

**Meeting of the Audit Committee**

**4pm\* on Thursday, 5 November 2015**  
**in 1B16, Technopark, London Road, London SE1**

\* Pre meetings with the Internal Auditors and the External Auditors from 3.30pm in 1B16, Technopark

**Agenda**

<i>No.</i>	<i>Item</i>	<i>Paper No.</i>	<i>Presenter</i>
1.	Welcome and apologies		Chair
2.	Declarations of Interest		Chair
3.	Minutes of the last meeting (for publication)	AC.49(15)	Chair
4.	Matters arising		Chair
5.	<b>Financial Reporting for the year 2014/15</b>		
6.	Audit findings (to consider)	AC.50(15)	GT
7.	Internal audit annual report 2014/15 (to note)	AC.51(15)	PwC
8.	Going Concern statement (to approve)	AC.52(15)	CFO
9.	Letter of representation to auditors (to recommend to the Board)	AC.53(15)	CFO
10.	Draft report and accounts for year to 31 July 2015 (to recommend to the Board)	AC.54(15)	CFO
	<b>Additional Year End Matters</b>		
11.	Draft Audit Committee Annual Report to Board and VC (to approve)*	AC.55(15)	Sec
12.	<b>External Audit</b>		
13.	External audit performance (to consider)	AC.56(15)	CFO
14.	Review of non-audit services (to consider)	AC.57(15)	CFO
15.	<b>Risk and Control</b>		
16.	Review of Internal Controls (to approve)	AC.58(15)	CFO

17.	Corporate Risk Register (to review)	AC.59(15)	CFO
18.	<b>Internal Audit</b>		
19.	Progress Report (for monitoring)	AC.60(15)	PwC
20.	<b>Other Matters</b>		
21.	External audit tender plan (to approve)	AC.61(15)	CFO
22.	Value for money annual report (to note)	AC.62(15)	CFO
23.	Anti-fraud, bribery and corruption report (to consider)	AC.63(15)	CFO
24.	Speak up report (to review)	AC.64(15)	Sec
25.	Matters to report to the Board following this meeting		Chair
26.	Any other business		Chair
27.	Date of next meeting: 4pm on Thursday 26 February 2016		Chair

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

Internal Auditors: Justin Martin and Charlotte Bilisland (PwC)

External Auditors: David Barnes (Grant Thornton)

With: Vice Chancellor, Chief Financial Officer, University Secretary, Financial Controller and Governance Manager.

Minutes of a Meeting of the Audit Committee  
Held at 4pm on Thursday, 5 November 2015  
In room 1B16, Technopark, London Road, London, SE1

**Present**

Steve Balmont	Chair
Douglas Denham St Pinnock	
Mee Ling Ng	
Shachi Blakemore	( <i>from minute 5</i> )

**External Auditors**

David Barnes	Grant Thornton ( <i>except minutes 20-21</i> )
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**Internal Auditors**

Charlotte Bilsland	PricewaterhouseCoopers ( <i>except minutes 20-21</i> )
Justin Martin	PricewaterhouseCoopers ( <i>except minutes 20-21</i> )

**In attendance**

Prof David Phoenix	Vice Chancellor and Chief Executive
Natalie Ferer	Financial Controller
Richard Flatman	Chief Financial Officer
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Manager

**Welcome and apologies**

1. No apologies had been received.

**Declarations of Interest**

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

**Minutes of the last meeting**

3. The minutes of the meeting held on 24 September 2015 were approved (paper **AC.52(15)**) for publication, subject to the agreed redactions.

**Matters arising**

4. The committee received an update on data security. The Executive reported that the Identity and Access Management (IAM) project would be completed by the end of February 2016. An update will be given at the next meeting.
5. The committee noted that it would do a self-assessment of its effectiveness every two years. A light touch effectiveness review would be carried out in alternate years.

*Shachi Blakemore entered the meeting*

**Audit findings**

6. The external audit partner presented the audit findings for year end 31 July 2015 of Grant Thornton, external auditors (paper **AC.50(15)**). It was reported that the audit was substantially complete and that no material weaknesses had been identified. Grant Thornton agreed to reflect the updated position in relation to IT control findings in appendix A.
7. The committee noted that the Financial Controller was reviewing the process of journals authorisation.
8. The External Audit partner confirmed Grant Thornton's independence from LSBU.

**Internal audit annual report**

9. The committee noted the final internal audit annual report (paper **AC.51(15)**). The report would be sent to HEFCE.

**Going concern review**

10. The committee approved the going concern review (paper **AC.52(15)**) and recommended that the Board signs the accounts (which are prepared on a going concern basis). The review provided assurance for the going concern statement in the annual report and accounts.

**Letter of representation to auditors**

11. The committee discussed the letter of representation to the auditors (paper **AC.53(15)**), which was recommended to the committee by the Executive. The committee noted that the letter contained standard representations only

and that no items had been inserted specific to LSBU. The committee recommended the letter to the Board for approval.

#### **Draft report and accounts, 2014/15**

12. The committee reviewed the draft report and accounts for 2014/15 (paper **AC.54(15)**). The surplus was £1.2m.
13. The committee recommended the accounts to the Board for approval, subject to minor amendments while the audit was being completed.

#### **Draft audit committee annual report**

14. The committee approved the draft audit committee annual report to the Board (paper **AC.55(15)**), as recommended by the executive. The final report, signed by the Chair of the Audit Committee would be submitted to HEFCE.

#### **External audit performance**

15. The committee noted that Grant Thornton, the external auditors, had achieved their agreed key performance indicators (paper **AC.56(15)**).

#### **Review of non-audit services**

16. The committee noted that during the year 2014/15 Grant Thornton had provided corporate tax advisory services with a value of £4,110 (paper **AC.57(15)**).

#### **Internal controls – annual review of effectiveness**

17. The committee noted the annual review of effectiveness of internal controls (paper **AC.58(15)**). The review provides assurance for the statement of internal control in the statutory accounts. The final report was unchanged from the draft considered at the previous meeting.

#### **Risk Register**

18. The committee noted the corporate risk register (paper **AC.59(15)**). The risks relating to international recruitment and the impact of the green paper and comprehensive spending review would be updated. The committee noted that the register was discussed at monthly operations team meetings.

**Internal audit progress report**

19. The committee noted the internal audit progress report (paper **AC.60(15)**). Three planned internal audits were being scoped and would be reported to the meeting of 11 February 2016.
20. The committee noted that PwC would review LSBU's compliance with the "Prevent" legislation.
21. The Internal Audit plan would be included in future reports.

