only a few individuals within the organisation. We would suggest the adequacy of resourcing of data protection be considered at an early stage to ensure there	<p>In November 2017 a GDPR compliance project consultant was resourced, recruited and contracted. Temporary additional resourcing was made available by means of successive interns from May 2018. Additional resourcing (0.5 FTE) was also assigned from within the Legal team as of 2018.</p>

	are sufficient individuals with data protection responsibility to govern and manage the change across the University.	
2.4	'Heads of' employees could have data protection included in their responsibilities.	While not acted on specifically, employees are already contractually obliged to follow LSBU policies, which includes the Data Protection policy. A number of key 'Heads of' were identified as data owners for creating the register of processing activities and these remain the 'go-to' contacts for the DPO. N.b. the compulsory training module has been designed to help all employees understand their responsibilities in this area.
2.5	We also noted that the roles and responsibilities of a DPO have been discussed but are not yet defined by the University and as yet there has been nobody officially appointed to the role. The GDPR requirement for the DPO role, the DPO's duties and responsibilities are defined in Appendix 3	Feb 2018 – a formal statutory Data Protection Officer role was established. The appointment was made in February 2018. The Post-holder holds an information management related qualification and has over ten years' experience, including 5 years' data protection experience and previous DPO equivalent roles. The Post-holder was subsequently sponsored by LSBU to gain industry-recognised information compliance qualification: PC.dp(GDPR), successfully achieved in January 2019.
3.	Resilience to scrutiny	
3.1	LSBU lacks formalised policies and procedures relating to the handling of data subject rights, such as requests for erasure of data. The assurance process for Subject Access Requests has not been tested to ascertain if it could scale to a large increase in Subject Access Requests, or to additional rights requests in general.	The data protection policy was revised prior to 25.5.18. Further information was provided in a separate report in June 2018 on additional project deliverables.

<p>3.2</p>	<p>There are no operational controls or breach prevention measures in place (such as USB port blocking) to prevent large scale data assets being downloaded to portable media, uploaded to file share sites (e.g. Dropbox) or emailed or transferred out of the University.</p>	<p>USB port blocking has been considered by ICT, but the Executive considered it was not realistic in an HE institution. This has since been a discussion point between the Head of ICT Security (appointed in August 2018) and the DPO and also applies to file sharing sites. In response to the ICO’s “Findings from ICO information risk reviews of information security in the higher education sector” published in January 2019 we are looking to strengthen guidance on responsible use of USBs, file share sites and how use of OneDrive can be leveraged.</p> <p>ICT implemented encryption of laptops from 2018 onwards.</p>
<p>3.3</p>	<p>Also, LSBU lacks confidence over the basis of its data transfers. These issues mean it is likely that LSBU would struggle to robustly respond were it to suffer a data breach, or be placed under scrutiny for data transfers outside of the EU. This in turn could lead to reputational damage or greater regulatory scrutiny.</p>	<p>Data transfers – prior to 25.5.18 contract templates were reviewed and included necessary clauses to be inserted into contracts on a case-by-case basis, e.g. at point of contract renewal. This is ongoing work involving procurement, legal and the DPO where necessary.</p> <p>The processes for gathering information for the register of processing activities and greater awareness of GDPR highlighted potential data transfers in areas such as International.</p>
<p>3.4</p>	<p>A further gap that would likely impact the manner in which LSBU would be able to handle a breach is the lack of a formal personal data breach response team. We strongly recommend that LSBU consider and formalise which roles (with associated responsibilities) within the organisation would best support a data breach investigation and response. Additional resources may be required to ensure the effectiveness of this team, e.g. business leaders with data protection already embedded in their role, or data protection champions within business areas.</p>	<p>Breach response procedure and guidance – these were documented by late May 2018 (with escalation to LSBU emergency response team in serious cases). The procedure was added to the Intranet in June 2018.</p>

<p>3.5</p>	<p>LSBU has a general student complaints procedure but this means there are no formal policies or procedures in place for individuals to:</p> <ul style="list-style-type: none"> • raise complaints about how their personal data is being processed; • raise issues and complaints about direct marketing or profiling activity; • request data portability; • request erasure of their personal data. 	<p>The Data Protection Policy, the first tier privacy notices for students and staff, and updated data protection pages on LSBU’s website were in place by 25.5.18. These provide information on how to complain/exercise all data subject rights by contacting the DPO. A banner was also added to the website to draw attention to data protection notices at the beginning of each session.</p> <p>A targeted process was carried out prior to 25.5.2018 to identify and resolve any alumni direct marketing issues. An option to object to direct marketing is included in every direct marketing email. The student complaints and alumni complaints processes are also available.</p> <p>LSBU does not carry out profiling activity with legal or similarly significant effects.</p> <p>Templates updated/developed for the most likely requests by mid-June 2018:</p> <ul style="list-style-type: none"> • subject access requests • right to be forgotten (erasure). <p>Most correction requests are appropriately dealt with through existing processes (e.g. Registry). A template request form has since been developed for dealing with exceptional cases.</p> <p>(For the right to request erasure, most processing of personal data by the University is under the legal basis of ‘contract’ where erasure is only applicable as a right when the information is no longer necessary and our retention schedules come into play).</p>
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3.6	However, the R.A.T. identified relatively high levels of maturity in terms of LSBU implementing a personal data breach regulatory reporting procedure by using the ICO’s own framework and using the feedback to report back into the process. Our suggestion is that the process should be formally documented.	See 3.5 above.
4.	Paper-Shield	
4.1	Adequate documentation that can be produced in a timely manner upon request is one of the key elements to complying with the GDPR’s accountability principle, which requires organisations not only to comply with the GDPR, but also to be able to demonstrate that compliance.	<p>Data Protection Policy, first tier privacy notices and the register of processing activities were in place by 25.5.18.</p> <p>A data protection threshold assessment and a template for data protection impact assessments along with the register were in place or drafted by 25.5.18. The breach management procedure, updated notification template and register were in place by late May 2018 with guidance available on the intranet in June 2018. Templates for responding to key data subject requests had been updated or developed by 25.5.2018, and supporting documents including process flow diagrams were in place in June 2018 (also see 3.5).</p>
4.2	LSBU does not have a comprehensive Data Protection Impact Assessment (“ DPIA ”) procedure in place but have adopted step by step forms in certain functional areas such as IT, Legal and Procurement. However, if those functions are not relevant or impacted then it is likely that a DPIA will not be performed.	<p>Data protection impact assessment (DPIA) process in place by June 2018.</p> <p>The data protection threshold assessment (the first step in the DPIA process) as well as the register were in place and being used</p>

		in April 2018. The DPIA template had been drafted by June 2018. See project final report of June 2018 for additional documentation in place.
4.3	There is no comprehensive DPIA policy and procedure in place, nor is there a Data Protection by Design / Default (“DPbD”) policy and procedure in place within LSBU.	The Data Protection Policy covers Data Protection by Design. Data Protection by design procedure is in draft but the principles are being applied in practice and have been explicitly acknowledged as a requirement in Programme LEAP (the most significant corporate project in relation to data usage) over the last year. WP2 of LEAP will start this work in Q3 2019.
4.4	The DPIA policy should include the means by which the assessment requires the review and approval of the DPO or notification to the Data Protection Authority.	The DPIA process is overseen by the DPO and each assessment is registered and reviewed by the DPO. The DPO would then advise where notification to the Data Protection Authority is necessary. This is captured in the register.
4.5	Remedying these gaps would serve to improve LSBU’s privacy maturity. It would go beyond the ‘paper shield’ to ensure that the real privacy risks, that could give rise to complaints, regulatory intervention or litigation, are identified and mitigated.	Noted and acted on as above.
5.	LSBU does not have sufficient visibility of all its data flows	
5.1	Although data flows have been mapped across some areas of the organisation (for example, in Student Records), there is currently no complete register detailing all of the personal data processing activities that are currently conducted by the organisation. This lack of visibility of data means that there is a corresponding lack of visibility of risks associated with that data.	Prior to 25.5.18 (with some mopping up in June 2018) – a significant piece of work was carried out to map data flows in LSBU. The project consultant engaged extensively with data stakeholders throughout LSBU. From this work, the register of processing activities (RoPA) created. A process of regular reviews will be put in place to keep the RoPA updated including as follows.

		<p>On an ongoing basis, as the owner of the DPIA and legitimate interest assessments processes the DPO is informed of changes to data flows. The DPIA register has since been updated to include a field to capture any need to update the RoPA. The Financial Regulations were updated in January 2019 to require any procurement exercises involving personal data to go through the procurement team (with DPO liaison) regardless of contract value.</p>
<p>5.2</p>	<p>An area of particular risk to the University is personal data being passed to third party organisations, such as suppliers without appropriate documentation that identifies the basis of the transfer, the data required and the data process(es) being undertaken by the third party. This risk is further increased by the lack of visibility of personal data being transferred outside the EEA. LSBU should take steps to ensure they meet the documentation requirements of the GDPR with regards data processing activities. The starting point for this activity should be to consider transfers of personal data outside the EEA as it is considered to present a high degree of risk.</p>	<p>The RoPA has given us a better sense of ex-EEA data transfers, as have reviews of contracts and agreements by the Legal team. Template clauses have been in place and in use since before 25.5.18. Many of the International team’s contracts have been reviewed with some terminated. Other agreements have been updated as needed. Further work is planned with REI and Procurement.</p>
<p>5.3</p>	<p>As there has typically been a history of organisational focus on the security of data processing activities (not limited here to LSBU, but including the vast range of organisations PwC has interacted with), it is likely that any existing data mapping documentation is confined to IT projects within the University. As a potential quick win, LSBU should assess the suitability of these documents and where required update them to documentation requirements of the GDPR.</p>	<p>This is work that was carried out afresh through the preparation work for the RoPA.</p>

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5.4	The single data protection resource within LSBU may not have the capacity to map all of these flows – it is possible that the data mapping responsibility could be taken over by other parts of the organisation, most likely the IT Department or perhaps by being built into the procurement model. Each of these has its own benefits and drawbacks and should be assessed to determine which data mapping model will be most beneficial to the University.	RoPA work carried out principally by the interim project consultant and is reasonably comprehensive as at June 2018. Further work on the RoPA has been carried out in response to the Internal Audit report of May 2019.
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	CONFIDENTIAL
Paper title:	Internal Audit Strategy 2019-2022
Board/Committee	Audit Committee
Date of meeting:	1 October 2019
Author:	BDO
Sponsor:	Richard Flatman, Chief Financial Officer
Recommendation:	The committee is requested to approve the internal audit strategy.

Summary

BDO have taken over the Internal Audit of the University group from August 2019 and have produced the attached three year rolling plan audit strategy for approval.

As this is a group Internal Audit service, time has been allocated to South Bank Colleges but they still need to develop the specific audits to cover.

Recommendation:

The committee is requested to approve the internal audit strategy.

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Internal Audit Strategy 2019-22

LONDON SOUTH BANK UNIVERSITY

August 2019

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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

INTRODUCTION

Introduction

Our role as internal auditors is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

Our approach is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Our approach complies with best professional practice, in particular, the principles set out in the Institute of Internal Auditors' (IIA's) International Professional Practices Framework (IPPF).

The purpose of this paper is to set out, and seek agreement from, the Group's Audit and Risk Committee on the Internal Audit Annual Strategy for 2019/22.

Internal Audit at London South Bank University

We have been appointed as internal auditors to the London South Bank University Group ('the Group'), to provide the Audit and Risk Committee and the Group Executive with assurance on the adequacy of risk management, governance and internal control arrangements.

Responsibility for these arrangements remains fully with management who should recognise that Internal Audit can only provide 'reasonable assurance' and cannot give any guarantee against material errors, loss or fraud. Our role is aimed at helping management to improve their risk management, governance and internal control mechanisms, so reducing the effects of any significant risks facing the organisation.

INTERNAL AUDIT APPROACH

Background

Our risk based approach to internal audit uses the organisation's own risk management processes and risk registers as a starting point for audit planning, as this represents the Group's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Group's own arrangements for managing risk. As this is our first year as auditors we have had limited time to compile the Internal Audit strategy and therefore been unable to assess whether senior management's own assessment of risk accurately reflects the organisation's current risk profile. We will build our understanding of the Group's risk profile throughout our first year of audit work.

Internal Audit Strategy

A three year Internal Audit Strategy for 2019-2022 is outlined on page 11.

Initial discussions were held with the Chief Financial Officer, Group Financial Controller, Director of Strategy and Planning and University Secretary to identify management's future areas of focus and priorities to aid development of a draft three-year rolling internal audit programme, making sure that our audit activity provides sufficient coverage over areas of principal risk, effectively addresses any assurance gaps, and is prioritised to those issues most pertinent to the Group.

An initial internal audit programme was established using information provided by management including the current risk register, the Internal Audit Annual Report and the content of the Group's recent internal audit reports. We also used our wider knowledge of risk and assurance from across our higher and further education client base.

Internal Audit Annual Plan

The Internal Audit Plan for 2019/20 is outlined in the three year Internal Audit Strategy for 2019-2022. We will continue to keep the plan under review throughout the year and we will highlight for consideration any significant areas of risk identified during that period that may need to be included as part of the internal audit plan.

Where auditable areas correspond to corporate risks we will take into account the mitigation strategies in place when performing our reviews. This is to ensure that the mitigating controls, as well as the actions that have been identified by management, are in operation and are effective.

Individual Audits

In determining the timing of our individual audits, we will seek to agree a date most convenient to the Group and which ensures the availability of key stakeholders. Once this plan is agreed we will discuss priorities and workloads with management and re-issue the plan including the proposed phasing of our internal audit work.

For each audit, we will identify the key objectives of the area subject to audit and the risks of those objectives not being met. We will assess the 'unmitigated' risk (ie before the operation of the controls in place) and, having identified and tested those controls, make an assessment of the 'mitigated' risk. This will enable us to confirm that the control infrastructure does reduce risk to a level the Group is comfortable with. Each of our audit reports will include two opinions:

- ▶ Firstly, on the design of controls that are in place
- ▶ Secondly, on the operational effectiveness of those controls in practice.

Variations to the Plan

We acknowledge that variations to the plan may arise from our reviews, changes to the Group's risk profile or due to management requests. Approval will be sought from the Audit and Risk Committee before any changes to the plan are made.

INTERNAL AUDIT RESOURCES AND OUTPUTS

Staffing

The core team that will be managing the programme is shown below:

Name	Grade	Telephone	E-mail
Ruth Ireland	Partner	020 7893 2337	Ruth.Ireland@bdo.co.uk
Gemma Wright	Senior Manager	023 8088 1471	Gemma.Wright@bdo.co.uk
Anthony Higginson	Senior Internal Auditor	0792 903 3651	Anthony.higginson@bdo.co.uk

This team will be supported by specialists from our national Risk and Advisory Services (RAS) team and wider firm, as and when required.

Reporting to the Audit and Risk Committee

Each year we will submit the Internal Audit Plan for discussion and approval by the Audit and Risk Committee. We will liaise with the Chief Financial Officer and Group Financial Controller and other senior officers, as appropriate, to ensure that internal audit reports, summarising the results of our visits, are presented to the appropriate Audit and Risk Committee meeting.

Internal Audit Charter

We have formally defined Internal Audit's purpose, authority and responsibility in an Internal Audit Charter, which can be found in Appendix I. The Charter establishes Internal Audit's position within the Group and defines the scope of its activities.

Working Protocols

We have defined operating protocols for managing each assignment. These can be found in Appendix II. The protocols take account of how we will communicate with stakeholders before, during and after each audit, and the process we go through to create and confirm our reports and recommendations to improve the economy, efficiency and effectiveness of the Group's activities.

Definitions

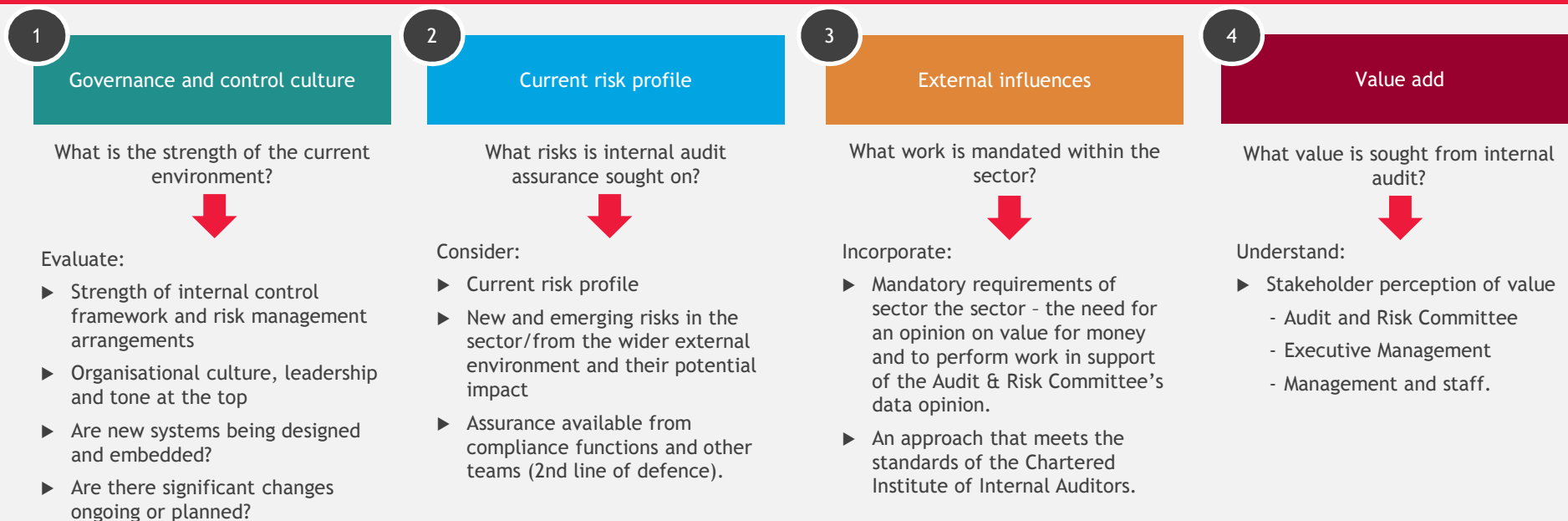
We define in Appendix III our approach for grading individual audit findings and overall audit reports. These definitions have been designed to make the ratings clear to both the Internal Audit team and audit stakeholders.