**External audit tender plan**

*David Barnes, Charlotte Bilsland and Justin Martin left the meeting*

22. In the absence of the external and the internal auditors, the committee discussed the external audit tender plan (paper **AC.61(15)**). The committee noted that this was the final year of Grant Thornton's five year contract. The contract gives the option for two 12 month extensions.
23. The committee agreed to re-appoint Grant Thornton as External Auditors for an additional 12 months. At the end of this extension the committee agreed that the contract would be re-tendered. Planning for the re-tender would start in early 2017 prior to the expiry of the final 12 month extension.

*David Barnes, Charlotte Bilsland and Justin Martin rejoined the meeting*

24. The Chair informed Grant Thornton of the decision of the committee. The Chief Financial Officer would write to Grant Thornton to confirm the decision. The Board would be notified at its meeting of 26 November 2015.

**Annual value for money report**

25. The committee noted the annual value for money report (paper **AC.62(15)**) which demonstrated how the university had met its value for money obligations during 2014/15.

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

26. The committee noted the anti-fraud, bribery and corruption report (paper **AC.63(15)**). No matters had been identified since the last meeting.

**Speak up report**

27. The committee noted the speak up report (paper **AC.64(15)**). No matters had been raised under the speak up policy since the last meeting.

**Matters to report to the Board**

28. The committee noted that the annual report and accounts, the going concern statement, letter of representation to the auditors, the audit committee annual report, review of internal controls and the external audit contract extension would be reported to the Board meeting of 26 November 2015.

**Any other business**

29. The committee noted that an audit by Penningtons had been undertaken on international recruitment. The report would be brought to the audit committee when the work is complete.
30. The committee requested that its business plan is a standing item on the agenda.

**Date of next meeting**

31. It was noted that the next meeting would be at 4pm on Thursday 11 February 2016.

The Chair closed the meeting.

Confirmed as a true record:

.....  
Chair

	PAPER NO: AC.49(15)
Paper title:	Minutes of the meeting of 24 September 2015
Board/Committee	Audit Committee
Date of meeting:	5 November 2015
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Steve Balmont, Chairman of the Audit Committee
Purpose:	To approve the minutes of the past meeting as a correct record and to approve for publication

Matter previously considered by:	N/A	N/A
Further approval required?	No	N/A

**Executive Summary**

The Committee is asked to approve the minutes of its meetings of 24 September 2015. Suggested redactions for publication on LSBU's website are in grey.



Minutes of a Meeting of the Audit Committee  
held at 4pm on Thursday, 24 September 2015  
in room 1B27, Technopark, London Road, London, SE1

**Present**

Steve Balmont	Chairman
Shachi Blakemore	
Douglas Denham St Pinnock	
Mee Ling Ng	

**External Auditors**

Nick Taylor	Grant Thornton
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**Internal Auditors**

Justin Martin	PricewaterhouseCoopers
Charlotte Bilsland	PricewaterhouseCoopers

**In attendance**

David Phoenix	Vice Chancellor and Chief Executive
Pat Bailey	Deputy Vice Chancellor
Natalie Ferer	Financial Controller
Richard Flatman	Chief Financial Officer
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Manager

**Welcome and apologies**

1. The Chairman welcomed members to the meeting. No apologies had been received.
2. The committee welcomed Steve Balmont to his first meeting as Chairman of the committee. The committee recorded its thanks to Andrew Owen, the previous Chairman of the committee.

**Declarations of Interest**

3. Steve Balmont reminded committee members of his connection with Safecall, the independent speak up line provider (minute 24 below refers).

**Minutes of the last meeting**

4. The minutes of the meeting held on 4 June 2015 were approved (paper **AC.31(15)**). The minutes were approved for publication subject to the redaction of the figure in minute 9.

**Matters arising**

5. The committee requested an update on the actions being taken to address the findings of the internal audit report on data security. It was noted that good progress was being made and that the committee would be kept up to date with future progress through the internal auditors' reports.

**Internal audit progress report**

6. The committee noted the internal audit progress report (paper **AC.32(15)**). Work had begun on the internal audit programme for 2015/16.

**Internal Audit report – Risk Management**

7. The committee noted the internal audit report on risk management (paper **AC.33(15)**), which had been given a low risk rating.

**Internal Audit report – Change Portfolio**

8. The committee noted the internal audit report on the Change Portfolio (paper **AC.34(15)**), which had been given a medium risk rating.

**Internal Audit draft annual report**

9. The committee noted the internal audit draft annual report, 2014/15 (paper **AC.35(15)**). The final report would be considered at the meeting of 5 November 2015.
10. The committee noted the draft annual internal audit opinion for 2014/15, "except for one area (Data Security), the University has adequate and effective arrangements to address the risk that management's objectives are not achieved in respect of risk management, control and governance, and value for money processes".

**Internal Audit plan 2015/16**

11. The committee approved the revised internal audit plan for 2015/16 (paper **AC.36(15)**). The committee noted that apart from the plan, there were a number of additional areas that could be reviewed by the internal auditors. The plan would be reviewed at each meeting.

**Financial continuous auditing report (May to July 2015)**

12. The committee noted the finance continuous auditing report for May to July 2015 (paper **AC.37(15)**). All aspects of the control environment were rated green.

**Internal Audit Charter**

13. The committee approved the Internal Audit Charter for the financial year 2015/16 (paper **AC.38(15)**). The committee requested the internal audit reports to be succinct.

**Corporate Risk Register**

14. The committee noted the corporate risk register (paper **AC.39(15)**). The committee noted that the Board of Governors would review the risk register in detail at its meeting of 21 October 2015.

**Effectiveness of Internal Controls**

15. The committee noted the review of the effectiveness of internal controls and approved the full compliance statement for inclusion in the annual report (paper **AC.40(15)**).

**Pensions Assumptions**

16. The committee approved the assumptions used for the FRS17 report (paper **AC.41(15)**). The external auditors, Grant Thornton, confirmed that the assumptions were acceptable. The assumptions were in line with the indicative assumptions circulated in June 2015 and would result in a net deficit in the LGPS pension scheme at 31 July 2015 of £89m, an increase of £13m (17%) from the year before.

### **Debtors' analysis**

17. The committee noted the detailed analysis of debtors (paper **AC.42(15)**), as requested at the previous meeting.

### **Public benefit statement**

18. The committee approved the draft public benefit statement for inclusion in the annual report and accounts (paper **AC.43(15)**), subject to minor changes.

### **Corporate governance statement**

19. The committee approved the draft corporate governance statement for inclusion in the annual report and accounts (paper **AC.44(15)**), subject to minor changes.

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

20. The committee noted the anti-fraud, bribery and corruption report (paper **AC.45(15)**). An irregular cash payment from a prospective student had been reported. Efforts were being made to return the money.
21. The committee noted that a former employee was likely to be prosecuted by the Crown Prosecution Service for bribery. The case had been reported to the Audit Committee and HEFCE after its discovery in 2013.

### **Speak up report**

22. The committee noted the speak up report (paper **AC.46(15)**). There had been no speak up matters raised since the previous meeting.
23. The committee noted the appointment of Safecall to provide an independent reporting line for issues raised under the speak up policy. The speak up line would be publicised as part of wider internal communications to staff around the LSBU Value of "integrity".
24. The committee noted as Chairman of the committee, Steve Balmont, would receive all reports from Safecall. The committee noted that the Law Debenture Pension Trust Corporation plc, of which Mr Balmont is a director, and Safecall Ltd are both subsidiary companies of Law Debenture plc. Mr Balmont confirmed that he has no day-to-day influence, control or contact with Safecall or any of its employees. A note to this effect would be added to the Governors' Register of Interests.

**Terms of Reference**

25. The committee noted its terms of reference (paper **AC.47(15)**), which had been approved by the Board of Governors at its meeting of 9 July 2015.

**Committee business plan**

26. The committee noted its business plan for the year (paper **AC.48(15)**).
27. The committee agreed that its regular self-assessment would take place every two years. It would review its effectiveness again in 2016.

**Matters to report to the Board**

28. The committee requested that a summary of the following items is reported to the Board meeting of 21 October 2015: internal audit plan for 2015/16, the approval of the public benefit statement and the corporate governance statement, and the speak up line.

**Any other business**

29. The committee noted that an audit of international applications would be carried out by Penningtons for management to ensure LSBU was prepared in case of a future audit by the UK Visas and Immigration.

**Date of next meeting**

30. It was noted that the next meeting would be at 4pm on Thursday 5 November 2015.

The Chairman closed the meeting.

Confirmed as a true record:

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Chairman



# Committee Action Points

30 October 2015

16:00:25

Committee	Date	Minute	Action	Person Res	Status	
Audit	24/09/2015	11	Internal audit plan to be reviewed at each meeting	CFO	On forward plan	<input checked="" type="checkbox"/> Completed
Audit	24/09/2015	5	Update on Data Security	VC		<input type="checkbox"/> Completed
Audit	24/09/2015	27	2 yearly self assessment in Autumn 2016	Chair	On forward plan	<input type="checkbox"/> Completed
Audit	24/09/2015	28	Matters to report to Board	Secretary	Reported on 21/10/15	<input checked="" type="checkbox"/> Completed

	CONFIDENTIAL
	PAPER NO:AC.50(15)
Paper title:	Audit Findings
Board/Committee	Audit Committee
Date of meeting:	Thursday 5 <sup>th</sup> November 2015
Author:	Grant Thornton
Executive/Operations sponsor:	Richard Flatman
Purpose:	To Present findings from the audit for the year ending 31 <sup>st</sup> July 2015 <del>Decision / Discussion</del> / Information
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory financial reporting
Recommendation:	It is recommended that the Audit Committee note and consider the attached Audit Findings from Grant Thornton, which will be submitted to HEFCE.

Matter previously considered by:	None	n/a
Further approval required?	Board of Governors	On: 26 <sup>th</sup> November 2015

# The Audit Findings for London South Bank University and its subsidiary undertaking

**Year ended 31 July 2015**

October 2015

**David Barnes**

Engagement Partner

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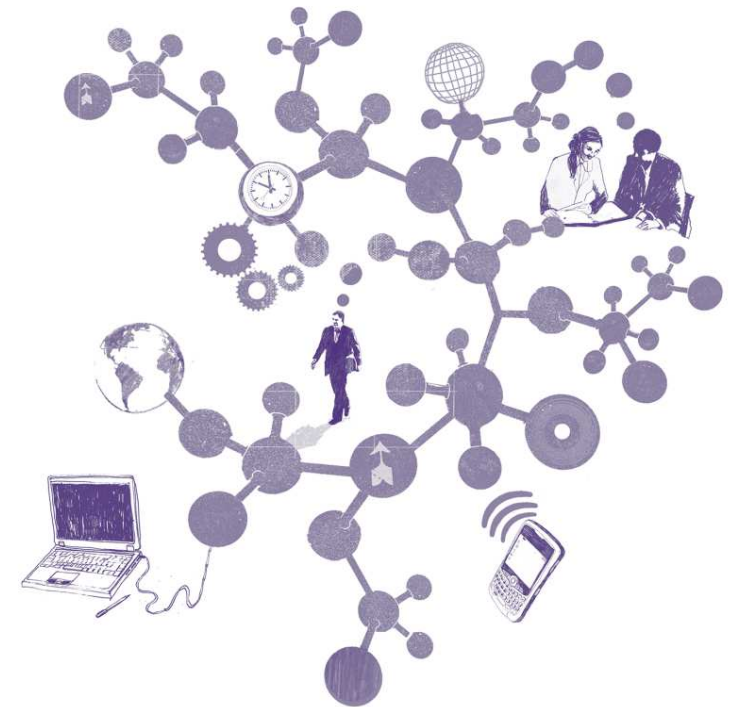
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October 2015

Dear Sirs,

**Audit Findings for London South Bank University and its subsidiary undertakings for the year ended 31 July 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. Its contents will be discussed with management.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

David Barnes  
Engagement Partner  
Grant Thornton UK LLP

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# Contents

<b>Section</b>	<b>Page</b>
1. Status of the audit and opinion	4
2. Context to our audit	5
3. Overview of audit findings	7
4. Audit findings	8
5. Internal control findings	14
6. Adjusted and unadjusted misstatements	20
7. Fees, non audit services and independence	22
8. Pension	23
9. Communication of audit matters	25

Appendix A - IT control findings - Actions taken on issues raised in previous year

Appendix B – Financial reporting and sector update

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# 1. Status of the audit

**Our work is substantially complete and there are currently no matters of which we are aware which would require modification of our audit opinion, subject to the outstanding matters detailed below:**



- Resolution of outstanding matters as per outstanding items list dated 8<sup>th</sup> October 2015
- Receipt of HESA data collection report
- Receipt of outstanding bank confirmation letters
- Completion of our VAT audit review
- Completion of our going concern review
- Completion of our internal review process
- Review of the final versions of the financial statements for LSBU and SBUEL
- Obtaining and reviewing the final management letter of representation
- Updating our post balance sheet events review to the date of signing the opinion

## Status

- Potential to result in material adjustment or significant change in disclosures
- Not considered likely to result in material adjustment or change in disclosures