OUR APPROACH TO PLANNING

Strategic objectives of the Group

Internal audit focus - adding value approach

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Scope and make up of internal audit plan

- ▶ Value for money reviews
- ▶ Continuous auditing
- ▶ Assurance audits (risk based)
- ▶ Compliance reviews
- ▶ Project advisory
- ▶ Workshops, training and knowledge share
- ▶ Benchmarking
- ▶ Consulting assignments

OUR APPROACH TO PLANNING

1

Governance and control culture

The governance and control culture is a fundamental consideration when developing the internal audit approach. We believe that governance is not only effected by procedures, rules and regulations (hard controls); another equally important component is the established culture and the behaviour of employees within the organisation. The behaviour of employees determines the effectiveness of governance.

From our review of internal audits performed by the previous internal auditor, we have not identified any particular concerns about the governance and control culture. However, we will draw our own conclusions through the course of our work and feed these back to the Group both formally, and informally in the form of observations, as the audit plan delivery progresses.

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2

Current risk profile

On an ongoing basis, our audit plan will be based upon a detailed assessment of those risks that affect the achievement of the Group's strategic objectives. Our audit programme will be designed to ensure that controls are in place such that key risks are appropriately managed and controlled.

In order to understand the Group's objectives and key risks, we considered the following:

- ▶ The University's risk register
- ▶ The College's risk register
- ▶ The University's strategy and objectives
- ▶ The content of the most recent internal audit reports for LSBU, Lambeth College and the Academies Trust.

The programme of work developed from the Audit Strategy is in line with the Code of Ethics and International Standards of the Institute of Internal Auditors (IIA) by:

- ▶ Undertaking an annual assessment of the Group's own risk mapping.
- ▶ Taking a systematic and prioritised review of how effective the Group's risks are managed by its policies, procedures and operations.

LSBU's strategic risk register currently includes 21 key risks. We have illustrated on pages 8 and 9 which of these risks are covered by the three year internal audit strategy for the University. We have yet to receive the risk register for South Bank Colleges or South Bank Academies.

OUR APPROACH TO PLANNING

The table below summarises the strategic risks outlined in LSBU’s corporate risk register (May 2019). We have linked the risks on the register to the audits from our Internal Audit Strategy 2019 - 2022 to illustrate the coverage of our planned internal audit work.

Risk Ref	Risk	Score/ RAG Rating	Associated Audits in IA Strategy 2019-2022
2	Revenue reduction if activity does not achieve H/EU UG recruitment targets (NL)	Critical	Student recruitment
3	Sustainability of pension schemes (RF)	Critical	n/a
457	Anticipated international & EU student revenue unrealised (PI)	High	Student recruitment (home and international)
625	Impact of Govt. Education Review on HE funding (RF)	High	
467	Progression rates don’t increase (SW)	High	
37	Impact and affordability of Capital Expenditure investment plans (RF)	High	Estates
626	Impact of assurance activity & new initiatives fails to address issues around student experience (PB)	High	Student experience
14	Loss of NHS contract income (WT)	Medium	Partnerships and collaborations
402	Income growth from Research & Enterprise unrealised (PI)	Medium	Research and enterprises
624	LSBU Family integrated service benefits (IM)	Medium	LSBU family transition
305	Data not used / maintained securely (SW)	Medium	Data quality / continuous auditing/ MIS

OUR APPROACH TO PLANNING

Risk Ref	Risk	Score/ RAG Rating	Associated Audits in IA Strategy 2019-2022
519	Negative Curriculum Assessment (SW)	Medium	TEF
584	External incident compromises campus operations or access (PB)	Medium	Security
398	Academic programmes not engaged with technological and pedagogic developments (SW)	Medium	
495	Higher Apprenticeship degrees (PB)	Medium	Apprenticeships
518	Core student system inflexibility / failure (SW)	Medium	Business continuity and emergency response plans
6	Management Information perceived as unreliable, doesn't triangulate or absent (RF)	Medium	Management information
362	Low staff engagement or staff cost containment programme impacts performance negatively (PB)	Medium	HR - Learning and talent development / staff engagement
517	EU Referendum Impact on regulation & market (DP)	Low	Non auditable
494	Inconsistent delivery of Placement activity (SW)	Low	Partnerships and collaborations
1	Lack of capability to respond to policy changes & shifts in competitive landscape (DP)	Low	

OUR APPROACH TO PLANNING

The table below summarises the strategic risks outlined in Lambeth College’s corporate risk register (Aug 2019). We have linked the risks on the register to the audits from our Internal Audit Strategy 2019 - 2022 to illustrate the coverage of our planned internal audit work.

Risk Ref	Risk	Net Score/ RAG Rating	Associated Audits in IA Strategy 2019-2022
F1	Financial transformation plan	Medium	
F2	Professional services transition plan fails to deliver intended benefits	Low	
F3	Estates strategy affordability	Low	Estates development / capital programme
F4	Vauxhall STEAM project cost	Low	Estates development / capital programme
F5	Estates maintenance costs increase	Low	Estates development / capital programme
F6	Industrial relations	Low	
L1	College fails to discharge safeguarding duties	Medium	Legal and regulatory environment
L2	College fails to discharge its PREVENT obligations	Low	Legal and regulatory environment
L3	College fails to discharge its health and safety obligations	Medium	Health and safety
L4	College fails to discharge its GDPR obligations	Low	Legal and regulatory environment

OUR APPROACH TO PLANNING

Risk Ref	Risk	Net Score/ RAG Rating	Associated Audits in IA Strategy 2019-2022
A1	Student achievement rates fail to reach target	Medium	
A2	Failure to grow provision in line with target	High	Student recruitment
A3	Failure to achieve Good rating at next Ofsted visit	Medium	
A4	Non compliance with funding body rules	Low	Corporate governance
A5	MIS systems are not robust enough for compliance and funding maximisation	Low	Management information and performance reporting
A6	Access to MIS. Curriculum tracking system and/or learning platform fails	Low	Management information and performance reporting
R1	Adverse press/ social media coverage impacts student application/enrolments	Low	

OUR APPROACH TO PLANNING

3

External influences

Our programme of work is designed to comply with the International Standards for the Professional Practice of Internal Auditing as set out by the Institute of Internal Auditors.

We will also comply with the following:

Statutory body/ Regulator	Detail of requirement
OFS	Audit Code of Practice

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Value add

We understand that 'value' is perceived differently by each client and therefore we do not seek to have a standard approach to this element of the audit programme.

Our methodology considers the additional value the Audit and Risk Committee and management are seeking from internal audit, beyond the assurance our work provides.

We therefore consider this alongside our understanding of the risks. Added value may take a range of forms, from benchmarking and other peer comparisons, to involvement with advising on new systems implementation, advisory assignments and providing training and seminars.

We will clearly set out in the plan which elements of adding value activity we will deliver.

INTERNAL AUDIT STRATEGY 2019-2022

The table below outlines a summary of proposed three year Internal Audit Strategy for 2019-2022.

Audit area	2019-20 Days	2020-21 Days	2021-2022 Days
Governance, compliance and risk management	34	30	22
Finance and management information	75	47	70
Core activities	30	44	20
Research, enterprise and international	6	10	12
Estates infrastructure and services	15	20	22
Information technology	20	10	10
Human resources	0	10	20
Total planned audit days	180	171	176
Management planning, reporting and liaison	18	18	18
Recommendation follow up	8	8	8
Contingency	0	9	4
Total days	206	206	206

INTERNAL AUDIT STRATEGY 2019-2022

LSBU GROUP

The tables below outline our proposed three year Internal Audit Strategy for 2019-2022. On pages 8 and 9 we have demonstrated how this programme aligns to LSBU's latest risk register.

Strategic Risk Ref.	Audit area	Covered in 2018/19	Entities covered in 2018/19			2019-20 Days	2020-21 Days	2021-22 Days	Comments
			LSBU	SBC	SBA				
Governance, compliance and risk management									
All	Risk management	✓	✓	✓		10		10	Previously annual
A4	Corporate Governance						10		No previous coverage
1, 305, L1, L2, L4	Legal and regulatory environment e.g. Prevent, CMA, OFS Regulatory Framework, GDPR, safeguarding	✓	✓*		✓**		10		2018/19 - CMA (LSBU) Safeguarding (SBA)
1	Strategic and business planning								No previous coverage
518	Business continuity and emergency response plans						10		Covered in 2013/14 (LSBU)
	Value for money								Considered in relevant audits
L3	Health and safety	✓			✓	14		12	Covered in 2017/18 (LSBU)
	Insurance								No previous coverage
624, F2	LSBU family transition					10			No previous coverage

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INTERNAL AUDIT STRATEGY 2019-2022

LSBU GROUP

Strategic Risk Ref.	Audit area	Covered in 2018/19	Entities covered in 2018/19			2019-20 Days	2020-21 Days	2021-22 Days	Comments
			LSBU	SBC	SBA				
Finance and management information									
	Financial systems and controls (continuous auditing - finance)	✓	✓	✓	✓	37	35	35	Annual all entities
	VAT								No previous coverage
	Procurement and tendering	✓	✓						Covered 2018/19 (LSBU)
	Contract management								Last reviewed 2016/17 (LSBU)
305	Data quality and returns (TRAC/HESA/HESES)			✓		13		10	TRAC reviewed 13/14 (LSBU)
6, A5, A6	Management information and performance reporting						12		No coverage since 15/16
	Continuous auditing - student data	✓	✓			25		25	Annual

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INTERNAL AUDIT STRATEGY 2019-2022

LSBU GROUP

Strategic Risk Ref.	Audit area	Covered in 2018/19	Entities covered in 2018/19			2019-20 Days	2020-21 Days	2021-22 Days	Comments
			LSBU	SBC	SBA				
Core activities									
1, 457, A2	Student recruitment, admissions and enrolment						12		No previous coverage
R1	Communications and marketing							10	Covered in CMA (LSBU)
37, 626	Student experience						12		No previous coverage
	Student well-being						10		No previous coverage
495	Apprenticeships					15			Covered in 2016/17 (LSBU)
	Accelerated degrees								No previous coverage
519	TEF preparation*						10		
	Access and participation								
	Student employability							10	
	UKVI compliance (all tiers)					15			Some previous coverage in LSBU's UKVI

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INTERNAL AUDIT STRATEGY 2019-2022

LSBU GROUP

Strategic Risk Ref.	Audit area	Covered in 2018/19	Entities covered in 2018/19			2019-20 Days	2020-21 Days	2021-22 Days	Comments
			LSBU	SBC	SBA				
Research and enterprise									
	Research (eg REF, ethics, portfolio management)					6			No previous coverage
	The London South Bank Innovation Centre (LSBIC)	✓	✓						Planned coverage 2018/19
402	Enterprise activity (South Bank University Enterprises Ltd)						10		Last reviewed 12/13 (LSBU)
14, 494	Partnerships and collaborations							12	Int. partnership in 2017/18 (LSBU)
	Business engagement, executive education and knowledge exchange								
	International activity								
	International Academic Partnership Unit								
	The Confucius Institute								

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INTERNAL AUDIT STRATEGY 2019-2022

LSBU GROUP

Strategic Risk Ref.	Audit area	Covered in 2018/19	Entities covered in 2018/19			2019-20 Days	2020-21 Days	2021-22 Days	Comments
			LSBU	SBC	SBA				
Estates infrastructure and services									
37, F3, F4, F5	Estates development / capital programme					15			Covered in 2012/13
584, F3, F4, F5	Facilities management (including space management, energy management, conference and lettings, waste management, security)						10		No previous coverage (LSBU)
	Contractor management								
F5	Planned and preventative maintenance							10	
L3, F5	Statutory testing / regulatory compliance							12	
	UUK Code compliance						10		

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INTERNAL AUDIT STRATEGY 2019-2022

LSBU GROUP

Strategic Risk Ref.	Audit area	Covered in 2018/19	Entities covered in 2018/19			2019-20 Days	2020-21 Days	2021-22 Days	Comments
			LSBU	SBC	SBA				
Information technology									
	IT Strategy						10	General IT audit 2017/18 (LSBU)	
305	IT Security (cyber)				20			No coverage since 14/15 (LSBU)	
	IT Disaster Recovery					10		General IT audit 2017/18 (LSBU)	
	IT asset security and management								
	IT Service delivery/support and helpdesk								

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INTERNAL AUDIT STRATEGY 2019-2022

LSBU GROUP

Strategic Risk Ref.	Audit area	Covered in 2018/19	Entities covered in 2018/19			2019-20 Days	2020-21 Days	2021-22 Days	Comments
			LSBU	SBC	SBA				
Human resources									
362	HR policies and procedures								HR audit 2017/18 (LSBU)
	Staff recruitment					10			
	Workload planning						10		
362	Learning and talent development / staff engagement						10		
	Absence management								
	Appraisal process and performance management								
Management, liaison and Audit Committee reporting						18	18	18	
Recommendation follow up						8	8	8	
Contingency							9	4	
TOTAL						206	206	206	

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INTERNAL AUDIT PLAN 2019-20

Detailed internal audit plan 2019/20

Our proposed audit programme for 2019/20 is shown below. We will keep the programme under review during the year and will introduce to the plan any new significant areas of risk identified by management during that period. In determining the timing of our individual audits we will seek to agree a date which is convenient to the Group and which ensures availability of key officers.

Audit area	Days	Entity	Audit driver				Proposed outline scope and rationale	Proposed delivery month	To Group Audit & Risk Committee
			Routine gov / control	Key risk	External driver	Added value			
Governance, compliance and risk management									
Risk management	10	Group	✓				A review of the Group's risk management arrangements. This will include how integrated risk management is across the Group and how the Group is using risk management to facilitate decision making.	17 Feb 20	18 Jun 20
LSBU family transition	10	Group		✓			A review of the progress LSBU Group is making against its transition plans. This will include review of the Transition Group and how professional services are working together to improve the services offered to the Group.	23 Mar 20	18 Jun 20
Health and safety	7	SBC	✓		✓		A high level review of the arrangements the College has to manage its health and safety risks. This will include the arrangements the College has for identifying and reporting incidents and over completing its regulatory checks of its estate and equipment.	20 Apr 20	18 Jun 20
	7	SBA	✓		✓		A high level review of the arrangements the academies have in place to manage their health and safety risks. This will include the arrangements the academies have for identifying and reporting incidents and over completing their regulatory checks with regards to their estates and their equipment.	27 Apr 20	18 Jun 20

INTERNAL AUDIT PLAN 2019-20 (CONT.)

Audit area	Days	Entity	Audit driver				Proposed outline scope and rationale	Proposed delivery month	To Group Audit & Risk Committee
			Routine gov / control	Key risk	External driver	Added value			
Finance and management information									
Financial systems and controls (continuous auditing - finance)	25	LSBU	✓				This review will be performed in two parts. The first part will include deep dive risk based audits of payroll and accounts payable and assessment of the key controls from the University's previous continuous auditing programme in the areas of general ledger and cash. The second part of the audit will include a deep dive of the University's accounts receivable processes.	12 Aug 19 17 Feb 20	7 Nov 19 18 Jun 20
	7	SBC	✓				The College has implemented the Agresso finance system. Therefore this audit will review the robustness of controls built into the system. This will include segregation of duties, accounts payable and general ledger.	9 Dec 19	13 Feb 20
	5	SBA	✓				A high level review of the key financial controls operating at the academies. This will include revisiting the recommendations raised in the previous SBA financial controls audit to verify whether they have been implemented.	2 Dec 19	13 Feb 20

INTERNAL AUDIT PLAN 2019-20 (CONT.)

Audit area	Days	Entity	Audit driver				Proposed outline scope and rationale	Proposed delivery month	To Group Audit & Risk Committee
			Routine gov / control	Key risk	External driver	Added value			
Finance and management information cont									
Data quality/ MIS	8	LSBU	✓	✓			A review of the controls the University has in place in compile its data returns. The audit will focus on one return (eg TRAC, HESA, HESES) which will be decided at a further scoping meeting.	7 Mar 20	18 Jun 20
	5	SBC	✓	✓	✓		The College is due an ESFA audit in autumn 2019. This audit will revisit the recommendations from this ESFA visit and check whether these have been implemented by the College.	27 Jan 20	Jun 20
Continuous auditing - student data	25	LSBU	✓	✓			A continuation of the programme of continuous auditing of data quality that the University has undergone for the last few years.	28 Oct 19 18 May 20	13 Feb 20 18 Jun 20
Core activities									
Apprenticeships	15	LSBU SBC		✓	✓	✓	A review of the arrangements the Group has in place over its apprentices. This will include programme development, recruitment, enrolment and invoicing.	20 Apr 20	Oct 20
UKVI compliance (all tiers)	15	LSBU		✓	✓		A review of the arrangements the University has in place to comply with the requirements of UKVI for tiers 2,4 and 5.	14 Nov 19	Feb 20

INTERNAL AUDIT PLAN 2019-20 (CONT.)

Audit area	Days	Entity	Audit driver				Proposed outline scope and rationale	Proposed delivery month	To Group Audit & Risk Committee
			Routine gov / control	Key risk	External driver	Added value			
Research and enterprise									
REF preparation	6	LSBU			✓		A high level review of the controls the University has in place to prepare for the REF.	10 Feb 20	18 Jun 20
Estates infrastructure and services									
Estates development/ capital programme	15	LSBU SBC			✓	✓	A review of the governance, financial management and monitoring, performance management and reporting in place over the Group's capital programme. This will include a sample of projects taking place at the University and at Lambeth College.	8 Jun 20	Oct 20
Information technology									
IT security	20	Group	✓	✓		✓	A review of the Group's arrangements over cyber security.	11 May 20	Oct 20

INTERNAL AUDIT PLAN 2019-20 (CONT.)

Audit area	Days	Entity	Audit driver				Proposed outline scope and rationale	Proposed delivery month	To Group Audit & Risk Committee
			Routine gov / control	Key risk	External driver	Added value			
Management and recommendation follow up									
Recommendation follow up	8	Group	✓				Periodic assessment of the implementation of previous internal audit recommendations.	7 Oct 19 9 Jan 20 4 May 20	7 Nov 19 13 Feb 20 18 Jun 20
Management	18							Ongoing	Ongoing
TOTAL	206								

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APPENDIX I: INTERNAL AUDIT CHARTER

Purpose of this Charter

This Charter formally defines Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within the Group and defines the scope of internal audit activities.

Internal Audit's Purpose

Internal Audit provides an independent and objective assurance and consulting activity that is designed to add value and improve Group operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit acts primarily to provide the Audit and Risk Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in Internal Audit's role is that it supports the Group's management to fulfil its own risk, control and compliance responsibilities.

Internal Audit's Authority

The Head of Internal Audit and internal audit staff are authorised to:

- ▶ Have unrestricted access to all of the Group's records, property, and personnel relevant to the performance of engagements
- ▶ Obtain the necessary assistance of the Group's personnel in relevant engagements, as well as other specialised services from within or outside the Group.

Internal Audit has no authority or management responsibility for any of its engagement subjects. Internal Audit will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence.

Internal Audit's Responsibility

The BDO Head of Internal Audit is responsible for all aspects of internal audit activity, including strategy, planning, performance, and reporting.

For each, the Head of Internal Audit will:

- ▶ Strategy:
 - Develop and maintain an Internal Audit Strategy
 - Review the Internal Audit Strategy at least annually with management and the Audit and Risk Committee.
- ▶ Planning:
 - Develop and maintain an Internal Audit Plan to fulfil the requirements of this Charter and the Internal Audit Strategy
 - Engage with management and consider the Group's strategic and operational objectives and related risks in the development of the Internal Audit Plan
 - Review the Internal Audit Plan periodically with management
 - Present the Internal Audit Plan, including updates, to the Audit and Risk Committee for periodic review and approval
 - Prepare an internal audit budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan
 - Submit the internal audit budget to the Audit and Risk Committee for review and approval annually
 - Coordinate with and provide oversight of other control and monitoring functions, including risk management, compliance and ethics, and external audit
 - Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage to the Group.

APPENDIX I: INTERNAL AUDIT CHARTER

Internal Audit's Responsibility cont.

▶ Performance:

- Implement the Internal Audit Plan
- Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan
- Allocate and manage resources to accomplish internal audit engagement objectives
- Establish and maintain appropriate internal auditing procedures incorporating best practice approaches and techniques
- Monitor delivery of the Internal Audit Plan against the budget
- Ensure the ongoing effectiveness of internal audit activities.

Reporting:

- Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of management actions to be taken
- Provide periodic reports to management and the Audit and Risk Committee summarising internal audit activities and the results of internal audit engagements
- Provide periodic reports to management and the Audit and Risk Committee on the status of management actions taken in response to internal audit engagements
- Report annually to the Audit and Risk Committee and management on internal audit performance against goals and objectives
- Report, as needed, to the Audit and Risk Committee on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan
- Inform the Audit and Risk Committee of emerging trends and practices in internal auditing.

Independence and Position within Client

- ▶ To provide for Internal Audit's independence, its personnel and external partners report to the Group Financial Controller, who in turn reports to the Chief Financial Officer, and to the Audit and Risk Committee.
- ▶ The Head of Internal Audit has free and full access to the Chair of the Audit and Risk Committee.
- ▶ The Head of Internal Audit reports administratively to the Group Financial Controller who provides day-to-day oversight.
- ▶ The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit and Risk Committee.
- ▶ The Internal Audit service will have an impartial, unbiased attitude and will avoid conflicts of interest.
- ▶ If the independence or objectivity of the internal audit service is impaired, details of the impairment should be disclosed to either the Vice Chancellor or the Chair of the Audit and Risk Committee, dependent upon the nature of the impairment.
- ▶ The internal audit service is not authorised to perform any operational duties for the Group; initiate or approve accounting transactions external to the service; or direct the activities of any Group employee not employed by the internal auditing service, except to the extent such employees have been appropriately assigned to the service or to otherwise assist the Internal Auditor.

APPENDIX I: INTERNAL AUDIT CHARTER

Internal Audit's Scope

The scope of internal audit activities includes all activities conducted by the Group. The Internal Audit Plan identifies those activities that have been identified as the subject of specific internal audit engagements.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by Internal Audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management. The nature and scope of consulting engagements are subject to agreement with management. When performing consulting services, Internal Audit should maintain objectivity and not assume management responsibility.

Standards of Internal Audit Practice

Internal Audit will perform its work in accordance with the International Professional Practices Framework of the Chartered Institute of Internal Auditors. This Charter is a fundamental requirement of the Framework.

Approval and Validity of this Charter

This Charter shall be reviewed and approved annually by management and by the Audit and Risk Committee on behalf of the Board of Governors.

Annual Reporting

Following completion of the internal audit programme for 2018/19 we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements.

The annual report will be presented to the Audit and Risk Committee containing the overall annual opinion as to the adequacy and effectiveness of the Groups's arrangements for risk management, control and governance, and economy, efficiency and effectiveness.

APPENDIX II: WORKING PROTOCOLS

Internal Audit Delivery

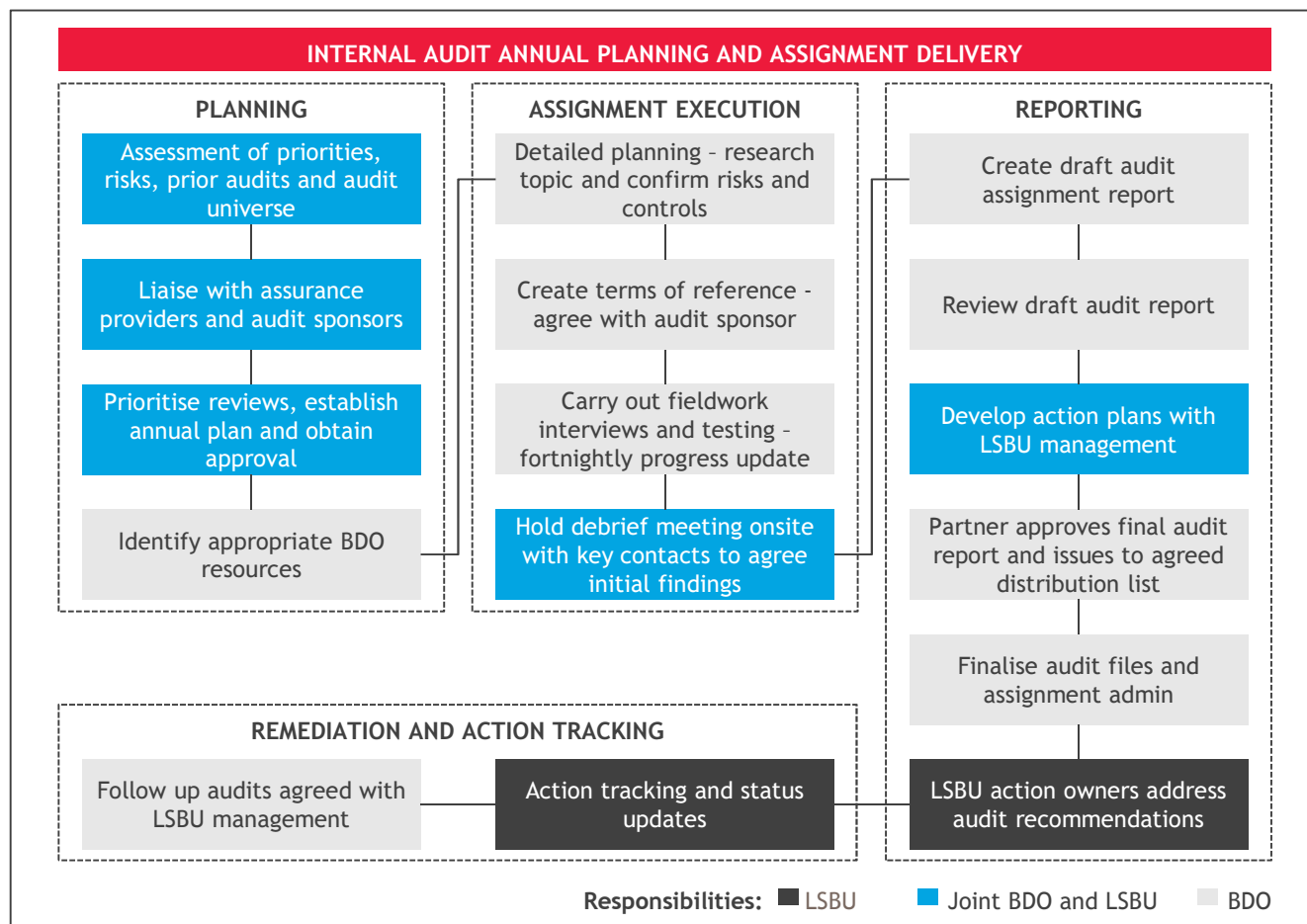
We summarise opposite the annual planning and assignment delivery model we will use at the Group. The model journeys through the four main processes associated with internal audit delivery; audit planning, assignment execution, reporting, and finally, remediation and action tracking. We have illustrated throughout the process those responsible for each step.

A key aspect of our work is high quality reporting. It is important to note that it is always our intention that final reports do not contain any nasty surprises. Our approach is always to maintain regular communications with management throughout the audit and to notify the key audit contacts of any significant issues as they arise.

We annually agree with the Audit and Risk Committee the internal audit strategy and annual plan.

We present the annual audit programme to the senior management team and feed their comments into our planning, and address audit work plans to management responsible for the area being audited to ensure proper ownership.

We liaise closely with the Group's external auditors to identify areas where they may place reliance on our work, ensure the annual schedule is phased so as to provide maximum benefit and limit the impact on business operations.



APPENDIX II: WORKING PROTOCOLS

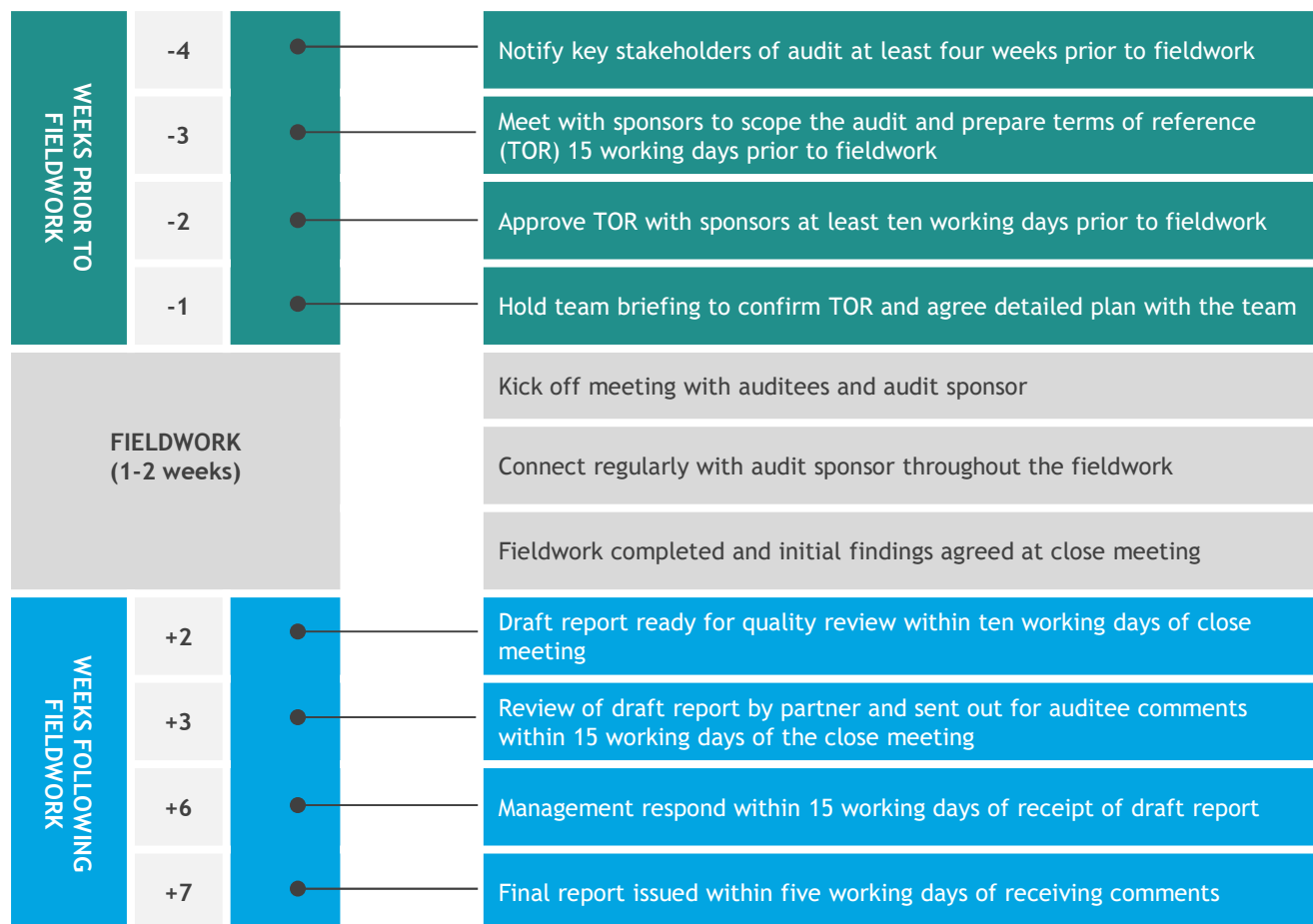
Protocols for Individual Audit Assignments

Our approach to delivering internal audit services is based on clear protocols. How this will work in practice for an individual assignment is set out opposite. For simplicity, the process has been based on a typical two-week audit assignment.

Internal Audit Communications

Strong communication is fundamental to quality delivery and for maintaining trusting relationships with our clients. We communicate with management in full accordance with agreed protocols, including during annual meetings to confirm the audit programme for the forthcoming year, and quarterly update meetings to evaluate progress and discuss activities and priorities for the next quarter. We also provide monthly updates against an agreed set of performance indicators, and meet regularly with relevant directors and managers throughout the year to stay abreast of developments.

During audit assignments we hold planning meetings in person (our preference), by phone or by email to discuss terms of reference and scope prior to commencement of any fieldwork, and hold debrief meetings at the conclusion of each piece of fieldwork to discuss audit findings and resolve any outstanding issues.



APPENDIX II: WORKING PROTOCOLS

The tables below set out the principal communication and reporting points between the Group and Internal Audit, which are subject to regular review. Any future changes to the communication and reporting points are reported to the Audit and Risk Committee for approval.





Table One: Liaison Meetings Between the Group and Internal Audit

Meeting	Frequency	Audit and Risk Committee	Group Financial Controller	Managers	Relevant Staff	External Audit
Internal audit liaison meeting	Quarterly		✓			
Internal audit update meetings	As required		✓	✓		
Quality Assurance Meeting	Annually		✓			
Liaison meeting with Chair of Audit and Risk Committee	As required	✓				
Audit and Risk Committee to discuss audit progress	As necessary	✓				
Meetings to raise immediate concerns	As necessary	✓	✓	✓	✓	
Meetings with external audit	As necessary					✓




Table Two: Key Reporting Points Between the Group and Internal Audit

Meeting	Audit and Risk Committee	Group Financial Controller	Managers	Relevant Staff	External Audit
Annual Internal Audit Plan	✓	✓			✓
Individual internal audit planning documents		✓	✓	✓	
Draft Internal Audit Reports		✓	✓	✓	
Final Internal Audit Reports	✓	✓	✓	✓	
Progress Reports	✓				

APPENDIX II - OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITIONS

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

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

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	CONFIDENTIAL
Paper title:	Internal Audit Progress Report
Board/Committee	Audit Committee
Date of meeting:	1 October 2019
Author:	BDO
Sponsor:	Richard Flatman, Chief Financial Officer
Recommendation:	The Committee is requested to note the progress that BDO have made with the 2019/20 Internal Audit programme.

Summary

A number of audits are being planned in line with the internal audit programme.