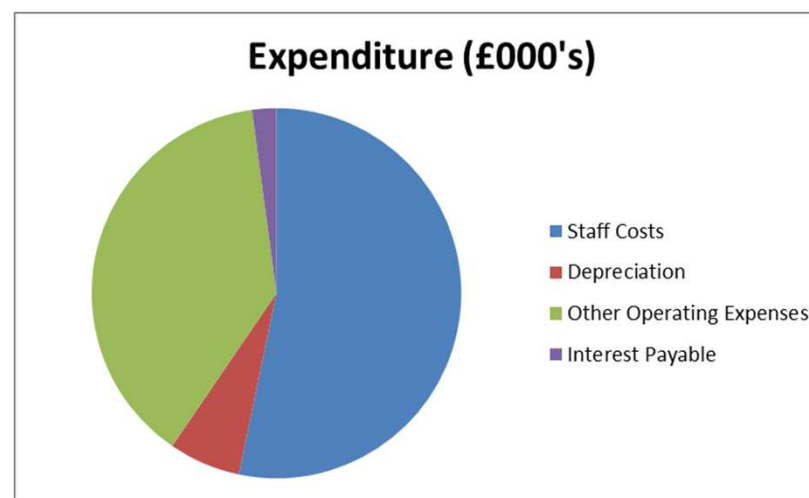
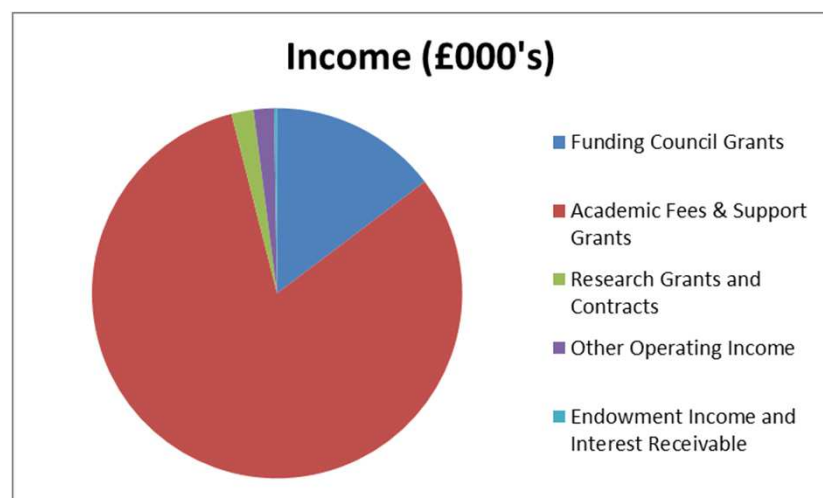
# Audit opinion

**Our anticipated audit report will be unmodified for the following entities:**

- London South Bank University
- South Bank University Enterprises Limited

## 2. Context to our Audit

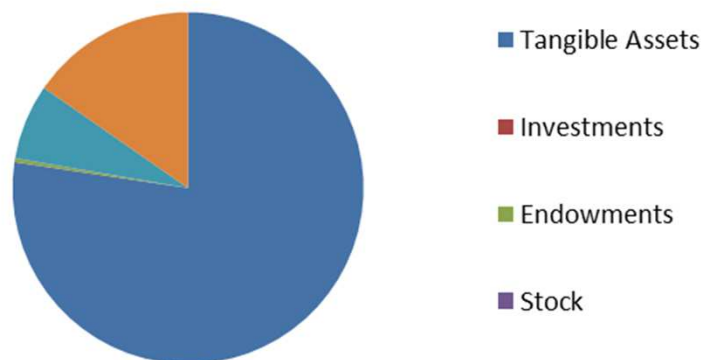
- Actual outturn for the year to 31 July 2015 of £1.2m surplus is ahead of the £1.0m budgeted surplus as submitted to HEFCE.
- There has been a reduction in Funding Council grants from £25,825k in 2014 to £17,960k in 2015. This reduction is mainly driven by the continued impact of the new fee regime for both undergraduate and post graduate students. This has been offset by a significant increase across the University's academic fees.
- Research grants and contracts income and health education contracts income have remained relatively consistent year on year.
- Student numbers have fallen overall in both Home/EU and Overseas categories. The Home/EU student numbers went from 11,914 in 2014 to 10,981 in 2015, a decrease of 7.8%. Overseas students increased from 1,366 to 1,593 in 2015, up 16.6%.
- The bulk of expenditure has continued to be staff costs which have increased from £71.7m in 2014 to £74.2m in 2015. This increase has been driven by further redundancy costs in the year. Other operating costs have also increased from £47.8m in 2014 to £53.5m in 2015. This resulted from additional agency staff costs alongside spend on the EDISON project.



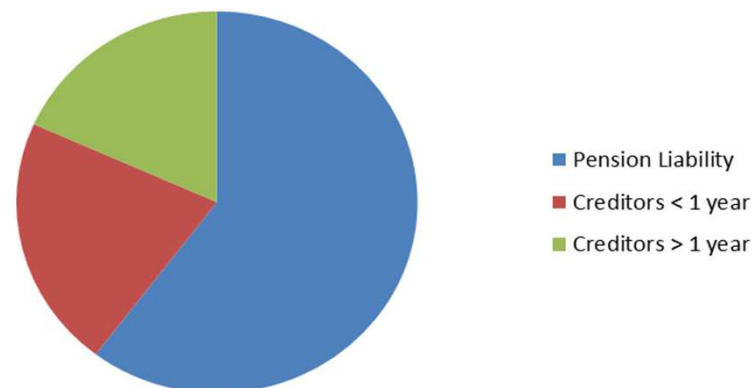
## 2. Context to our Audit (continued)

- Net assets at 31 July 2015 are £90.5m (2014: £101.9m). The decrease of £11.4m is primarily as a result of a £12.2m increase in the pension liability. Net current assets are £31.2m, slightly up from the prior year comparative of £29.3m.
- Bank deposits have remained stable, with a year end balance of £15.6m (2014: £15.5m).
- The largest asset on the balance sheet continues to be the tangible assets, with no significant changes from the prior year.
- The pension liability has increased to £88.8m from £76.5m in 2014. This is primarily as a result of actuarial losses of £11.0m which is due the changes in the assumptions underlying the present value of the scheme liabilities, in particular a reduction in the discount rate used from 4.2% to 3.8%. These assumptions have been reviewed by the Grant Thornton actuarial team and have been found to be in line with our expectations.

### Assets (£000's)



### Liabilities (£000's)



### 3. Overview of audit findings

Account	Material misstatement risk?	Description of risk	Changes to Audit Plan?	Significant audit findings?
Revenue	Significant	ISA 240 presumed risk that income cycle includes fraudulent transactions / recorded tuition fee revenues not valid	No	None
Payroll	Reasonably Possible	Theft perpetrated through payment to fictitious employees	No	None
Depreciation	Remote	-	No	None
Operating Expenses	Reasonably Possible	Creditors understated or not recorded in correct period	No	None

Account	Material misstatement risk?	Description of risk	Changes to Audit Plan?	Significant audit findings?
Tangible Fixed Assets	Remote	-	No	None
Investments (non-current)	Remote	-	No	None
Endowments	Remote	-	No	None
Stock	Remote	-	No	None
Debtors	Reasonably Possible	Recorded debtors not valid / allowance for doubtful debts not adequate	No	None
Cash and short term deposits	Remote	-	No	None
Creditors and provisions	Reasonably Possible	Creditors understated or not recorded in correct period	No	None
Borrowings	Remote	-	No	None
Pensions	Reasonably Possible	Pension scheme assets and liabilities may be mistated	No	None
Reserves	Remote	-	No	None

#### Changes to Audit Plan

- We have not had to alter or change our Audit Plan as previously communicated to you on 4 June 2015.

## 4. Audit findings – Significant risks identified in our audit plan

	Risks identified in our audit plan	Audit findings and conclusions
1.	<p><b>Improper revenue recognition</b></p> <ul style="list-style-type: none"> <li>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue</li> </ul>	<p>In addition to the testing detailed in the individual revenue streams below, we have:</p> <ul style="list-style-type: none"> <li>reviewed and tested revenue recognition policies for all revenue streams</li> <li>tested material revenue streams to ensure income recognised appropriately</li> </ul> <p>Please refer to point 3 for further details of our testing in this area.</p> <p><b>Conclusion</b></p> <p>Our audit work has not identified any significant issues in respect of revenue recognition. The University has adopted appropriate accounting policies regarding revenue recognition and our testing supports compliance with the policies.</p>
2.	<p><b>Management override of controls</b></p> <ul style="list-style-type: none"> <li>Under ISA 240 it is presumed that that the risk of management over-ride of controls is present in all entities.</li> </ul>	<p>To ensure that we have gained reasonable assurance that management over-ride of controls has not resulted in a material misstatement or fraudulent activities within the financial statements, we have performed the following work in this area:</p> <ul style="list-style-type: none"> <li>reviewed the accounting estimates, judgements and decisions made by management</li> <li>reviewed the controls in place over the accounting system and other key IT software applications</li> <li>tested a sample of journal entries selected through the use of data interrogation software (IDEA) and focused on the higher risk journal postings, including reviewing any significant unusual transactions</li> <li>identified the related parties of the University and reviewed the procedures in place to ensure that any related party transactions are approved, captured and correctly presented within the financial statements</li> </ul> <p><b>Conclusion</b></p> <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p>

## 4. Audit findings – Other risks identified in our audit plan

	Risks identified in our audit plan	Audit findings and conclusions
3.	<p><b>Tuition and fee revenues</b></p> <ul style="list-style-type: none"> <li>Recorded tuition and fee revenues not valid</li> <li>Allowance for doubtful debts not adequate</li> <li>Recorded debtors not valid</li> </ul>	<p>We have undertaken the following work in relation to these risks:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>reconciled student data between the student database and the accounting system</li> <li>performed substantive analytical review of tuition fees income, using student numbers and fees as set by the University to develop an expectation of fees income for comparison to recorded income</li> <li>performed detailed testing on a sample basis in the period and agreed these back to student enrolment forms, SLC remittances, bank statements for self payers and sponsored students, and agreed back to the QLS database records</li> <li>reviewed the treatment of income from the NHS and agreed this back to the contracts and cash received. NHS income appears reasonably stated with the clawback confirmed by the NHS subsequent to year end</li> <li>reconciled HEFCE income to remittance advices, bank statements and correspondence with HEFCE</li> <li>verified a sample of other income transactions to confirm the existence and amount of the income and to ensure that it relates to the correct period</li> <li>reviewed the recoverability of debtors in respect of tuition fees, student accommodation fees and other sales ledger debtors and considered the adequacy of bad debt provisions</li> </ul> <p><b>Conclusion</b></p> <p>Our audit work has not identified any significant issues in relation to the risks identified.</p>



## 4. Audit findings – Other risks identified in our audit plan (continued)

	Risks identified in our audit plan	Audit findings and conclusions
4.	<p><b>Employee remuneration</b></p> <ul style="list-style-type: none"> <li>• Theft perpetrated though payments to fictitious employees</li> </ul> <p><b>Pensions liability</b></p>	<p>We have undertaken the following work in relation to the employee remuneration risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• reviewed the reconciliation of the payroll subsidiary system to the general ledger</li> <li>• completed a trend analysis over monthly payroll payments</li> <li>• analytically reviewed payroll expenses in comparison to prior years and budgets and investigated any significant or unexpected variances</li> <li>• undertaken testing on a sample of employees throughout the year, including the agreement of pay run data to individual pay slips and contracts of employment</li> <li>• performed data interrogation tests (using IDEA software) to identify exceptions such as duplicate employee names, NI numbers and have fully investigated the results</li> <li>• reviewed all relevant disclosures relating to staff costs within the financial statements.</li> </ul> <p>We have undertaken the following work in relation to the pension liability:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the pensions balance</li> <li>• reviewed the actuarial assumptions to ensure that they are reasonable</li> <li>• reviewed the detailed disclosures included within the financial statement to ensure full compliance with the requirements of FRS17.</li> </ul> <p><b>Conclusion</b></p> <p>Our audit work has not identified any significant issues in relation to the risks identified.</p>

## 4. Audit findings – Other risks identified in our audit plan (continued)

	Risks identified in our audit plan	Audit findings and conclusions
5.	<p><b>Creditors and operating expenses</b></p> <ul style="list-style-type: none"> <li>Creditors understated or not recorded in the correct period.</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>performed unrecorded liabilities testing</li> <li>reviewed all significant balance sheet items and compared to prior year and expectations, investigating any significant differences</li> <li>reviewed and tested a sample of items included within the year end creditors balance</li> <li>undertaken testing on a sample of expenditure invoices throughout the year to gain assurance that expenditure has occurred and has been correctly classified</li> <li>reviewed and tested a sample of items included within the year end creditors balance</li> </ul> <p><b>Conclusion</b></p> <p>Our audit work has not identified any significant issues in relation to the risks identified.</p>

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## 4. Audit findings – subsidiaries

This section provides commentary on matters which were identified during the course of the audit in relation to the subsidiary company.


	Subsidiary	Commentary
1.	<b>South Bank University Enterprises Limited</b>	We have not identified any significant issues as a result of our audit procedures performed in relation to South Bank University Enterprises Limited.

## 4. Audit findings – Other communication requirements

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures. We have also discussed fraud with the internal audit team.
2.	<b>Matters in relation to related parties</b>	We are not aware of any related party transactions which have not been disclosed.
3.	<b>Matters in relation to laws and regulations</b>	We are not aware of any significant incidences of non-compliance with relevant laws and regulations and we have noted no significant issues as a result of our regularity review.
4.	<b>Written representations</b>	As in previous years we will include a representation on data assurance in addition to our standard representations: "We confirm that we have provided to you all information relating to our contractual arrangements with HEFCE and that we currently know of nothing which could have an impact upon these arrangements and as far as we are aware at the current time, there is no adjustment to the HEFCE funds to be provided for in the financial statements."
5.	<b>Disclosures</b>	We are yet to carry out a detailed technical review of the financial statements and our work in this area is pending. These will be communicated to the finance team and their resolution will be discussed and reviewed in the final set of financial statements.
6.	<b>Going Concern</b>	We are currently finalising our review of going concern. However from our discussions and understanding of the University, we do not anticipate any issues to be identified that would cause concern about the going concern status in the 12 months following the signing of the audit report.