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INTERNAL AUDIT PROGRESS REPORT

LONDON SOUTH BANK UNIVERSITY GROUP

October 2019

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INTERNAL AUDIT PROGRESS SUMMARY

2019-20 Audit Programme

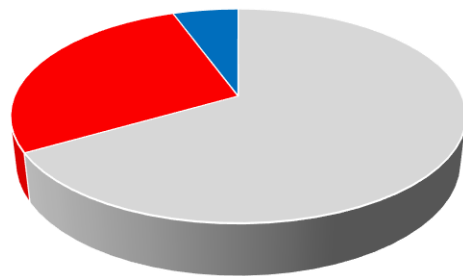
The status of our work is as follows:

Draft reports	Planning
<ul style="list-style-type: none">▶ Financial systems and controls (continuous auditing - finance) - LSBU	<ul style="list-style-type: none">▶ Continuous auditing - student data - LSBU▶ UKVI compliance (all tiers) - LSBU▶ Financial systems and controls - SBC▶ Financial systems and controls - SBA▶ Recommendation follow up

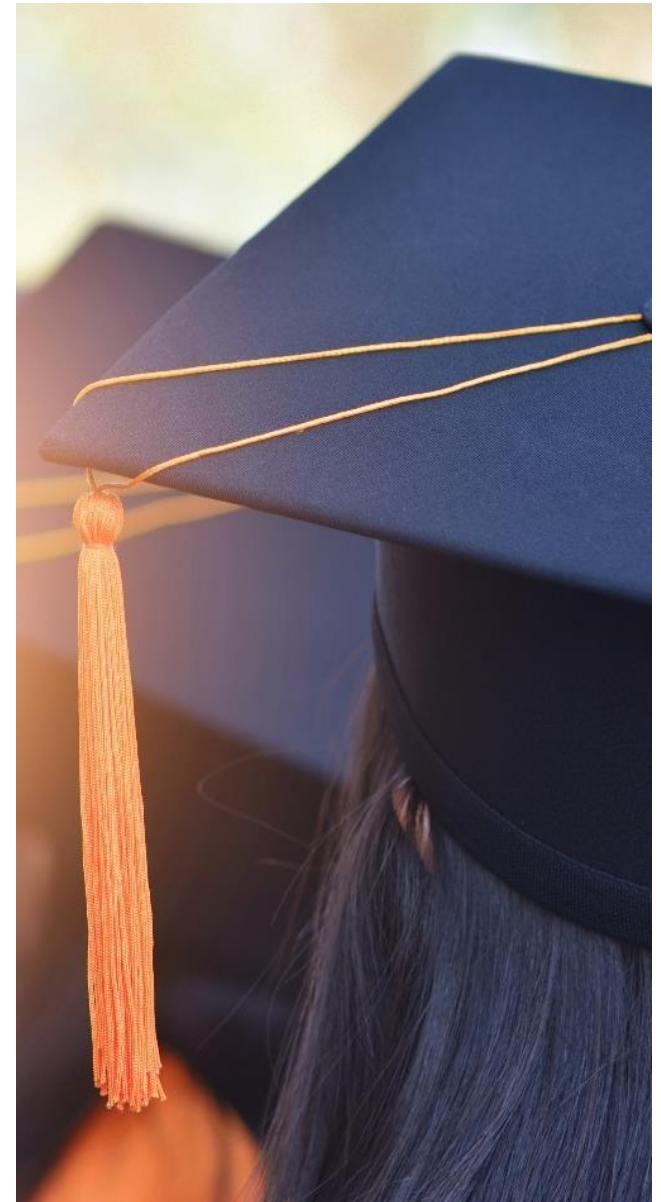
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Dashboard


Audit status



- Not yet started
- Planning
- Fieldwork
- Draft report
- Final report



INTERNAL AUDIT PLAN 2019-20 DETAILED SCHEDULE





Audit area	Entity	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
											Design	Effectiveness
Governance, compliance and risk management												
Risk management	Group	10	17 Feb 20			18 Jun 20						
LSBU family transition	Group	10	23 Mar 20			18 Jun 20						
Health and safety	SBC	7	20 Apr 20			18 Jun 20						
	SBA	7	27 Apr 20			18 Jun 20						
Finance and management information												
Financial systems and controls (continuous auditing - finance)	LSBU	25	12 Aug 19		Draft report	7 Nov 19						
			17 Feb 20			18 Jun 20						
	SBC	7	9 Dec 19		Planning	13 Feb 20						
	SBA	5	2 Dec 19		Planning	13 Feb 20						
Data quality/ MIS	LSBU	8	7 Mar 20			18 Jun 20						
	SBC	5	27 Jan 20			18 Jun 20						
Continuous auditing - student data	LSBU	25	28 Oct 19		Planning	13 Feb 20						
			18 May 20			18 Jun 20						




INTERNAL AUDIT PLAN 2019-20 DETAILED SCHEDULE

Audit area	Entity	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
											Design	Effectiveness
Core activities												
Apprenticeships	LSBU SBC	15	20 Apr 20			6 Oct 20						
UKVI compliance (all tiers)	LSBU	15	14 Nov 19		Planning	13 Feb 20						
Research and enterprise												
REF preparation	LSBU	6	10 Feb 20			18 Jun 20						
Estates infrastructure and services												
Estates development/ capital programme	LSBU SBC	15	8 Jun 20			6 Oct 20						
Information technology												
IT security	Group	20	11 May 20			6 Oct 20						
Management and recommendation follow up												
Recommendation follow up	Group	8	7 Oct 19		Planning	7 Nov 19						
			9 Jan 20			13 Feb 20						
			4 May 20			18 Jun 20						
Management		18	Ongoing									

APPENDIX I - DEFINITIONS

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

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
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	PAPER NO:
Paper title:	External Audit Progress and Technical Update
Board/Committee	Audit Committee
Date of meeting:	1 October 2019
Author:	KPMG
Sponsor:	Richard Flatman – Chief Financial Officer
Recommendation:	The Committee is requested to note the progress and Technical update ahead of the 2018/19 audit. The Committee is requested to approve new KPIs that are used to assess KPMG’s performance with regard to their external audit work

The attached report details progress with the external audit and plans for work that will take place in the coming months.

Accounts Direction

The Office for Students (OfS) have prepared the draft accounts direction for 2019/20, and there are a number of areas where institutions can early adopt requirements introduced or amended in this draft. These are shown on page 4 of the attached report. In particular, the university was not able to obtain data on agency staff to include in the medium pay ratio. As the definition of this ratio has changed and can now exclude agency staff, it is recommended that we adopt the new definition early and continue to exclude agency staff from this disclosure.

KPIs

At the last meeting of the Audit Committee an action was agreed to review the KPIs contained in the external audit contract. KPMG have proposed a new set of KPIs that Audit Committee may wish to use to monitor the performance of the external audit.

Benchmarking

As part of the audit service KPMG provides to their Higher Education Institution clients, they undertake an annual financial statements benchmarking exercise across

their UK HE client base which includes 96 institutions with revenues ranging from approximately £3 million up to £2.2 billion. The report is structured as follows:

- Introduction –this introduction outlines the approach they have adopted in preparing the analysis;
- Trends –for certain key financial measures illustrating some general movements in resources across the sector; and
- Institutional financial measures –measures analysing the financial position of individual HEIs, split between post-1992 institutions and pre-1992 institutions.

KPMG have also benchmarked 23 risk registers of their client Universities and the results are contained in the supplement.

Recommendation:

- The Committee is requested to note the Progress, Higher Education Benchmarking and Risk Benchmarking reports.
- The Committee is requested to approve new KPIs that are used to assess KPMG’s performance with regard to their external audit work.
- Note the draft accounts direction.

Attachments:

- Progress report and technical update

Reports in supplement

- Higher Education financial statements benchmarking report
- Risk register benchmarking report



Progress Report and Technical Update

London South Bank University
External Audit 2018-19
October 2019

External Audit Progress Report – October 2019

Since the last Audit Committee on 13 June we have...

- Completed our interim audit visit for the group;
- Commenced our final fieldwork for the group;
- Discussed revised KPIs with management to enable the committee to better monitor the performance of external audit; and
- Shared our risk register benchmarking exercise and financial statements benchmarking exercise for 2018/19 with management.

Ahead of the next meeting of the Audit Committee on 5 November we will have...

- Completed our fieldwork for the 2018-19 audit for the Group and its subsidiaries;
- Debriefed the findings of our audit with management; and
- Prepared our ISA 260 audit report.

Actions arising from this report

We ask the Audit Committee to:

- **NOTE** this progress report;
- **APPROVE** the KPIs included for future use; and
- **NOTE** our Risk Management benchmarking report and our Financial Statements Benchmarking report.

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Key Performance Indicators

At the last meeting of the Audit Committee an action was agreed to review the KPIs contained in the external audit contract to ensure that they were specific, measurable, time bound and achievable. Below we have proposed a new set of KPIs (agreed with management) that the Committee may wish to use to monitor the performance of external audit:

Indicator	Target
1. Quality Assurance	
Members of the core audit team (Engagement Partner and Engagement Manager) hold a CCAB qualification.	100%
Members of the wider audit team either hold or are working towards a CCAB qualification.	95%
Members of the wider audit team that have completed CPD training on a quarterly basis.	100%
Appropriate staff are made available for the purpose of discussions and meetings with University staff relevant to the work carried out, including over key risk areas of: <ul style="list-style-type: none"> • Pensions; • Tax; and • Account balances audited using Data and Analytics. 	Yes / No
2. Audit approach	
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%
Audit-day targets for individual audit assignments will not be exceeded without the express approval of the Director of Finance.	100%
Audit plan is risk based and focuses on relevant risks	Yes / No
Number of independence breaches in year	0
3. Recommendations	
The extent to which the audit report recommendations are accepted by the University as relevant and realistic to put into practice.	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.	100%
Client satisfaction surveys 'good' or better – Issued annually	100%
Number of benchmarking reports issued each year	1

Issue	Impact on HEI and insight from KPMG
<p>Draft 2019/20 Accounts Direction</p> <p>The Office for Students (OfS) have prepared the draft Accounts Direction for 2019-20 audits. This is currently being consulted on and anticipated to be finalised shortly. The OfS have also confirmed that they will not be publishing a separate 2018-19 Accounts Direction, however, institutions will have the option of applying all or part of the 2019-20 Direction when preparing their 2018-19 annual report and accounts.</p> <p>The 2019-20 Direction makes amendments to the requirements for reporting of senior staff remuneration and additional content requirements for preparing the corporate governance statement. The following are the key changes introduced in the revised Direction:</p> <p><i>Senior staff remuneration</i></p> <ul style="list-style-type: none"> ▪ Clarification has been provided that the disclosure of the number of staff paid over £100,000 is required to be calculated based on full-time equivalent salaries; ▪ An additional category has been added to the analysis of the remuneration of the head of provider. This is now required to separately show any payments made in lieu of pension contributions. ▪ Clarification has been provided that the justification of the remuneration of the head of the provider must include an explanation of the process used to make the remuneration decision and the level of remuneration awarded. ▪ The definition to be used when determining staff to be included within the calculation of the median pay ratio has been revised to state that it covers all staff required to be included in real time reporting to HMRC. This therefore incorporates all staff for which the institution is required to pay PAYE contributions but will exclude some agency staff. <p><i>Corporate governance statement</i></p> <ul style="list-style-type: none"> ▪ The corporate governance statement is additionally required to provide an explanation of how the provider ensures transparency about the provider's corporate governance arrangements and obtains assurance over the adequacy and effectiveness of the arrangements for corporate governance, risk management and oversight of statutory and other regulatory responsibilities. ▪ Providers in receipt of public funding, such as from the OfS or UK Research and Innovation, must include a confirmation of how the provider ensures regularity and propriety in the use of public funding. ▪ An explanation is required to be included of the role of external and internal audit in improving the control environment and the provider's performance in delivering value for money. <p><i>Other amendments</i></p> <p>The Accounts Direction for 2019-20 also introduces some further amendments and clarifications. The OfS have confirmed that even if a provider meets the definitions to apply exemptions from preparing a cash flow statement, for example as a small company under the Companies Act, that it is required for this to be prepared.</p> <p>Providers will also be required to include a note to the accounts analysing grant and fee income received, analysing whether grants were received from the OfS or other sources and analysing fee income between taught and research awards.</p> <p>A requirement has also been introduced to confirm that at least the last six years of audited financial statements must be published on the provider's website.</p>	<p>Management will wish to consider whether they wish to early adopt any of the requirements introduced or amended in the Accounts Direction.</p> <p>In the previous year management struggled to obtain the data to report on the median pay ratio including agency staff. As the definition of this calculation has changed in the draft accounts direction for 2019/20 management should consider whether they wish to early adopt the new definition of the calculation.</p>

Issue	Impact on HEI and insight from KPMG
<p>Compliance with the 2017-18 accounts</p> <p>The OfS have released their report on the sectors compliance with the 2017-18 accounts direction including areas for improvement. The report was produced following an in-depth review of 34 providers (25%) alongside a review of all the financial statements of all higher education providers.</p> <p>Key areas for improvement include:</p> <ul style="list-style-type: none"> ▪ Ensuring the head of provider's salary is presented on an FTE basis and not on an amount paid basis. ▪ Disclosing the nature and monetary value of all taxable and non-taxable benefits received by the head of provider. ▪ Not only providing technical information about the process by which remuneration was determined for the head of provider. Disclosure should include a full justification and basis for the remuneration. ▪ Within the statement of internal control disclosing significant internal control weaknesses or stating that none were identified. ▪ Ensuring the statement of internal control considers all types of risk (business, operational, compliance and financial risk). 	<p>The University should review the document in detail and compare their template 2018-19 accounts against the areas for improvement identified to ensure all required amendments are reflected ahead of the start of the external audit.</p>
<p>Access and participation plans draft requirements</p> <p>The draft 2019-20 Accounts Direction provides further details of the information that will be required to be included within the annual report and accounts of providers registered with the OfS relating to access and participation.</p> <p>Providers will be required to include a note to the accounts that separately analyses expenditure on each of the four domains below:</p> <ul style="list-style-type: none"> ▪ Access investment – all expenditure supporting the ambitions within the access and participation plan where they relate to higher education; ▪ Financial support provided to students during the year. This can only include support directed at disadvantaged and underrepresented groups; ▪ Support for disabled students not included in the categories above; and ▪ Research and evaluation of access and participation activities during the year. <p>Staff costs are able to be included within the note but must include a separate analysis of the level of staff costs incurred and they must be intrinsic to the delivery of the access and participation plan.</p> <p>A link to the published access and participation plan is also required to be included.</p> <p>The note added to the accounts will be subject to audit and audit opinions will be required to include confirmation as to whether the expenditure disclosed as being incurred on access and participation activities has not been materially misstated.</p>	<p>The Accounts Direction is currently issued in draft and is expected to be finalised shortly.</p> <p>The disclosures relating to access and participation are not required to be included until the 2019-20 accounts, however if adopted then providers should begin ensuring that they are able to separately analyse the expenditure incurred on delivering the access and participation plan and that it can be disaggregated reliably into the four categories required to prepare the note to the accounts.</p>
<p>Approval of TRAC and TRAC(T) returns</p> <p>The OfS communicated in its Accountability requirements publication in October 2019 a change in the requirement regarding the sign-off and approval of the TRAC and TRAC(T) returns following the 2019 submission.</p> <p>While the submission of these returns has always required approval by a Committee of the Governing Body, historically approval through “Chair’s action” has been permitted.</p> <p>However following the 2019 TRAC and TRAC(T) submissions the allowance of the approval of the submissions through “Chair’s action” will no longer be permitted.</p>	<p>The University should review the scheduling of its Governing Body and relevant committee meetings to ensure they align with TRAC and TRAC(T) submission deadlines for January/February 2020 onwards.</p>

Issue	Impact on HEI and insight from KPMG
<p>Data Security and Protection Toolkit</p> <p>NHS Digital have introduced a requirement that all universities that handle NHS patient data must complete the Data Security and Protection (DSP) Toolkit. This covers any universities that handle NHS data for purposes such as research or teaching in partnership with an NHS provider.</p> <p>The DSP Toolkit is an annual return completed to provide assurances over the processes in place for handling patient data to the Department of Health and Social Care. It requires the organisation to provide a self-assessment of its compliance with requirements in the following 10 standards:</p> <ul style="list-style-type: none"> ▪ All staff ensure that personal, confidential data is handled, sorted and transmitted securely, whether in electronic or paper form; ▪ All staff understand their responsibilities under the National Data Guardian's Security Standards and what constitutes deliberate, negligent or complacent behaviour and their implications for employment; ▪ All staff complete appropriate annual data security training and pass a mandatory test and complete an annual cyber security module; ▪ Personal confidential data is only accessible to staff who need it for their current role and access is removed as soon as it is no longer required. All access to personal confidential data can be attributed to individuals; ▪ Cyber attacks against services are identified and resisted and CareCERT security advice is responded to. Action is taken immediately following a data breach or a near miss, with a report made to management within 12 hours; ▪ Processes are reviewed at least annually to identify and improve processes that have caused data breaches or near misses, of which force staff to use workarounds that compromise data security; ▪ A continuity plan is in place to respond to threats of data security, including significant data breaches or near misses and it is tested once a year at a minimum, with a report to senior management; ▪ No unsupported operating systems, software or internet browsers are used within the IT estate; ▪ A strategy is in place for protecting IT systems from cyber threats, which is based on a proven cyber security framework such as Cyber Essentials. This is reviewed at least annually; and ▪ IT suppliers are held accountable via contracts for protecting the personal confidential data they process and meeting the National Data Guardian's Data Security Standards. <p>The Toolkit is required to be completed annually and the first submission will be due for submission by 31 March 2020. Universities are also required to obtain an independent assessment of the Toolkit on an annual basis.</p>	<p>External audit clients – the Audit Committee should note the requirements and deadline for submission and consider the assurance required over the submission and actions to address any identified gaps in compliance.</p>



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	CONFIDENTIAL
Paper title:	Pension assumptions
Board/Committee	Audit Committee
Date of meeting:	1 October 2019
Author:	Natalie Ferer – Financial Controller
Sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To brief the Committee on pension scheme disclosures to be made in the 2018/19 financial statements.
Recommendation:	To recommend that Audit Committee approve the assumptions made by the LPFA scheme actuaries, Barnet Waddingham, and the assumptions used for the USS scheme for accounting disclosures. The Committee should also note the analysis of pension costs that will be disclosed for LSBU in the 2018/19 financial statements.

Executive summary

This paper is being presented to the Audit Committee because the assumptions used by the actuaries in respect of the LGPS have a significant impact on our reported financial result including the reported scheme deficit. It is important therefore that the assumptions are reviewed and approved.

In addition to the usual charge to the accounts relating to the LGPS scheme, there are also two significant charges to expenditure relating to LGPS pension costs resulting from the McCloud court case and charges relating to contributions the University has to make to address the deficit in the USS pension scheme.

Figures presented here relate to the University only. However, Lambeth College has its own costs relating to the LPFA scheme which will be presented in the consolidated Financial Statements.

LPFA FRS102 exercise

Assumptions

The University has elected to apply Barnet Waddingham's standard assumptions. This has been notified to KPMG, the University's auditors, who have not flagged any issues with these assumptions at this stage.

The assumptions are set with reference to market conditions at 31/7/19 and are shown below:

	31/7/19	31/7/18	31/7/17	31/7/16	31/7/15
RPI increases	3.4%	3.35%	3.6%	3.0%	3.5%
CPI increases	2.4%	2.35%	2.7%	2.1%	2.6%
Salary increases	3.9%	3.85%	4.2%	3.9%	4.4%
Pension increases	2.4%	2.35%	2.7%	2.1%	2.6%
Discount rate	2.1%	2.65%	2.7%	2.5%	3.8%

More detailed analysis of the assumptions is contained in the LPFA Accounting Briefing Note – available in the supplement.