## 5. Internal controls



- The purpose of an audit is to express an opinion on the financial statements.
- Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control
- The matters being reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with ISA 265
- If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported.
- During our work we have met with the internal auditors and held independent discussions to make sure we are aware of any issues they may have that might be relevant for our external audit, or where we believe we should make them aware of any concerns arising from our work. Although we do not place direct reliance on the work of the internal auditors, we take into account their findings, and if necessary amend our audit approach as may be required.

	Assessment	Issue and risk	Recommendations
<b>London South Bank University:</b>			
1.		<p><b>Payroll controls</b></p> <p>We tested a sample of employees to contract and identified two cases where the employment contract on file was not signed by the employee.</p> <p>The existence of the employee was verified to other supporting documentation.</p>	<p>We recommend that signed contracts are obtained for all employees and maintained on file.</p> <p><b>Management response</b></p> <p>Most staff will have an HR induction on their first day of work and at this meeting HR will check that all starter procedures have taken place, including ensuring contracts have been signed. One of the cases identified during the audit was an hourly paid lecturer (HPL), whose induction was carried out in the school and not in HR as is the normal process. There are no plans to change this process.</p> <p>The other missing contract was for a permanent member of staff and the file containing a signed employment contract has now been found.</p>



### Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement



## 5. Internal controls (continued)

	Assessment	Issue and risk	Recommendations
2.		<p><b>Bank account controls</b></p> <p>It came to our attention through the receipt of a bank confirmation from Barclays that there was an account that was not included in the accounts and for which bank reconciliations were not carried out.</p> <p>The bank letter confirmed this was a zero balance at year end and there has been no activity since the year end. However the last statement received was dated November 2014.</p>	<p>We recommend all bank accounts that are not used are closed. In addition all bank accounts should be reconciled on a monthly basis to ensure no fraudulent activity has taken place. The University should also ensure that all bank accounts are added to the Agresso system.</p> <p><b>Management response</b></p> <p>The account in question was a Euro account held at Barclays which has not been used for a number of years. We will write to Barclays and ask them to close the account.</p> <p>Responsibility: Natalie Ferer Date: 20 November 2015</p>
3.		<p><b>Fixed asset register</b></p> <p>A disposal was made of the Student Union building and the fixtures and fittings of Eileen House in 2013/14, but this was not picked up as part of the 2013/14 accounts process and remained on the fixed asset register. The asset has now been removed.</p> <p>The assets were fully depreciated and were sold for nil consideration, so there is no impact to the financial statements. As such, this has been included within the financial statements as a current year transaction.</p>	<p>We recommend the controls around disposals are tightened to ensure future disposals are removed from the fixed asset register on a timely basis.</p> <p><b>Management response</b></p> <p>We will put in place an annual process to verify that fixed assets recorded on the fixed assets register are in existence and have not been disposed of.</p> <p>Responsibility: Natalie Ferer Date: 31 July 2016</p>

### Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement



## 5. Internal controls (continued)

	Assessment	Issue and risk	Recommendations
4.		<p><b>Fixed asset retentions</b></p> <p>We identified that the University had not accrued for retentions against assets completed in the period. As the asset is complete, it should be recognised in full. We have proposed an adjustment to reflect this.</p>	<p>We recommend that the University accrues for any retentions in future periods.</p> <p><b>Management response</b></p> <p>The retentions relate to a number of completed projects. In the future we will accrue retentions annually as part of the cost of the fixed asset.</p> <p>Responsibility: Natalie Ferer Date: 31 July 2016</p>
<b>South Bank University Enterprises Limited:</b>			
5.		<p><b>Journals</b></p> <p>Testing has identified that the manual journal type of G1 journals for South Bank University Enterprise Limited do not have a formal review process in place. This is not considered to be a significant deficiency as oversight of all posted journals is provided by the University.</p>	<p>We recommend a review process is put in place, similar to the current process with the G6 journals for the London South Bank University.</p> <p><b>Management response</b></p> <p>Agreed. In the future SBUEL journals will be subject to the same review process as those posted in the University's accounts.</p> <p>Responsibility: Natalie Ferer Date: 30 November 2015</p>




### Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

## 5. Internal controls – Actions taken on issues raised in previous years

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.		<p><b>Payroll controls</b></p> <p>In the prior year, our work on duplicates testing identified one employee record which appeared in Oracle, the HR system, twice. On the basis of the work performed, we conclude that no instances of duplicate payments were made to this employee in the financial year ended 31 July 2014.</p> <p>We understand from HR that this was caused due to an Oracle application disk issue whereby a 'ghost' record had been created within the Oracle data tables at some point in the past. This meant HR were unable to do any further updating of this record but it has subsequently been removed from the Oracle system.</p> <p><b>Management response</b></p> <p>Recommendations addressed by management.</p>	<ul style="list-style-type: none"> <li>No issues noted from the testing performed in the current year.</li> </ul>
2.		<p><b>IT control findings</b></p> <p>In the previous year we raised a number of IT recommendations. These have been set out within Appendix A.</p>	<ul style="list-style-type: none"> <li>Review of the IT control recommendations has identified that they all remain outstanding. Where the recommendation relates to the IAM project, the expected completion date has moved from March 2015 to November 2015.</li> </ul> <p><b>Management comment:</b></p> <p>However, progress has been made in many areas, notably we have developed and updated several policies to increase our level of information security (audit finding 2). Manual controls are in place to reduce the risk of legacy systems (audit finding 1). Where we have been unable to enact technical controls (audit findings 4 and 6), we have robust policies to mitigate the control area. While we are heavily reliant on the IAMs project closure to address these areas, mitigating controls have been enacted in the interim and progress has been made since the previous audit.</p>


### Assessment

-  Significant improvement still required
-  Improvements noted but room for improvements remains
-  Control issue resolved




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## 5. Internal controls – Actions taken on issues raised in previous years (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3.		<p><b>Journals authorisation</b></p> <p>In the previous year, we noted there are practical reasons why two authorisation systems are currently in operation: the J5 system being used for large multi-line journals and the G6 system for short corrections and adjustments.</p> <p>As a result of this, we had also noted that manual G6 journals posted by the Financial accountant were not reviewed or approved by the financial controller until the end of month process.</p> <p>Our previous recommendations in this area were as follows:</p> <ul style="list-style-type: none"> <li>all journals posted should have a description of what the posting relates to. This would aid the reviewer and approver as part of the authorisation and monitoring control over journal postings</li> <li>all supporting documentation in relation to a journal is uploaded onto Agresso by the team.</li> </ul> <p><b>Management response</b></p> <p>All G6 journals should include an appropriate description and a monthly check will take place to ensure that this procedure is followed by finance staff preparing these types of journal.</p>	<ul style="list-style-type: none"> <li>Following our work in this area in the current year, we are pleased to report a significant improvement in the area of supporting documentation and descriptions for journals.</li> <li>However, we continue to recommend that management ensure that all journals posted have a description, as we found a small number of journals with no description, for only G6 journals this year.</li> </ul> <p><b>Management comment:</b></p> <p>During the course of the audit, three journals were found not to have a description entered onto Agresso. Going forward, the monthly journal review process will include a check that all journals have appropriate descriptions.</p> <p>Responsibility: Natalie Ferer Date: 30 November 2015</p>

### Assessment

-  Significant improvement still required
-  Improvements noted but room for improvements remains
-  Control issue resolved

## 5. Internal controls – Actions taken on issues raised in previous years (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
4.		<p><b>Suspense account</b></p> <p>In the prior year, we recommended that the suspense account is cleared on a timely basis and allocated to the appropriate areas.</p> <p>We carried out further testing in respect of the use of the suspense account as part of review of journals posted to the account in the year. We have no issues to report from our testing in this area.</p> <p><b>Management response</b></p> <p>The suspense account is normally cleared to zero as part of the month end process but this balance was not corrected at the year end. The suspense account will continue to be reviewed monthly to prevent this error re occurring.</p>	<ul style="list-style-type: none"> <li>• During our review this year, we noted that the balance on the suspense account at the year end has reduced significantly from £309,000 in the previous year to £10,000 in the current year.</li> <li>• Whilst the balance is not considered to be significant to the financial statements, due to the nature of this account, we continue to recommended that all suspense accounts are cleared on a timely basis and allocated to the appropriate areas.</li> </ul> <p><b>Management comment:</b></p> <p>The £10,000 balance is made up of 18 smaller transactions, mostly where we have received income directly into our bank account but we are not able to identify where the receipt should be posted. In these circumstances, transactions should be posted to a sundry creditors account rather than leaving in suspense.</p> <p>Responsibility: Natalie Ferer Date: 30 November 2015</p>

### Assessment

- Significant improvement still required
- Improvements noted but room for improvements remains
- Control issue resolved

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## 6. Adjusted misstatements

### London South Bank University:

There were no adjusted misstatements for London South Bank University.

### South Bank University Enterprises Limited:

The adjusted misstatement is shown below. There was no impact on the reported surplus for the period.

Detail	Profit and loss account £'000	Balance Sheet £'000	Impact on surplus £000
1 Trade debtors Trade creditors <i>Being the reclassification of credit balances from the debtors listing</i>	-	DR 86 CR 86	
<b>Overall impact</b>	-	-	-

## 6. Unadjusted misstatements

### London South Bank University:

The unadjusted misstatement is shown below. There would be no impact on the reported surplus for the period.

Detail	Profit and loss account £'000	Balance Sheet £'000	Impact on surplus £'000
1 Tangible fixed assets Accruals <i>Being the accrual for retentions against assets completed in the period.</i>	-	DR 384 CR 384	
<b>Overall impact</b>	-	-	-

### South Bank University Enterprises Limited:

There were no unadjusted misstatements for SBUEL.

## 7. Non-audit fees and independence

	Fees	Threat Y/N	Safeguard
Statutory audit	£41,795	No	
<b>Non-audit services</b>			
Tax compliance services	£2,575	Yes	Use of separate teams
iXBRL tagging	£850	No	Use of separate teams
<b>Total non-audit services</b>	£3,425		

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

### **Independence and ethics:**

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

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

## 8. Pension

The following table shows the key mortality assumptions used by the actuaries.

Mortality (based on future life expectancies at the age of 65)	2015	Benchmark* (years)
Current pensioners	21.9	22.6
Future pensioners	25.1	24.5

\* Median has been obtained from information provided by our actuarial experts

### Mortality / life expectancy

The derivation of the assumption for future mortality is one of the most subjective areas of the actuarial basis. The assumption for mortality before retirement has a relatively minor impact on the liabilities and this section therefore considers only the assumptions made for mortality after retirement.

### The Base Table

The base table that has been used in the calculations is the Club Vita tables, which is based on the mortality experience of the Scheme itself.

### Projected Improvements

The method used to allow for future improvements in mortality is critical in the assessment of the liabilities. The approach adopted by the Actuary is the CMI 2012 improvement factors applied with an underpin to future improvements of 1.50% pa.

The table opposite shows that the illustrative life expectancies under the Actuary's assumptions are in each case below the median assumptions, but they are considered to be within reasonable thresholds and have been discussed and agreed with the University.

## 8. Pension (continued)

The following table shows the key assumptions used by the actuaries.

Actuarial assumptions	2015	2014
Pension increases	2.6%	2.7%
Salary increases	4.4%	4.5%
Discount rate	3.8%	4.2%
CPI increases	2.6%	2.7%

### Pension increases

Increases in payment – 2.60% p.a (CPI)

Increases in deferment – 2.60% p.a (CPI)

The assumptions for pension increases are based on (CPI) inflation. These assumptions should be based on the inflation assumption but adjusted to allow for the relevant cap and floor (if applicable) to the extent that inflation is expected to vary in future years. Given our expectations of future inflation volatility (based on past experience), we are happy that the proposed assumptions for pension increases are appropriate.

### Salary increases

The rate assumed for salary increases is 4.40% pa, which represents a 0.90% pa real salary increase above the RPI inflation rate assumption adopted. In the past the usual range was between 0.5% and 1.5% pa above RPI inflation. However, due to changing economic conditions, the typical margin we have observed over recent periods has reduced to, in some cases, a zero margin.

As this assumption is based on long term expectations, we have confirmed with the University that this is in line with their long term business plans.

### Discount rate

The discount rate should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. For this purpose, in the UK, the universal approach is to base the discount rate on the yields available on AA-rated corporate bonds of appropriate term and currency to the liabilities.

The yield on the iBoxx AA-rated Corporate Bond Index (for terms of over 15 years) (the "iBoxx index") as at 31 July 2015 was 3.48% pa. The Actuary has adopted a discount rate of 3.80% pa as at 31 July 2015.

Due to the current upward-sloping curve of the yield curve, we would expect to see discount rates above the iBoxx index for schemes whose liabilities have a longer duration than iBoxx. The current duration of the iBoxx index is 13 years. The Actuary has estimated the duration of the scheme's liability to be 19 years. We are therefore comfortable with the adjustment to the iBoxx index and the discount rate assumption is acceptable.