Results for LSBU at 31/7/19

The table below shows the overall deficit in the scheme and movement compared to the position at 31/7/18:

	31/7/19 £'000	31/7/18 £'000
--	------------------	------------------

Overall deficit in the scheme	(112,256)	(99,765)
--------------------------------------	------------------	-----------------

Staff expense	(9,904)	(8,616)
Interest expense	2,765	2,969
Administration expense	187	174
Total charged to the income and expenditure	12,669	11,759

Amounts recognised in Other Comprehensive (Expenditure)/ Income	(5,664)	19,083
------------------------------------------------------------------------	----------------	---------------

Included in staff expense is £1,441k, which is an estimate of the impact of the McCloud/Sargent judgement. These are two employment tribunal cases brought against the government in relation to age discrimination when implementing transitional protection following the introduction of scheme changes in 2015.

Also included in staff expense is the projected cost of unreduced early retirement benefits for staff leaving LSBU's employment through redundancy or voluntary severance arrangements. The charge for 2018/19 is £641k for 16 former employees entitled to these unreduced pension benefits.

The movement recognised in Other Comprehensive Expenditure which is broken down in more detailed below with most of the movement resulting from changes in financial and demographic assumptions since the last accounting date.

Forecast of costs for 2019/20

The scheme actuaries have projected the University's pension expense for the year ending 31/7/20. These projections are based on the assumptions used at 31/7/19 and do not take account of any early retirements or augmentations that may occur during the year.

	Year to 31/7/20 £'000
Staff cost	8,798
Interest cost	2,297
Administration costs	207
Total charged to the income and expenditure	11,302
Employer Contributions	5,021

USS Scheme

In line with FRS102, the University is required to recognise a liability for the contributions payable in order to fund the deficit in the USS scheme. This is a contractual obligation to pay out a sum of money between 2020 and 2034 to fund the deficit in the USS scheme. Individual employers, including LSBU cannot identify their share of assets and liabilities in the scheme, but rather this is contribution to the deficit based on a percentage of the pensionable pay of our membership. A deficit modeller has been produced by BUFDG (British Universities' Finance Directors Group) to assist employers with meeting this requirement

The University must choose the assumptions it uses when making this calculation and, as in previous years, we have chosen to use the same assumptions as for the LGPS scheme accounting report. The university's auditors will review this as part of their year-end work, but in previous years have agreed that it is reasonable to use this approach.

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

	At 31/7/19 £'000	At 31/7/18 £'000
Deficit Provision	2,141	977
Total charged to the income and expenditure	1,164	(52)
Employer Contributions	480	514

The 2018 valuation and Schedule of Contributions to the USS scheme has not yet been finalised and therefore the Schedule of Contributions, put in place in January 2019 following the finalisation of the 2017 valuation, is the one that applies in terms of calculating the liability for the obligation to fund the USS deficit. This requires the employer to pay 5% deficit contributions from 1 April 2020 to July 2034 with no deficit contributions for the period from 1 April 2019 to 31 March 2020. This is an increase compared to the previous deficit contribution rate of 2.1% of pensionable pay. This increase has resulted in all member Institutions, including LSBU seeing a significant increase in the liability compared to the previous year end.

BUFDG have reported that it is still not clear when the 2018 valuation will be finalised and what the new deficit contributions will be although a reduction is anticipated.

Recommendation

The Committee is asked to note the analysis of pension costs to be included in the accounts and to approve the assumptions used in the FRS102 accounting exercise.

Attachments:

- LPFA July 2019 FRS102 report

Reports in supplement:

- LPFA July 2019 briefing note
- Accounting glossary and FAQs

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Accounting reporting as at 31 July 2019

Employer briefing note post-accounting date

Barnett Waddingham LLP

5 August 2019

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Accounting reporting as at 31 July 2019

A number of LGPS employers, in particular universities and colleges, prepare accounting disclosures as at 31 July each year and these may be in accordance with the IAS19 or FRS102 standard, depending on the employer.

Some universities also get disclosures using the US FAS standard which are produced using the same data and assumptions as the FRS102/IAS19 disclosures but have a different presentation and involve a different allocation of pension costs between the various parts of their accounts. This note is only in relation to the main FRS102/IAS19 results.

This note outlines some of the changes to the key financial assumptions that are used in preparing the IAS19 and FRS102 accounting numbers since the last reporting date as well as information on asset performance over the period.

This note complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

How has the accounting position changed?

Prior to the year-end we provided a note setting out the intended derivation of our assumptions and possible outcomes using market conditions at 21 May 2019. As we have now passed the year-end, we can now provide our final conclusions based on market conditions at 31 July 2019.

As LGPS Funds are usually invested in a range of asset classes, the performance of the assets may be quite different from that of the accounting liabilities (which are linked to corporate bonds, as set out below) and so the results can be very volatile from year to year.

This note discusses our recommended assumptions for the exercise, however the responsibility for setting assumptions ultimately belongs to the employer and therefore if an employer was to request alternative assumptions then we would be happy to use these in producing our report. The assumptions in this report are therefore the standards that we intend to use unless instructed otherwise. We believe that these assumptions are likely to be appropriate for most employers but we have not consulted with each employer in setting these.

The change in the balance sheet position over the year is mainly dependent on the answers to three key questions and this report is split into these three sections:

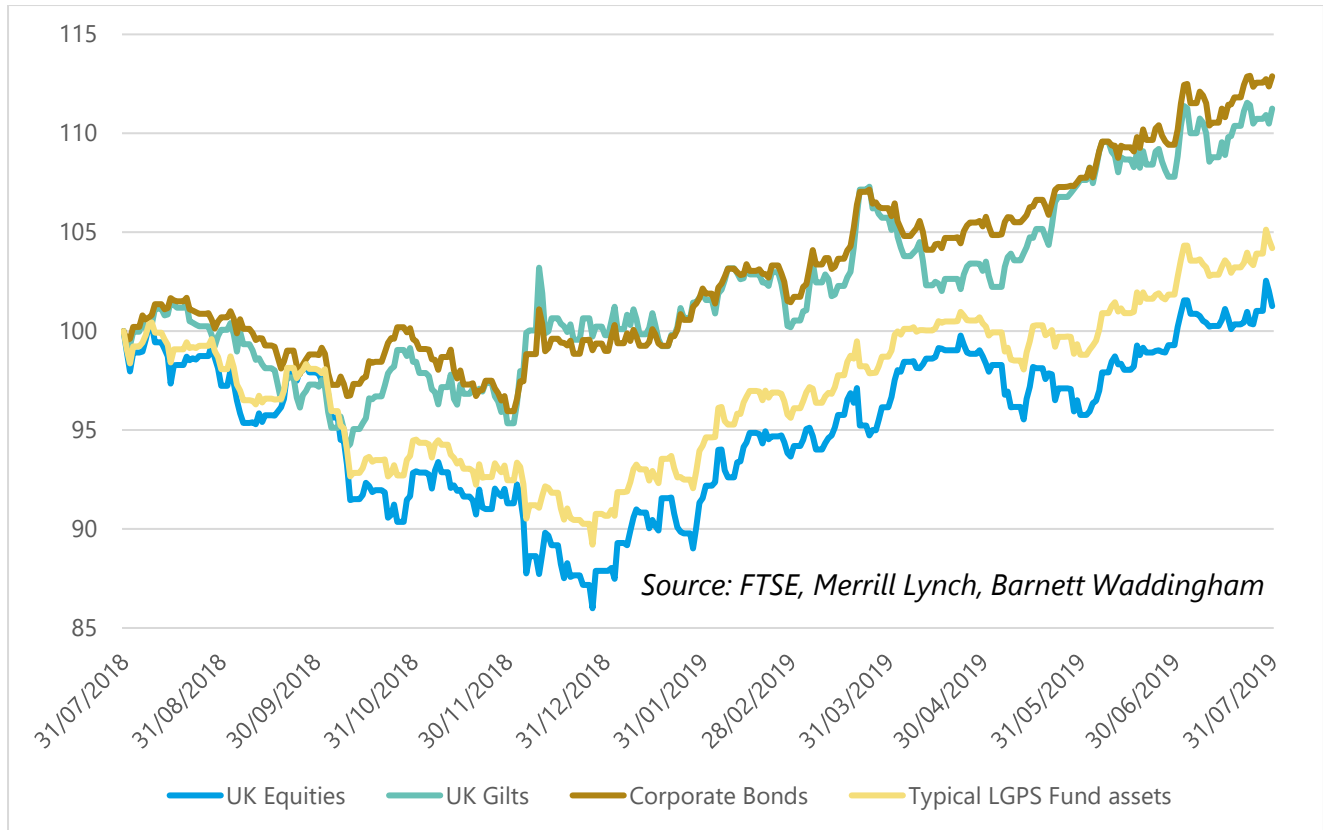
- What were asset returns for the twelve months to 31 July 2019?
- What were corporate bond yields as at 31 July 2019?
- What were market expectations of inflation as at 31 July 2019?

We appreciate that some of the terminology in this report may not be familiar and therefore we would recommend also reading our Glossary and FAQs document for a more detailed explanation on some of the jargon used here. This document has been circulated with this briefing note but please get in touch with the Fund if you would like a copy.

Please let your usual Barnett Waddingham contact know if you have any queries.

Asset returns

The following chart plots returns from the major asset classes since 31 July 2018 alongside the return that would have been achieved by a Fund invested 75% in equities, 20% in corporate bonds and 5% in gilts.



Equity returns have been poor since 31 July 2018. Equity values fell significantly to the end of 2018 but have recovered to an extent and are currently at similar levels to the previous accounting date.

However, investments in gilts and corporate bonds have performed well over the year. Unlike equities, both indices shown above indicate that these asset classes have seen positive returns over the period.

Based on the allocation outlined above, a typical LGPS Fund might have achieved a positive return of around 4% over the year, however, this could vary considerably depending on each Fund's investment strategy and net cashflow profile.

If Fund returns have been around this level, asset returns will have been higher than the discount rate assumed last year and this will have led to an actuarial gain on the assets; decreasing the accounting deficit.

However, the overall position is also influenced by the effect of market movements on the assumptions used to place a value on the defined benefit obligation. This is discussed in the next section.

Changes to financial assumptions

The key financial assumptions required for determining the defined benefit obligation under either accounting standard are the discount rate, linked to corporate bond yields, and the rate of future inflation. These assumptions are discussed below.

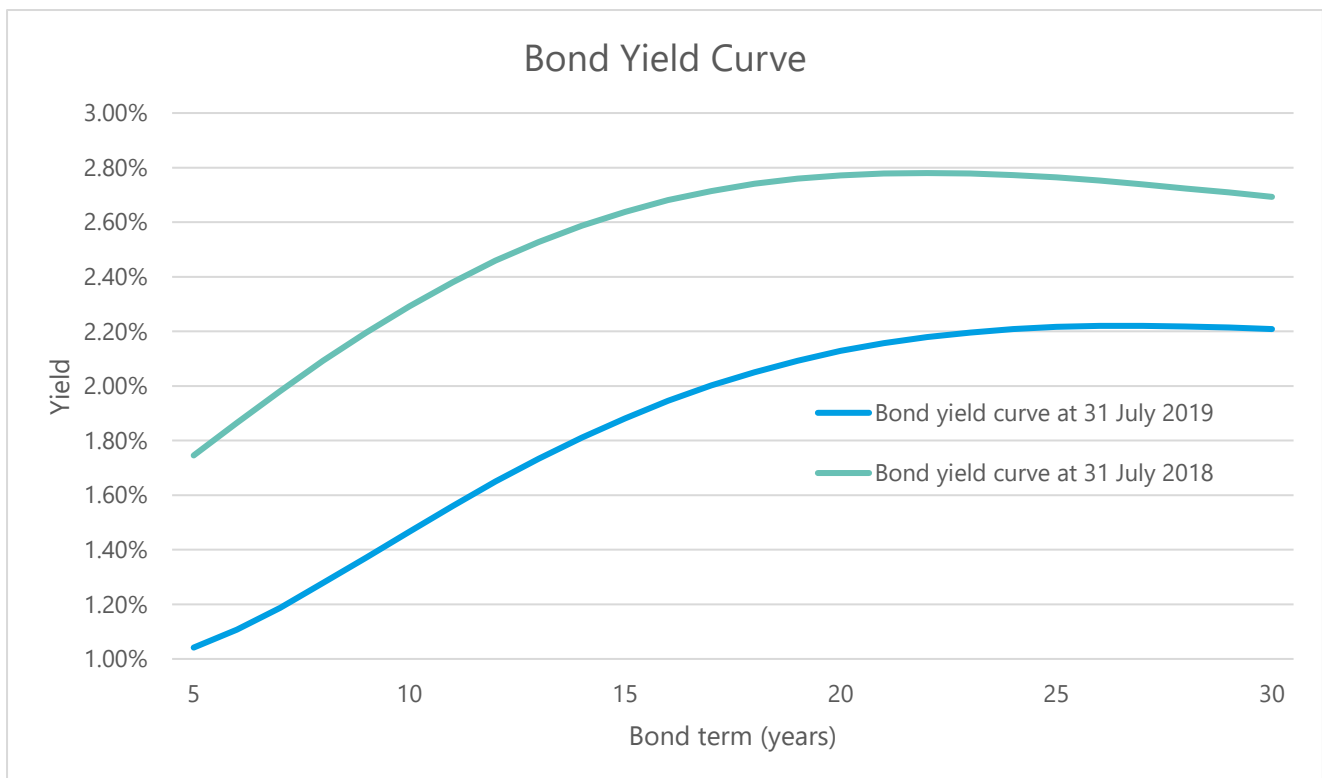
Discount rate

Under both the FRS102 and IAS19 standards the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The approach we adopted to derive the appropriate discount rate at the previous accounting date is known as the Single Equivalent Discount Rate (SEDR) methodology. We intend to adopt the same approach for assumptions used for accounting disclosures at 31 July 2019.

We use sample cashflows for employers at each duration year (from 2 to 30 years) and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). This discount rate is known as the SEDR. In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

The standard assumptions set for an employer will be based on their individual duration. For example, an employer with an estimated liability duration of 13 years will adopt assumptions consistent with those derived using the 13 year cashflows.

The below graph shows the bond yield curve at the last accounting date along with the yield curve at 31 July 2019:



You will see that the bond yield at 31 July 2019 is lower than that at 31 July 2018 at all terms. As a result, the discount rate assumed will be lower at 31 July 2019 than at the previous accounting date. All else being equal, this will result in a higher value being placed on the defined benefit obligation.

Sample SEDRs are set out in the table below based on market conditions at 31 July 2019, with the comparative SEDRs for 31 July 2018 using the same approach also shown:

Duration (years)	31 July 2019	31 July 2018
10	1.85%	2.50%
15	2.00%	2.60%
20	2.10%	2.65%
25	2.15%	2.70%

Assumptions are rounded to the nearest 0.05%.

The below table sets out the estimated effect of the change in discount rate assumed based on the same sample durations:

Duration (years)	Estimated effect of change in discount rate on employer's liabilities
10	Increase of 7%
15	Increase of 9%
20	Increase of 11%
25	Increase of 14%

Inflation expectations

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which active members' CARE benefits and deferred and pensioner members' benefits increase.

IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation. FRS102 simply refers to a best estimate of the financial variables used in the liability calculation.

Retail Price Index (RPI) assumption

Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

The SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield curve is assumed to be flat beyond the 30 year point and the BoE implied inflation curve is assumed to be flat beyond the 40 year point.

We have made no allowance for an inflation risk premium. This is consistent with that assumed at the previous accounting date.

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and we intend to use sample cashflows for employers at each duration year (from 2 to 30 years) in deriving the assumptions for employers.

Sample SEIRs are set out in the table below based on market conditions at 31 July 2019, with the comparative SEIRs for 31 July 2018 using the same approach also shown:

Duration (years)	31 July 2019	31 July 2018
10	3.50%	3.35%
15	3.45%	3.35%
20	3.40%	3.35%
25	3.35%	3.35%

Difference between RPI and CPI

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI) rather than RPI. As there is limited market information on CPI-linked assets, we take the implied RPI assumption outlined above and make an adjustment.

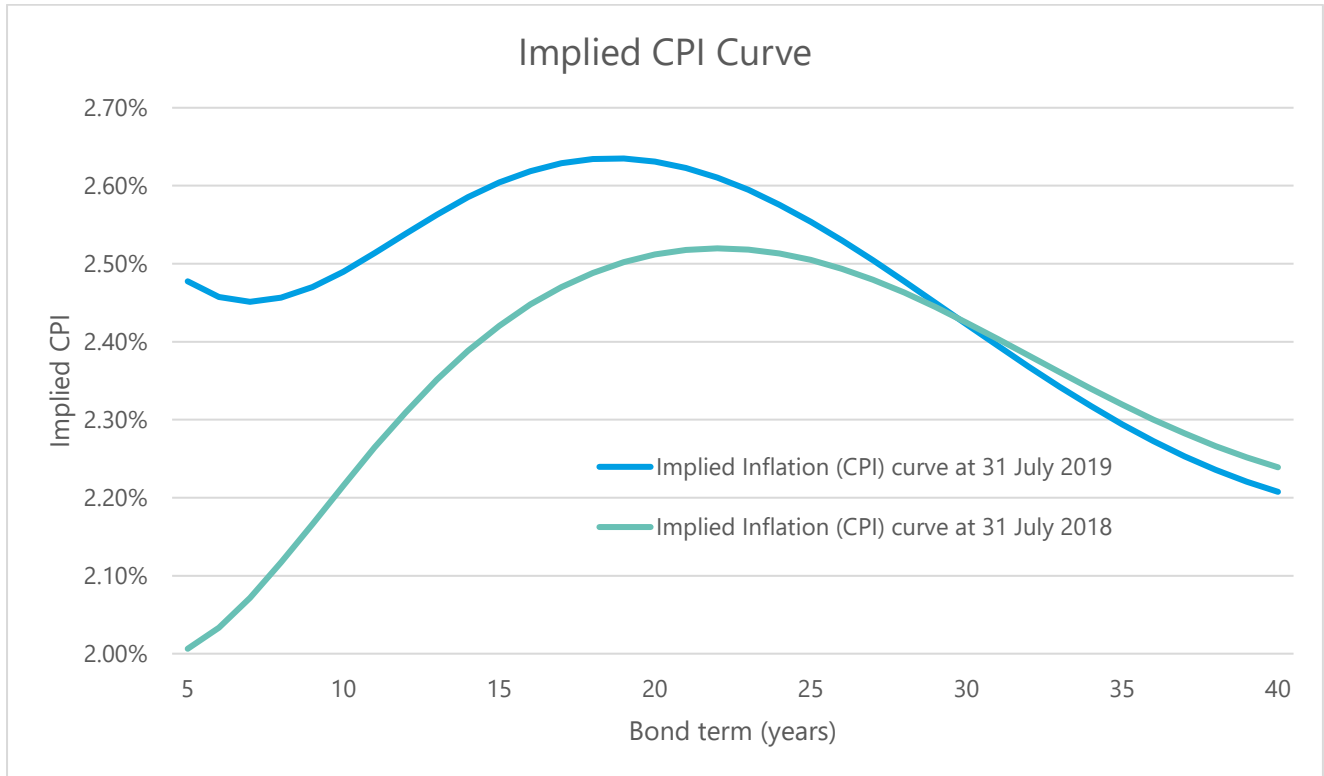
The difference between RPI and CPI can be split between the 'formula effect' and differences between the compositions of the two indices. The formula effect results from technical differences in the way the two indices are calculated so it is reasonable to assume it will be persistent, although the calculation methods will occasionally be updated. The formula effect means that RPI increases are usually expected to be higher than CPI.

The differences in composition of the two indices will mean that RPI and CPI are different for any given period but this is not necessarily biased one way or the other. For these reasons, we base our assumption for the difference between RPI and CPI on the formula effect only.

We have assumed that CPI inflation will, on average, be 1.0% lower than RPI. This is consistent with that assumed at the previous accounting date.

Consumer Price Index (CPI) assumption

The resulting implied CPI curve at 31 July 2019 is shown below along with the implied CPI curve at the last accounting date for comparison:



As shown above, the implied CPI curve at 31 July 2019 is higher than that at 31 July 2018 at shorter terms and at similar levels at longer terms. As a result, the level of future pension increases is assumed to be slightly higher than that assumed at the previous accounting date for employers with lower durations. This will result in an increase in the value of these employers' liabilities.

Employers with longer durations may expect the level of future pension increases assumed to be similar to the previous accounting date.

The below tables set out the assumed pension increase assumptions at sample durations, based on market conditions at 31 July 2019, along with comparative assumptions as at 31 July 2018, as well as the estimated effects due to the change in the inflation assumption from last year's standard assumption to this year's:

Duration (years)	31 July 2019	31 July 2018
10	2.50%	2.35%
15	2.45%	2.35%
20	2.40%	2.35%
25	2.35%	2.35%

Duration (years)	Estimated effect of change in inflation on employer's liabilities
10	Increase of 1%
15	Increase of 1%
20	Increase of 1%
25	No significant change

Due to the nature of SEDR and SEIR methodology, the assumptions derived are dependent on the sample cashflows used and as result different cashflows of similar liability durations may result in alternative assumptions. Therefore another actuary replicating the same approach set out above may derive different assumptions from those set out above. Reasonableness checks have been carried out on the cashflows used.

Salary increases

Although future benefits are not linked to final salary, benefits accrued up to 31 March 2014 in England and to 31 March 2015 in Scotland will continue to be linked to the final salary of each individual member. Therefore we still need to set an appropriate long-term salary increase assumption.

For English Funds, we intend to use the salary increase assumption from the 2016 actuarial valuation. For all English Funds, this means assuming that salary increases are in line with CPI to 31 March 2020 then increases in line with CPI plus 1.5%. This is consistent with the approach adopted last year.

For Scottish Funds, we intend to use the salary increase assumption from the 2017 actuarial valuation. For all Scottish Funds, this means a single long-term salary increase assumption of CPI plus 1.0% with no short term adjustment.

This is the assumption that employers are most likely to request a specific assumption in line with their own expectations and we are happy to discuss this as required.

Please note that where employers requested their own salary increase assumption at the last accounting date, where appropriate, our standard approach is to adopt an assumption consistent with the previous assumption.

Bespoke financial assumptions

As mentioned above, the responsibility for setting assumptions ultimately belongs to the employer and therefore if an employer was to request alternative assumptions then we would be happy to use these in producing our report. The approaches described above are the standard approaches we will adopt to derive financial assumptions, however, we are happy to advise individual employers on the range of assumptions they may be able to adopt.

As part of this advice we are able to provide employers with a deficit modeler which provides an indication of the impact of any changes to their accounting position.

If you would like more information on the options available to employers regarding bespoke assumptions please feel free to contact publicsector@barnett-waddingham.co.uk or your usual Barnett Waddingham contact. However, please be aware that both requesting and receiving advice on bespoke assumptions will incur additional fees.

Changes to demographic assumptions

Assumptions we make for mortality

One of the assumptions that we need to make in order to produce the accounting numbers for employers is how long members will live.

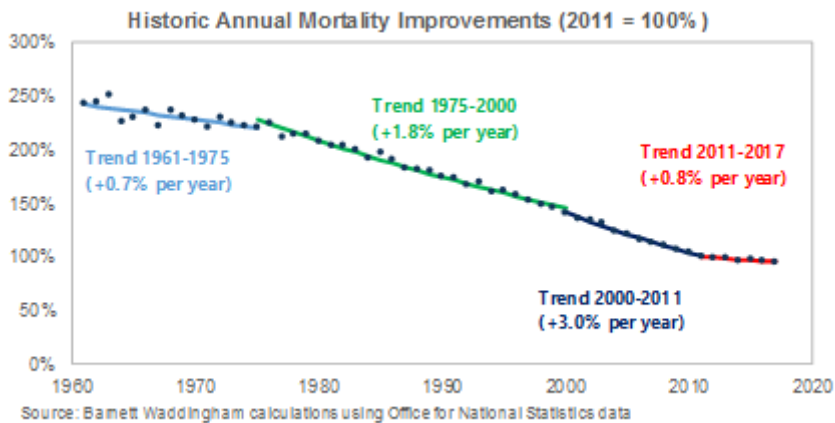
This involves two steps:

- Making a current assumption of members' mortality; and
- Projecting these current mortality rates into the future, allowing for further potential improvements in mortality. Future members' mortality is almost impossible to predict and therefore there is a lot of judgement involved and we naturally have to refine our view on this over time.

For the second step we use a model prepared by the Continuous Mortality Investigation (CMI) which is updated on an annual basis, incorporating the latest mortality data in the national population. In general, the assumption for accounting valuations, for most employers, is consistent with that assumed for the most recent funding valuation. Alternatively, employers may request for this assumption to be updated annually..

How have expectations for mortality changed?

As shown in the chart below, since 2011 mortality improvements in the population have been very low and while the model used in 2015 and 2016 incorporated some of these low improvements, there was still some weighting towards the older data showing higher improvements as no one knew if the new data was a blip or a symptom of a new trend.



The latest version of the CMI model (CMI_2018) was released in March 2019. We've now had a further number of years of very low improvements and so the growing consensus is that this is a new trend rather than a blip.

In addition, the CMI have re-worked the model to place more weight on the recent data observed. The result of this is that adopting CMI_2018, compared to previous CMI models will lead to significant reductions in projected life expectancies.

How would this affect accounting liabilities?

The effect of allowing for the updated mortality projections will depend on the membership profile of each employer and the previous projection model adopted. As the general effect of allowing for the CMI_2018 model is to reduce the assumed improvements in life expectancies; employers with younger memberships will be more affected than those with older memberships.

This is because younger members have longer to be impacted by improvements in mortality. Therefore, the term that these members are expected to live in retirement will be materially shorter than if we assumed higher improvements in mortality.

In terms of accounting liabilities, the liabilities could be reduced by between 4%-6% depending on the membership profile and the mortality improvements assumed at the previous valuation.

Will we be allowing for these changes in accounting disclosures?

Our normal practice would be to incorporate the most recent model into our assumptions for the next actuarial valuation of the Fund. The results of the next valuation would then feed into the following accounting valuation exercise. Updating for actual experience and revising demographic assumptions every three years is normally acceptable practice for the auditors of employers' accounts. However, auditors are becoming increasingly concerned about materiality limits.

Having consulted with various audit firms, and given the likely impact on liability values and hence accounting disclosures, we are aware that auditors have a preference for employers to adopt the latest mortality model as part of their accounting assumptions.

As a result, in order to reduce the risk of auditors querying the mortality assumptions used, we recommend that all employers requiring an accounting report move to the CMI_2018 model for their accounting assumptions.

We will therefore adopt this assumption as standard unless employers specifically opt out of adopting this change. This is consistent with the approach we adopted for employers who received accounting disclosures at 31 March 2019.

Please contact the administering authority of the Fund to confirm the relevant fees.

As mentioned above, we will assume that employers wish to go ahead with this updated mortality assumption unless we hear otherwise.

There will be no additional fee for employers who choose to opt out of adopting the updated model before they receive their report. However, the fee will revert to the full cost should they require the assumption to be changed once the report has been issued.

Other levers

Service accrued over the period

The change in employers' deficits will also be affected by the difference in the cost of benefits accrued over the period and the level of contributions paid by the employer and employees.

The service cost accrued over the year is based on the assumptions at the start of the period, i.e. at the previous accounting date. Employers' contributions may consist of contributions towards funding any deficit as well as funding the cost of benefits being accrued on an ongoing funding basis. These contributions are likely to have been calculated using different assumptions than under IAS19/FRS102 and may therefore differ from the service cost calculated for the period.

Depending on the membership profile of the employer; the cost of benefits accrued over and above the level of contributions paid may have a more significant effect on the level of deficit than the change in financial assumptions and investment performance.

Overall expected results

What does this all mean when we bring it all together?

The first caveat is that no employer is average and so any prediction of what might apply to an average employer will not apply to every, or possibly any employer.

The effect of the changes in the financial assumptions on an employer's liabilities are dependent on the assumptions adopted as well as the specific duration of the employer's liabilities. In particular, the effects shown below are based on the same approach at 31 July 2018; the actual effect will differ based on the actual assumptions that were adopted for each employer at 31 July 2018. Typically employers with greater liability durations are more sensitive to changes in financial assumptions as benefits will be paid over a longer term. The table below describes the estimated effects for employers at liability durations of 10, 15, 20 and 25 years: based on assumptions derived as at 31 July 2019:

Duration (years)	Estimated effect of change in financial assumptions rate on employer's liabilities
10	Increase of 8%
15	Increase of 11%
20	Increase of 12%
25	Increase of 14%

Based on market conditions at the accounting date, employers will see an increase in the value of the defined benefit obligation as a result of changes in assumptions. In addition, the value of liabilities will increase with benefit accrual and interest accumulated over the year.

However, where employers adopt the updated mortality improvement projections discussed above, decreases in life expectancies will reduce the value of liabilities. The actuarial gain, as a result of changes in demographic assumptions, would offset the increases in liabilities as a result of changes in financial assumptions by around 4%-6%. Therefore, employers who choose not to opt out of adopting the updated mortality projections are likely to see a smaller increase in the value of their defined benefit obligation.

Of course the impact on deficits will also depend on asset performance and overall funding position. As shown in the section above, based on market conditions to the accounting date and the investment strategy of a 'Typical Fund', assets are expected to have increased at a rate which is slightly higher than the rate of interest. This will further offset the increase the value of employers' deficits.

In addition, as mentioned above the change in employer's deficits will also be affected by the difference in the cost of benefits accrued over the period and the level of contributions paid by the employer and employees. For less mature employers, this may have a more significant effect on the level of deficit than the change in financial assumptions and investment performance.

Supreme Court ruling in McCloud/Sargeant case

Background

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination.

On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. Subsequently, on 15 July 2019, the Government confirmed that the matter will be remitted to the Employment Tribunal to determine remedies for the public service pension schemes including the LGPS.

We still have to wait for a remedy to be agreed and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. However, it is expected that changes will be in relation to a final salary underpin which was applied to active members who were aged 55 or above (within 10 years of retirement) at 31 March 2012.

Government Actuary's Department (GAD) impact analysis

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019.

Although GAD were asked to carry out their analysis on a "worst-case" basis, there are a number of other potential outcomes to the case which would potentially inflict less cost to the Employer. For example, it may be that the underpin is to be applied to all members who were active at 31 March 2012 until their retirement. This would have less impact than GAD's scenario (which also includes any new joiners from 1 April 2012).

IAS19/FRS102 requires us to place a best estimate value on liabilities and costs. Given the current uncertainty about the range of potential remedies, the best estimate is almost impossible to define and would require some judgement.

GAD's analysis compared the cost of the old pre-2014 final salary scheme with the new CARE scheme. The key parameter in assessing this cost is the assumed level of future salary increases in excess of CPI. GAD considered the following two scenarios:

1. Salaries increase at CPI plus 1.5% – on this scenario GAD assessed the average cost of implementing their worst-case scenario to be 3.2% of active liabilities at 31 March 2019 and the impact on service cost (i.e. the cost of benefits accruing) to be 3.0% of active payroll.
2. Salaries increase at CPI plus 0% p.a. – on this scenario GAD assessed the average cost to be less than 0.1% of active liabilities at 31 March 2019 and the impact on service cost to be less than 0.1% of payroll.

Our proposed approach

As a default we will include an allowance for McCloud in the employers' IAS19/FRS102 report based on GAD's analysis and the individual assumptions and membership profile of the employer. The impact on their individual accounting position will be included as a past service cost valued as at the accounting date.

As GAD's scenario applies to all members who were active at 31 March 2019, we believe the figures they have calculated indicate a significantly higher cost than could be reasonably expected as a realistic estimate. In order to provide a more realistic estimate, we will strip out the estimated cost of the underpin for active members who joined the Scheme after 31 March 2012, and are therefore not implicated by the case. For the purpose of our approach, we are therefore assuming the scenario described above where the underpin is to be applied to all members who were active at 31 March 2012 until their retirement.

This will be the default approach unless employers opt out.

In order to reduce the chance of having to revise any reports we recommend that employers engage with their auditors in advance of their yearend to make them aware of our intended approach.

Please contact the administering authority of the Fund to confirm the relevant fees.

Appendix 1 - Auditor views

It should be highlighted that auditors continue to look for greater accuracy in the roll forward approach used to calculate employers' results. This includes the approach used to determine each employer's share of Fund assets at the accounting date and roll forward employers' liabilities.

Asset roll forward

Given the tight timescales for employers to submit their final accounts we appreciate that it is not always possible to wait until a Fund's net asset statement at the accounting date is available to begin producing accounting disclosures. As a result, we request details of Funds' assets at the most recent date available and, for the remaining period, we assume that returns are in line with relevant market indices.

In order to reduce the chance of having to revise any reports we recommend that employers engage with their auditors and the administering authority of the Fund as early as possible to ensure they are comfortable with the information being used to calculate results.

Liability roll forward

To calculate the value of employers' liabilities we carry out a full valuation of membership data at least every three years (as part of the triennial valuation). We then 'roll this forward' to each subsequent accounting date, allowing for the actual cashflows paid into and out of the Fund in respect of the individual employer.

In addition we allow for any curtailments as a result of unreduced early retirements we are made aware of. Similarly we allow for any settlements we are made aware of such as those resulting from outsourcings or bulk transfers.

We do not, as standard, allow for actual inflation experience between full member valuations. The effect of actual experience compared to what was assumed is typically included within the experience item when full valuations are incorporated into accounting disclosures.

However, if employers wish us to allow for actual inflation experience over the inter-valuation period we would be happy to do so. It should be noted that this does fall outside the scope of what is covered in our standard report fee and will therefore incur additional fees.

Appendix 2 - Adjustments to fees

The Fund will communicate fees to employers however we would like to make you aware that there may be additional fees if there are particular features or events for an employer which need to be taken into account.

As examples of this:

- where an employer chooses their own assumptions;
- if there are additional calculations to be carried out if a surplus is revealed;
- when there are any staff transfers/movements to allow for;
- allowance for actual inflation experience;
- if additional disclosures are required;
- an employer asks to receive their report by a particular deadline; or
- if auditors ask a significant number of queries following receipt of the report.

Please get in touch with the Fund for further information on fees.

	CONFIDENTIAL
Paper title:	2019/20 Group Risk Policy Approach
Board/Committee:	Audit Committee
Date of meeting:	01 October 2018
Author(s):	Richard Duke, Director of Strategy & Planning
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information.
Recommendation:	Review, awaiting November meeting.

Executive Summary

It was discussed at the June 2019 Audit Committee, that a new approach to risk was required, given the move to Group. At this meeting, it was suggested that a Sub-Group of the Audit Committee review and discuss a new approach to risk and that has the aim of integrating risk into day to day operations as well as having Group wide scope.

This Sub-Group of the Audit Committee met and discussed a draft Risk Policy, which will be updated as a result of a helpful discussion and brought to the next Audit Committee on 7th November 2019 for review. The policy looks to address the delivery of a Group-wide approach to risk, as well as embedding risk in business planning and operations.

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	CONFIDENTIAL
Paper title:	Corporate Risk Report
Board/Committee	Audit Committee
Date of meeting:	1 October 2019
Author:	Richard Duke, Director of Strategy & Planning
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	For Information; to provide Board with a report on corporate risk
Recommendation:	To review report prior to Board

Executive Summary

The corporate risk register currently has:

- Two critical risks;
- Four high risks;
- Twelve medium risks;
- Three low risks

These risks are detailed in the paper, as well as mitigation and progress against actions.

The alignment of the current risk process with corporate and business planning is currently under review. A survey has been distributed to Operations' Board members where questions relating to corporate risk, local risk and risk systems are asked. When answers are reviewed, it is envisaged that a process that ensures risk management alignment with planning processes, that is undertaken as efficiently as possible will be designed and implemented.

This format is under review, with plans for future Corporate Risk reports to integrate a Group Approach.

LSBU Corporate Risk: Board Summary Report – Sep 2019

Cover Page: Risk Exposure Matrix – Severity by risk type (from Risk Appetite)

Severity Rating	Critical	High	Medium	Low
Risk Types:				
Financial (Open)	<p>2: Revenue reduction if activity does not achieve H/EU UG recruitment targets (NL)</p> <p>3: Sustainability of pension schemes (RF)</p>	<p>625: Impact of Govt. Education Review on HE funding (RF)</p>	<p>14: Loss of NHS contract income (WT)</p> <p>402: Income growth from Research & Enterprise unrealised (PI)</p> <p>457: Anticipated international & EU student revenue unrealised (PI)</p> <p>624: LSBU Family integrated service benefits (IM)</p>	<p>517: EU Referendum Impact on regulation & market (DP)</p>
Legal / Compliance (Cautious)			<p>305: Data not used / maintained securely (SW)</p> <p>519: Negative Curriculum Assessment (SW)</p> <p>584: External incident compromises campus operations or access (PB)</p>	
Academic Activity (Seek)		<p>467: Progression rates don't increase (SW)</p> <p>37: Impact and affordability of Capital Expenditure investment plans (RF)</p>	<p>398: Academic programmes not engaged with technological and pedagogic developments (SW)</p> <p>495: Higher Apprenticeship degrees (PB)</p> <p>518: Core student system inflexibility / failure (SW)</p>	<p>494: Inconsistent delivery of Placement activity (SW)</p>
Reputation (Open)		<p>626: Impact of assurance activity & new initiatives fails to address issues around student experience (PB)</p>	<p>6: Management Information perceived as unreliable, doesn't triangulate or absent (RF)</p> <p>362: Low staff engagement or staff cost containment programme impacts performance negatively (PB)</p>	<p>1: Lack of capability to respond to policy changes & shifts in competitive landscape (DP)</p>

Risk summary reports: a high level overview of risk exposure by appetite risk type for risks with severity ratings of critical, high and medium.

Risk Type 1: Financial		
<i>Summary of current risks & drivers</i>	<i>Notes on controls & mitigation strategies</i>	<i>Notes on progress made and actions completed</i>
<p>2: Home UG Recruitment: (NL) Increased competition & narrowing candidate pool put pressure on applicant numbers. Brand positioning doesn't articulate LSBU offer effectively & impacts on conversion rate, leading to shortfall in anticipated income, or < tariff score</p>	<ul style="list-style-type: none"> • Weekly review of numbers in DARR report by MAC leadership team & Leadership group • LEAP programme workstreams • Annual MAT & Lambeth liaison plan • Course development lifecycle project will ensure organisation insight informs validation cycle 	<ul style="list-style-type: none"> • Response protocols completed for full 19/20 application cycle • Phase 1 School website content updated • Research project underway to assess impact of current 'value add' applicant offer.
<p>3: Pensions scheme sustainability: (RF) Increasing life expectancy & poor performance of funds post 2008 leads to greater deficit</p>	<ul style="list-style-type: none"> • Annual FRS 102 valuation • Strict control on early access to scheme 	<ul style="list-style-type: none"> • Mercers costed scenarios being considered in autumn, with HR representation.
<p>57: International Income: (PI) Government policy & UKVI process creates additional burdens to recruitment, and TNE partner models still in development</p>	<ul style="list-style-type: none"> • Annual cycle of training events with staff on UKVI • Recruitment reports to Executive by exception • Overseas offices support in-country recruitment • Partnership model established for new activity 	<ul style="list-style-type: none"> • School Roadshows on developing & managing partnerships delivered • UKVI Consultant report received & actioned • Egyptian Joint Venture in development
<p>625: Impact of Government HE Review: (RF) If a reduction in the funded unit of resource for HE students is recommended, and approved by parliament, it would undermine current operating model & contribution rates.</p>	<ul style="list-style-type: none"> • Annual Board approval of 5 year forecasts • CFO access to sector & professional expertise • Scenario planning for reduced resource levels 	
<p>14: NHS Contract Income: (WT) Changes to NHS management structures, and move from bursaries to loans for pre-Reg courses impacts on levels of income</p>	<ul style="list-style-type: none"> • QCPM & NMC course review processes demonstrate quality of provision to funders • Literacy & Numeracy no longer tested 	<ul style="list-style-type: none"> • New programmes in development • Havering lease now extended • Applicant process re-engineered

402: Research & Enterprise contracting: (PI)
Forward financial plans anticipate increases in income which will need to be supported through reaching into new markets and areas of activity

- Bid writing workshops for academic staff delivered
- Sharepoint & FEC Research & Enterprise Approval Process for authorisation of new opportunities
- R&E activity Pipeline Reports (Financial & Narrative) provided to Business Planning Group

- Health Innovation Lab director appointed, and premises options under review
- ACEEU accreditation application underway
- Heads of Terms agreed for Cambridge research partnership

624: LSBU Family integrated service: (IM)
Obstacles may hinder planned synchronisation

- Interim appointments at Lambeth College

- Plans underway for transfer at year end

Risk Type 2: Legal / Compliance		
<i>Summary of current risks & drivers</i>	<i>Notes on controls & mitigation strategies</i>	<i>Notes on progress made and actions completed</i>
<p>305: Data use and access: (SW) The rise of cyber-attacks, and malicious attempts to circumvent existing controls pose a threat to data security. Evolving standards of good practice take time to become articulated within an institutional context and fully adopted as salient culture. European GDPR legislation came into force on 25th May 2018.</p>	<ul style="list-style-type: none"> • GDPR Project programme approved by Executive • Data Protection now included within suite of Mandatory Training modules for staff • ICT project process requires Privacy Impact Statements and changes to digital infrastructure reviewed quarterly by ICT Technical Roadmap Board • IT access now linked directly to live info from i-Trent staff record system, and logical security protocols require 6 monthly change • Vulnerability tests scheduled weekly 	<ul style="list-style-type: none"> • GDPR project programme reviewed by project board
<p>319: Curriculum Compliance: (SW) The transition from sector funder (Hefce) to Regulator (OfS) sees a move away from the Annual Provider Review approach to quality assurance of provision, to achievement of registration conditions, which now connect explicitly to the stipulations of the CMA (Competitions & Markets Authority) around consumer protection. The links between Course Approval documents and Marketing content is not currently assured, and tolerance thresholds for changes to course content may vary in practice.</p>	<ul style="list-style-type: none"> • Academic Audit process is monitored by Academic Board, through reports from QSC (Quality & Standards Committee) • Curriculum creation process being transferred to the Registry function • All Course Specs being translated into new Educational Framework format • LEAP workstreams including CRM elements will help mitigate this risk, along with outputs of OEG project 3 	<ul style="list-style-type: none"> • Full audit of Course specifications now completed • OfS Registration process being overseen by project board & Company Secretary • Educational Framework specification documents now mandatory for all new programmes • LSBU Subject TEF pilot participation has informed review of core review cycles
<p>584: External Incident impact on campus: (PB) UK government's current terror threat level</p>	<ul style="list-style-type: none"> • Building Lockdown plans in place • Business continuity plans for critical activity reviewed annually by resilience team 	<ul style="list-style-type: none"> • Review actions now being implemented • Gold Command transferred to VC & COO.

of 'severe' and incidents during 2017 mean that a central London location places LSBU at greater risk of being impacted by a future event.

- Emergency Information sets at receptions
- Halls Accommodation aid agreement in place with London School of Economics
- Annual scenario testing with Executive

Risk Type 3: Academic Delivery		
<i>Summary of current risks & drivers</i>	<i>Notes on controls & mitigation strategies</i>	<i>Notes on progress made and actions completed</i>
<p>467: Progression: (SW) Despite a revised focus on the re-enrolment process, the progression rate fell by 2% to 75% for full time students, and is featured as a negative flag on some of the metrics supplied through the Subject TEF pilot process.</p>	<ul style="list-style-type: none"> • Range of data in the Corporate Warehouse being expanded to utilise the MIKE platform to provide greater insight and analysis to academic staff • Study support provided by Library & LRC • CRIT embeds support in high impact modules • Personal tutoring minimum specification published 	<ul style="list-style-type: none"> • Course Director Role Description completed & provided to the School DESEs • New Progression dataset tested and added to Data Warehouse for ongoing reporting • 1 LEAP workstream will impact on this
<p>37: Capex impact on business: (RF) Project ambitions and scales do not achieve planned impact, or not in alignment with current cash generation capacity or asset valuations.</p>	<ul style="list-style-type: none"> • Capex reporting embedded into management accounts provided to FP&R Committee • Estates project methodology controls & governance • Financial Regs require Board approval >£2m 	<ul style="list-style-type: none"> • Sino-campus Steering Panel ongoing • Perry disposal options being considered • St Georges options being tested with Clive Crawford Associates
<p>398: Technology & Pedagogy: (SW) Some competitors have made greater investment in using learning analytics to support the learning experience, & embedding Classroom technology. There are sector concerns with regard to the priority attached to teaching support by OfS & Advance HE, and CRIT Reorganisation could impact on delivery.</p>	<ul style="list-style-type: none"> • CRIT (Centre for Research Informed Teaching) reports to the Student Experience Committee & to the Quality & Standards Committee. • Delivery of the Technologically Enhanced Learning Strategy (TEL) through Educational Framework & Quality Processes monitored by Academic Board. • Digital baseline created for all Moodle sites 	<ul style="list-style-type: none"> • CPD sessions for Course Directors delivered utilising TESTA framework • Lecture capture facilities being provided to pilot group using Panopta on laptops, with associated training sessions • Moodle baseline available to all staff & contained within new site template
<p>495: Apprenticeships: (PB) Some issues with system adaptations in order to accommodate all requirements of running Apprenticeship programmes, and some sector reports have introduced some uncertainty over future enrolment patterns.</p>	<ul style="list-style-type: none"> • The Apprenticeships team is now fully established within LSBU • 6 monthly progress report from Apprenticeships Steering Group scrutinised by 	<ul style="list-style-type: none"> • Passmore Centre refurbishment project now underway • Launch events in preparation stages • Ofsted preparation task group in place

518: Core Student Systems: (SW)

Although the LEAP project is underway to create a paradigm shift in administration of the student journey, existing platforms will be required in the interim, and are patched and burdensome.

Academic Board covers IPTE and the Passmore Centre.

- LEAP Programme project Updates scrutinised by Academic Board, & Exec & FP&R.
- Operational Issues reported & tracked through ICT TopDesk system, with internal escalation protocols.

- Timetabling review completed, and some recommendations implemented
- PWC appointed as LEAP Programme Change Partner

Risk Type 4: Reputation		
<i>Summary of current risks & drivers</i>	<i>Notes on controls & mitigation strategies</i>	<i>Notes on progress made and actions completed</i>
<p>626: Assurance activity & new initiatives fail to address student experience issues (PB)</p> <p>Changing expectations, a value media focus and campus developments may impact negatively on student perceptions of experience, and new initiatives may not address known issues or variations in performance levels</p>	<ul style="list-style-type: none"> • Action plans for each School & for Institution • Year 1 & Year 2 UG Student Experience Survey (SES) identifies issues with cohorts ahead of Y3 • Funding ring fenced for staff mini project submissions to address student experience issues • Comms plan aims to shift student perceptions • Long term roadmaps in development to identify greater opportunities for incorporation of student feedback in provision of professional services 	<ul style="list-style-type: none"> • New module questionnaire in development • New invigilation approach being rolled out • Courses below agreed performance threshold identified for further activity
<p>6: Management Information: (RF)</p> <p>Past concerns expressed regarding triangulation of data from separate returns made to the designated data body, and controlled internal access to this business intelligence.</p> <p>Lack of detailed articulation of interdependencies between data systems and use of multiple system fields</p>	<ul style="list-style-type: none"> • Data Assurance Group mechanism • MIKE platform for sharing data & visualisations using corporate warehouse • Continuous Audit programme reviews student and financial data for accuracy • Systemised data checks and reviews completed by PPA team prior to external submission. 	<ul style="list-style-type: none"> • Performance scorecard project underway to develop measures for professional services • LEAP programme includes an information & reporting work stream • MIKE phase 2 datasets in testing phase prior to formal release • Subject TEF pilot submission outcome being analysed and metrics integrated into MIKE
<p>362: Low staff engagement or staff cost containment impacts performance: (PB)</p> <p>Systems and structures don't achieve</p>	<ul style="list-style-type: none"> • Town Halls cascade corporate messages • Regular engagement with Unions on staff matters 	

intended facilitation of collaborative working across the institution.
Reward and recognition packages perceived to be out of line with other sectors or institutions, or not applied equally across full range of protected characteristics.
Frozen fee levels and continued challenges in recruitment market have contributed to flat income predictions and planned staff cost reduction programme, which could lead to lower engagement, disruption in service provision or skills / knowledge gaps that impact on delivery.

- Shape & Skills approach to review
- Comms strategy approved by Exec for MAC team
- HR Business Partners manage all change activity
- Direct staff feedback is encouraged through VC 'Continuing the Conversation' events & Yammer
- Employee engagement champions network
- Planning process promotes golden thread connection from Corporate Strategy, through Local Roadmaps to Staff Appraisals.
- OEG project 5 will develop an approach to service levels and business partnering

- All Staff email introduced programme remit
- Leadership forum group established
- Procurement completed on Sodexo platform to deliver benefits to all staff & contractors
- Engagement survey results provided to management teams in Schools & PSGs

Appendix: LSBU Corporate Risk Register - Cover page, Risk overview matrix; by impact & residual likelihood

Date: May 2019 **Author:** Richard Duke – Director of Strategy & Planning **Executive Lead:** Richard Flatman – Chief Financial Officer

Page Impact	4 Critical <i>Corporate plan failure / removal of funding, degree award status, penalty / closure</i>		2: Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL)	3. Sustainability of current pension schemes (RF)	
	3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>	6: Management Information (RF) 305: Data not used / maintained / processed securely (SW) 362: Low staff engagement (PB) 457: Anticipated international & EU student revenue unrealised (PI) 495: Higher Apprenticeships (PB) 519: Negative Curriculum Assessment (SW) 624: LSBU Family integrated service benefits (IM)	467: Progression rates don't rise (SW) 37. Impact or affordability of Capital Expenditure Investment Plans 626. Impact of programme of activities and initiatives doesn't achieve anticipated improvement in student experience, and results of NSS survey (PB)	625: Impact of Govt. Education review on HE Funding (RF)	
	2 Medium <i>failure to meet operational objectives of the University</i>	1: Capability to respond to change in policy or competitive landscape (DP) 517: Impact of EU Referendum result on regulation & market trends (DP) 494: Inconsistent delivery of Placement activity across the institution (SW)	14: Loss of NHS contract income (WT) 398: Academic programmes not engaged with technological and pedagogic developments (SW) 402: Unrealised research & enterprise £ growth (PI) 584: External incident compromises campus operations or access (PB) 518: Core student system inflexibility / failure (SW)		
	1 Low <i>little effect on operational objectives</i>				
		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 – 2, DVC – 3, CFO – 3, PVC-S&E – 5, PVC-R&EE – 2, COO – 1, CMO -1, Dean Health – 1, US - 0				

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	CONFIDENTIAL
Paper title:	Anti-fraud, bribery and corruption report
Board/Committee	Audit Committee
Date of meeting:	1 October 2019
Author:	Natalie Ferer – Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To alert the committee to any instances of fraud, bribery or corruption arising in the period since the committee last met
Recommendation:	That the Committee notes this report

Summary

Since the last report there are 2 new matters to report and an update on a previously reported matter

1. Tenant Fraud

It has been previously reported that in September 2017 a tenant, whose business rents space in the Clarence Centre, had made an insurance claim for personal injury against the university which our insurer, Zurich, were investigating as fraudulent due to inconsistencies in the details of the claim. The claimant has since withdrawn the claim and Zurich have confirmed that they have closed the case and no money was paid out.

The same tenant is in arrears with his rent which now stands at of £10,200. Payments were received in July and August totalling £1,600 he has been given until the end of September to make a further payment, otherwise further action will be taken including starting proceedings to evict and referral to a debt collection agency.

The director of the company in question is employed at LSBU as an hourly paid lecturer in the School of Business.

2. Employee matter

A potential fraud was identified during an investigation into allegations of breach of the contract of employment, by a staff member who was employed in the school of the Built Environment and Architecture. Matters investigated included absence from work, failure to complete marking of examination scripts and assessment of student's work, sightings on campus during sick leave and disputes and grievances involving other members of staff.

The employee failed to return to work at LSBU following the Christmas 2018 break and had been on sick leave from LSBU since 6th February 2019. During the investigation it was discovered that he has been employed by another University in a full time role and has been receiving a salary for this job since 4th March 2019.

The internal investigation concluded that the employee had deliberately caused LSBU to believe that he was unfit for work for his personal gain and has not disclosed he had a second full time employment to LSBU. Certain circumstances point towards the employee's action being fraudulent including:

- Failing to disclose that he had started full time employment at University of Huddersfield
- obtaining a pre-employment reference from a colleague at a partner institution, where he had previously been seconded to, rather than from his line manager or HR at LSBU
- There is also evidence that the employee had changed his name by Deed Poll and that he is using that new name in his other employment
- Failure to keep in touch with LSBU whilst on sick leave, including failure to attend Occupational Health appointments and disciplinary meetings.
- Evidence that the employee is currently abroad.

Actions in line with the University's Fraud Response Plan this matter has been reported to the Police through Action Fraud. Action Fraud have informed us that they have passed the matter onto the Metropolitan Police for their consideration.

In line with the Universities disciplinary procedure, the employee had been suspended from work but continued to be paid, with his salary being reduced to 50% sick pay since 14th May 2019.

A disciplinary hearing held in his absence and a dismissal letter lead to him being dismissed for gross misconduct. Recovery of an overpayment of salary of £4,901 will now be sought.

Software Purchase

An investigation is taking place into the procurement of software purchased by one particular supplier. There is no indication at this stage of fraud, but there have been procedural failures. A further update will be provided following the finalisation of the investigation.

Recommendation:

The Committee is requested to note this report

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	CONFIDENTIAL
Paper title:	Speak up policy review and update
Board/Committee:	Audit Committee
Date of meeting:	01 October 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	Duncan Brown, Chair of the Audit Committee
Purpose:	For Review
Recommendation:	The committee is requested to approve the revised speak up policy and note the update on speak up matters

Speak up policy

The speak up policy has been reviewed to take into account the group structure. The safecall independent reporting line is available for staff and students across the LSBU group to raise speak up matters.

It is proposed that under the policy, speak up matters are reported to the independent chairs of the audit committees of LSBU and SBC as appropriate. Currently as SBA audit committee chair is a member of the LSBU executive, SBA speak up matters will be reported to the Chair of its Board. Each audit committee will receive regular updates on local speak up matters. The speak up report for the LSBU audit committee will cover all speak up matters raised in the group.

The updated policy is attached. The committee is requested to approve the updated policy. If approved, the next step will be to ensure that the system and processes are implemented and communicated with key stakeholders.

Speak up matters

Since the last Audit Committee meeting there has been one matter raised under the speak up policy. This is to do with alleged bullying and academic misconduct in one of the LSBU academic schools. The Dean of the School is investigating.

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LSBU Group Speak up policy

1. Introduction

To support the building of an environment that is underpinned by our values of Excellence, Professionalism, Integrity, Inclusivity and Creativity it is paramount that we demonstrate these in all that we do. The Speak up policy demonstrates the LSBU Group's¹ commitment to conduct its affairs in a responsible manner and meeting the highest levels of integrity with the support of its staff.

The LSBU Group welcomes constructive criticism and encourages a climate in which problems can to a large extent be addressed informally. However, it recognises that this is not always possible, and that sometimes more formal means are needed.

The Public Interest Disclosure Act gives legal protection to workers against being dismissed or penalised by their employers as a result of publicly disclosing certain serious concerns. Where an individual discovers information which he or she believes shows malpractice or wrongdoing within the organisation then it should be disclosed without fear of reprisal, and this may be done independently of line management. Employees in other territories will be treated as if such legislation applied to them.

This policy is intended to assist both students and employees who believe they have discovered malpractice or impropriety. It is not to be used to question financial or business decisions taken by the LSBU Group. Nor is it for matters which should be raised under grievance, complaint or disciplinary procedures, or to reopen matters which have already been considered under them. Students on placement should, in the first instance, follow the speak up policy of the institution in which they are placed.

¹ The LSBU Group consists of London South Bank University, South Bank Academies, South Bank Colleges, South Bank University Enterprises Ltd and SW4 Catering Ltd

2. Scope of the speak up policy

This speak up policy is intended to allow students, staff and others associated with LSBU by an employment or other business contract to raise concerns and disclose information about perceived malpractice.

The term 'malpractice' includes, but is not limited to:

- financial malpractice, impropriety or fraud
- breaches of financial controls, false accounting/reporting, financial and other reporting irregularities
- academic malpractice
- failure to comply with LSBU's legal or regulatory obligations – for example about the health and safety of students, employees or the public, anti-discrimination legislation, trading standards or environmental protection laws
- unethical business conduct, where colleagues receive or solicit anything of value from a third party or promise, offer or give anything of value to influence the decision of a third party in procurement or contract execution for LSBU
- any other criminal activity, such as assault
- bullying, harassment, discrimination or victimisation of others
- colleagues who are involved in the taking, buying, selling of drugs or other forms of substance abuse
- a miscarriage of justice
- actions intended to hide any of the above
- behaviour which might damage LSBU's reputation

3. Safeguards

3.1 *Protection*

This speak up policy is designed to offer protection to those identified in paragraph 2 who disclose such concerns, provided that the disclosure is made:

- (i) in good faith, and
- (ii) in the reasonable belief of the individual making the disclosure that it tends to show malpractice.

3.2 *Confidentiality*

Your identity when making the allegation will be kept confidential to those dealing with the case only, so long as this does not hinder or frustrate any investigation or [the LSBU Group's](#) ability to meet its legal obligations. However, the investigation

process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required.

3.3 *Anonymous Allegations*

You are encouraged to put your name to any disclosures you make. Concerns expressed anonymously carry less weight, but may be considered at [the LSBU Group](#)'s discretion. Factors to be taken into account in exercising this discretion include:

- the seriousness of the issues raised;
- the credibility of the concern;
- any supporting evidence received; and
- the likelihood of confirming the allegation from alternative credible sources.

3.4 *Untrue Allegations*

If you make an allegation in good faith, but it is not confirmed by subsequent investigation, no action will be taken against you.

The making of malicious or vexatious allegations, however, is likely to result in disciplinary and/or legal action.

4. **Procedures for speaking up**

4.1 *Staff*

4.1.1 In the first instance disclosure should be made to your line manager or head of department, who should decide if it is appropriate to resolve the matter locally.

4.1.2 If you feel you cannot raise the matter with your line manager or head of department (e.g. because they are the subject of the disclosure), or if you are dissatisfied with the outcome of your disclosure, you should refer the matter to LSBU's independent reporting line provided by Safecall.

4.2 *Independent reporting line*

If you wish to raise a concern you should use LSBU [Group](#)'s independent reporting line provided by Safecall. You can contact Safecall in confidence by:

- phoning: 0800 915 1571
- emailing: lsbu@safecall.co.uk
- completing a web form available at www.safecall.co.uk/report

Each matter will be considered by the relevant member of the Group Executive and the Chair of the relevant LSBU Group Audit Committee, who is an independent governor and is independent of the Group Executives senior management team (or if not independent the Chairs of the subsidiary Boards). If a member of the Group Executive is the subject of the disclosure it will be considered solely by the Chair of the relevant Audit Committee.

4.3 Students

Students are encouraged to raise any concerns about malpractice (as set out in section 2) with their course director. If you feel this is inappropriate or you are dissatisfied with the outcome you may raise your concern through the independent reporting line.

If you are a student on placement you should, in the first instance, follow the speak up policy of the institution in which you are placed.

For student nurses and midwives your attention is drawn to the Nursing and Midwifery Council's guidance: *Raising concerns: Guidance for nurses and midwives (September 2013)*. Further information is available on the NMC's website:

<http://www.nmc-uk.org/Nurses-and-midwives/Raising-and-escalating-concerns/>

For complaints, please follow the Student Complaints Procedure.

4.4 Next steps

Members of the Group Executive or, if appropriate, the Chair of the relevant LSBU Group Audit Committee will consider the information made available and should determine whether there is a *prima facie* case to answer, whether an investigation should take place, and if so what form it should take. Investigations may involve:

- the application of a standard LSBU Group management procedure;
- an investigation by the group internal auditors or some other person;
- an external investigation;
- referral to an external body (e.g. a funding body or the police), before or after an internal investigation has taken place.

Investigations will not be carried out by any person who will have to reach a decision on the matter. For this reason neither the Vice Chancellor nor the Chair of the relevant Group Board should be asked to conduct an initial investigation.

4.5 *Feedback*

Safecall will inform the caller, in outline, of the action taken in response to the disclosure and what further action, if any, is to be taken.

4.6 *Reporting of Outcomes*

A brief anonymised report of all disclosures and any actions taken will be regularly reported to the LSBU-Group Audit Committee.

4.7 *Appeals*

If you are dissatisfied with the outcome of your disclosure, you have a right of appeal to an LSBU independent governor for disclosures concerning LSBU or SBUEL, an SBC trustee for disclosures concerning SBC or an SBA trustee for disclosures concerning SBC.

To make an appeal you should write to the Chair of the relevant Board, c/o the University-Group Secretary, marking the envelope "*Personal and Confidential: please forward*".

5. **Monitoring and Review**

The University Secretary will report to the Group Audit Committee annually on the effectiveness of this policy and will ensure that periodic reviews are carried out.

Approved by the Audit Committee on [1 October 2019]~~4 June 2015~~

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	CONFIDENTIAL
Paper title:	Office for Students compliance and reportable events
Board/Committee:	Audit Committee
Date of meeting:	01 October 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note measures taken by LSBU to ensure compliance with the Office for Students (OfS) conditions of registration

Executive summary

Compliance

The Office for Students is the new regulator for Higher Education. Its full powers under the Higher Education and Research Act came into effect on 1 August 2019. This paper summaries LSBU's obligations to the OfS and provides assurance that processes are in place to ensure compliance with these obligations.

Reportable events

LSBU has reported the following events to the OfS:

- The transfer of Lambeth College to the LSBU Group;
- The termination of a partnership with Evelina London Children's Hospital at Guy's and St Thomas' NHS Foundation Trust on 6 September 2019; and
- The termination of a partnership with College of Contermporary Health on 24 September 2019.

In addition, LSBU was several days late in paying the annual registration fee to the OfS (condition G2). The fee was paid following a reminder by the OfS. The procedure has been reviewed and agreed by the relevant teams for future years.

The committee is requested to note this update.

Office for Students Compliance

Complying with registration conditions

As a registered university, LSBU has to comply with the OfS's regulatory framework, which imposes the following obligations:

- To meet the ongoing general conditions of registration;
- To meet any specific conditions of registration (none were specified when LSBU registered with the OfS);
- To notify the OfS of any 'reportable events'; and
- To make regular specific returns to the OfS (e.g. TRAC return).

An OfS working group consisting of representatives from student services, quality, planning, legal and governance has been set up to oversee arrangements for complying with the regulatory framework.

Ongoing general conditions of registration

There are 24 general ongoing conditions of registration covering access and participation, quality and standards, student protection, financial sustainability, governance, information for students, and accountability for fees and funding.

A compliance grid of evidence of how LSBU complies with each of these conditions and how this compliance is monitored is in preparation and will be reviewed by the Executive.

Specific conditions of registration

On registration, the OfS did not impose any specific conditions of registration on LSBU.

Reportable events

One of the registration conditions is to report certain events ('reportable events') to the OfS. The OfS defines a reportable event as:

“any event or circumstance that, in the judgement of the OfS, materially affects or could materially affect the provider's legal form or business model, and/or its willingness or ability to comply with its conditions of registration”.

Potential reportable events (although non-exhaustive) are listed in the regulatory framework – please see appendix. Additional guidance on reportable events will be issued by the OfS in September 2019.

Reportable events will be notified to the executive before being reported to the OfS. It is proposed that notifications of reportable events are a standing item on the audit committee agendas. Academic reportable events, e.g. closure of a partnership will be reported to each meeting of the Academic Board to note implications.

Regular returns

As previously with HEFCE, LSBU is required to submit a number of returns to the OfS. Returns that require Board or committee approval are the same as with HEFCE: TRAC return, TRAC(T) return, Prevent return, Finance return and Financial Forecasts.

OfS approach to regulation

The OfS takes a risk-based approach to regulation. This risk-based output informs the level of scrutiny given to individual institutions. To do this the OfS has a risk register for each institution, which is data informed. Though this is not published, its contents are outlined in the OfS Data Strategy, which details how the OfS will use data to inform risk appraisal. LSBU is using this information to construct an OfS LSBU risk register, using the measures it is believed the OfS will be using to inform their risk judgement. This document is in production, but will be part of the LSBU risk management processes in 2019/20 and going forward.

Appendix – Reportable events (as defined in the OfS Regulatory Framework)

Reportable events

A reportable event is any event or circumstance that, in the judgement of the OfS, materially affects or could materially affect the provider's legal form or business model, and/or its willingness or ability to comply with its conditions of registration. Reportable events must be reported to the OfS under condition F3(i) and include, but are not limited to:

- a. A change in the provider's circumstances, including but not limited to:

- a sale of either the provider itself, a part of it, or its parent
- a merger of the provider with another entity
- an acquisition by the provider of another entity
- a material change in the provider's business model, such as a move to focus on further instead of higher education
- a change in the provider's legal status
- other, similar structural changes, such as the establishment of joint ventures, or the separation of the provider into multiple entities
- other changes resulting in a change of ownership of the provider.

b. **A change of ownership.** The OfS is principally, but not exclusively, concerned with situations where 50 per cent or more in the shareholding of the registered provider (or the closest equivalent, where the provider is not limited by shares) are, or may be, in common ownership. Common ownership includes:

- ownership by the same person or entity
- ownership by multiple entities themselves under common ownership or control
- ownership by multiple individuals or entities who, by agreement or practice, exercise their ownership rights in a co-ordinated way (and without restricting the scope of our understanding of what constitutes common ownership, we will deem people who are 'connected' to be exercising their ownership rights in a co-ordinated way)
- ownership by multiple individuals or entities on behalf of, or acting under the direction or in the interests of, the same third party, including a case where ownerships are held on trust for a common beneficiary, and
- any similar structure.

Ownership does not require beneficial ownership. A provider:

- must inform the OfS of any changes in ownership where 50 per cent or more of the ownership of the registered provider is in common ownership, and a change affects the majority ownership rights. This includes the creation of majority ownership rights for the first time, the transfer of majority ownership rights to a new holder, the introduction of a new entity to majority ownership rights and majority ownership rights coming to an end
- must inform the OfS of any change in ownership that affects 15 per cent by value or voting rights of the registered provider's shares, or closest equivalent. A provider must do so whether the change is brought about in one transaction or a series of connected transactions. A provider does not need inform the OfS of

entirely unconnected transactions provided none of those transactions is individually above our notification threshold

- is not required to inform the OfS of changes in ownership where 50 per cent or more of the ownership of the registered provider is in common ownership, and the changes only affect less than 15 per cent by value or voting rights of the minority ownership rights.

Some examples of changes that must be reported include:

- where all or any part of the majority ownership rights in the provider change:
 - i. Example 1: there are five shareholders, each holding 10 per cent of the shares in a provider. They are business partners and act in a co-ordinated way. One shareholder sells their shareholding to the others. This must be notified.
 - ii. Example 2: there are three shareholders, each holding 20 per cent of the shares in a provider. They are business partners and act in a co-ordinated way. One sells a 10 per cent shareholding to a relative who is a connected person. This must be notified.
 - iii. Example 3: There are three shareholders, each holding 20 per cent of the shares in a provider. They are business partners and act in a co-ordinated way. One sells their shareholding to a third party. This must be notified.
 - where additional share capital is issued, or shares are bought back, or the voting rights that attach to existing shares are changed
 - where a controlling proportion of a provider's shares is directly, or indirectly such as through those of its parent organisation(s), acquired by another individual(s), partnership(s) or organisation(s).
- c. **A change of control.** 'Control' has the meaning given by section 1124 of the Corporation Tax Act 2010, and 'change of control' means a change in control so defined. Where two or more entities or individuals, by agreement or practice, exercise their rights in a co-ordinated way, with the result that they together have control so defined, each will be treated as having control of the provider. A provider is required to notify the OfS of any change in the individual(s) or entity/ies who have control of the provider.
- d. The provider becoming aware of suspected or actual fraud or financial irregularity.
- e. The provider becoming aware of legal or court action.
- f. The provider resolving to cease to provide higher education.

- g. Regulatory investigation and/or sanction by other regulators, e.g. Charity Commission, Home Office.
 - h. Loss of accreditation by a Professional, Statutory or Regulatory Body (PSRB).
 - i. Any new partnerships, including validation or subcontractual arrangements.
 - j. Opening a new campus.
 - k. Intended campus, department, subject or provider closure.
- l. Any other material events with possible financial viability or sustainability implications, including but not limited to:

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- a material change in actual or forecast financial performance and/or position
- a material change in gearing
- a material change in student numbers that was not included in the provider's financial forecasts
- for a provider with a legally binding obligation of financial support underpinning its financial sustainability, a withdrawal of the obligation (including as a result of a change of control, even where the new owner will offer a similar obligation) or a material adverse change in the counterparty's financial position or other standing that could affect its suitability as counterparty
- the sale of significant assets
- significant redundancy programmes.

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	CONFIDENTIAL
Paper title:	Audit Committee business plan
Board/Committee:	Audit Committee
Date of meeting:	01 October 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	Audit Committee is requested to note the plan.

Executive Summary

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.

The committee's business plan will be updated to reflect its group oversight role following approval of its revised terms of reference.

The Committee is requested to note the plan.

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Audit Committee plan, 2019/20

1 October 2019	
South Bank Academies risk management and Value for Money (VfM) audit report	PwC
Anti fraud bribery and corruption report	Richard Flatman
Anti-bribery policy review	Richard Flatman
Audit Committee business plan	Secretary
Corporate risk update	Richard Flatman
Draft Group Audit terms of reference and membership	James Stevenson
Draft internal audit annual report, 2018/19	PwC
Draft Public Benefit statement	James Stevenson
External audit progress report	KPMG
GDPR compliance update	James Stevenson
Internal audit progress report	BDO
Internal Audit Strategy, 2019/20	BDO
Internal controls annual review and effectiveness	Richard Flatman
OfS compliance	James Stevenson
Pension assumptions and results	Richard Flatman
Risk strategy and appetite	Richard Flatman
Speak up report and annual policy review	James Stevenson
Student data continuous audit follow up report	PwC
7 November 2019	
Annual report and accounts	Richard Flatman
Annual value for money report	Richard Flatman
Anti fraud bribery and corruption report	Richard Flatman
Audit Committee annual report	James Stevenson
Audit Committee business plan	James Stevenson
Corporate risk	Richard Flatman
External audit - review of non-audit services	Richard Flatman
External audit findings	Richard Flatman
External audit letter of representation	Richard Flatman
External audit performance against KPIs	Richard Flatman
Final internal audit report	PwC
GDPR compliance update	James Stevenson
Going concern statement	Richard Flatman
Internal audit progress report	Ruth Ireland
Modern Slavery Act statement	Richard Flatman
Prevent annual return	Nicole Louis
OfS reportable events	James Stevenson
Speak up report	James Stevenson
UKVI compliance	Paul Ivey
Quality assurance return	Shân Wareing
13 February 2020	
Anti fraud bribery and corruption report	Richard Flatman
Audit Committee business plan	James Stevenson
Corporate risk	Richard Flatman

Data assurance report	Richard Flatman
FMI structure and leadership team	Richard Flatman
GDPR compliance update	James Stevenson
Internal audit progress report	Ruth Ireland
OfS reportable events	James Stevenson
Speak up report	James Stevenson
TRAC (T) return	Richard Flatman
TRAC return	Richard Flatman
18 June 2020	
Annual debt write-off	Richard Flatman
Anti fraud bribery and corruption report	Richard Flatman
Anti-fraud policy review	Richard Flatman
Audit Committee business plan	James Stevenson
Corporate risk	Richard Flatman
External audit plan	Richard Flatman
GDPR compliance update	James Stevenson
Internal audit plan	Richard Flatman
Internal audit progress report	Ruth Ireland
OfS reportable events	James Stevenson
Speak up report	James Stevenson