### CPI increase

Standard practice is to derive the CPI assumption based on the RPI assumption. Based on the RPI assumption a downward adjustment of 0.90% has been made to RPI inflation in this case. Since the introduction of the CPI measure in 2010, we have been observing downward adjustments of between 0.50% and 1.00%, from the RPI to produce estimates of CPI.

We expect the RPI/CPI wedge to remain between 0.50% and 1.00% and therefore this assumption is reasonable.

## 9. Communication of audit matters with those charged with governance

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

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

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

### **Distribution of this Audit Findings report**

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the governing body and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance


### **Respective responsibilities**

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




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



# Appendix A - IT control findings - Actions taken on issues raised in previous year


	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.		<p><b>Proactive reviews of logical access within iTrent and network domain</b></p> <p>User accounts and associated permissions within iTrent and network domain access are not proactively reviewed for appropriateness.</p> <p><b>Implication</b></p> <p>a) No-longer-needed permissions granted to end-users may lead to segregation of duties conflicts</p> <p>b) Access privileges may become disproportionate with respect to end users' job duties</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>It is our experience that access privileges tend to accumulate over time. As such, there is a need for management to perform periodic, formal reviews of the user accounts and permissions within all financially critical systems (including Active Directory).</li> <li>These reviews should take place at a pre-defined, risk-based frequency (annually as a minimum). We are aware that user accounts on iTrent are being reviewed, but this process is not documented.</li> <li>These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties).</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>LSBU is currently engaged in project to replace Identity and Access Management (IAM) systems. Once live these projects will tie access to role rather than relying on manually granted permissions which then accumulate. The monthly review of access for core payroll system users will be documented in the future. Expected to be complete by March 2015.</li> <li>iTrent - A monthly review of access for core payroll system users is already in place and performed by the Payroll Manager who is responsible for security and access rights. There are around 10 users of iTrent and as such the risk of user accounts becoming out of date is low.</li> </ul>	<ul style="list-style-type: none"> <li>The recommendation remains in place. The expected completion date has moved to November 2015. For management comments please see page 17.</li> </ul>

## Assessment




-  Significant improvement still required
-  Improvements noted but room for improvements remains
-  Control issue resolved

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# Appendix A - IT control findings - Actions taken on issues raised in previous year (continued)


	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
2.		<p><b>Lack of information security policies and procedures</b></p> <p>We note that following procedures are not documented</p> <ul style="list-style-type: none"> <li>• User creation process</li> <li>• User termination process</li> <li>• User access review process</li> </ul> <p>Further, Information security policy and the change management policy are not reviewed on periodic basis (the last review was July 2009). We also note these policies are not approved from the senior management.</p> <p><b>Implication</b></p> <p>Lack of sufficient IT policies and procedures may lead to information security processes, requirements and controls inconsistently defined, understood, and implemented throughout the organisation. This may lead to inconsistent controls deployed and may leave potential vulnerabilities in access management, server security, network security, which can also lead to inappropriate access to underlying financial data.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• A user access management policy should be established, formally approved by the appropriate members of the organization, and communicated to relevant personnel responsible for implementing them and/or abiding by them.</li> <li>• Once established, these documents should be formally reviewed (at least annually) to ensure their continued accuracy and appropriateness. Examples of topics commonly addressed within user access management policy are user access provisioning, user access reviews, password control requirements, account lockout restriction requirements, and restriction of administrative access, acceptable use of IT resources, information security event monitoring, and information security incident handling.</li> <li>• Typically, policies exist to address high-level control requirements as defined by the organization's information security or compliance group while procedures exist for individual systems which outlining security-related processes and controls unique to that system.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>• These polices and processes are also affected by the project for IAM. Policies on security will be reviewed and updated by December 2014.</li> </ul>	<ul style="list-style-type: none"> <li>• The recommendation remains in place. The expected completion date has moved to November 2015. For management comments please see page 17.</li> </ul>

**Assessment**




-  Significant improvement still required
-  Improvements noted but room for improvements remains
-  Control issue resolved

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# Appendix A - IT control findings - Actions taken on issues raised in previous year (continued)


	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3.		<p><b>Acknowledgement of IT security policy</b></p> <p>Staff employment contracts require employees to abide by London State Bank University policies, which includes the IT Acceptable Use Policy. However, employees are not required to periodically formally acknowledge that they have read, understand, and will abide by the organisation's information security policy requirements</p> <p><b>Implication</b></p> <p>It is important that senior management promote a culture where end-users of information resources are aware of their roles, responsibilities and accountability with respect to security of information assets. The lack of periodic formal acknowledgements of information security requirements may make disciplining employees for inappropriate use of information resources more difficult. The lack of these acknowledgements may lead to a lack of employee awareness of expectations over the use of IT resources. For example, a user who is caught sharing personal passwords with other employees may be able to claim ignorance of any wrongdoing.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Management should introduce a process whereby employees are required to periodically (at least annually) acknowledge that they have read, understand, and will abide by requirements outlined in the organisation's information security policies.</li> <li>• An example of a low impact method of implementing this control would be to introduce a 'splash' screen that users are presented with at each log-in that states that by using their machine they have read and will abide by the IT Acceptable Use Policy.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>• We will review this recommendation and consider how best to implement as part of on-going Identity and Access Management (IAM) work. We recognize that the University should improve its processes for staff acknowledging that they accept IT acceptable use policy. We will address this as part of the IAM work with a target date of March 2015</li> </ul>	<ul style="list-style-type: none"> <li>• The recommendation remains in place. The expected completion date has moved to November 2015. For management comments please see page 17.</li> </ul>

**Assessment**




-  Significant improvement still required
-  Improvements noted but room for improvements remains
-  Control issue resolved

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# Appendix A - IT control findings - Actions taken on issues raised in previous year (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
4.		<p><b>Password complexity</b></p> <p>Password complexity (i.e. requirement that passwords must contain at least one numeric, number and special character) is not enforced within Active Directory.</p> <p>Users of the QLX application are not forced to routinely change their passwords.</p> <p><b>Implication</b></p> <p>This may lead to compromise of user accounts through password guessing or cracking. Further, compromised user accounts may be misused by unauthorised users to circumvent internal controls and may lead to inappropriate access to data.</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Password complexity should be enforced within Windows domain access.</li> <li>• If possible, the organisation should enable restrictions within the QLX application to force users to change their passwords on a regular risk-based frequency (e.g. every 90 days).</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>• QLX - There is password enforcement within the system for Users and their associated Workgroups. Password limits can be configured and are currently set to 99 logins, when users are forced to change their password.</li> <li>• Windows - Complexity not currently enforced due to legacy systems. These will be replaced by IAM and complexity enforced at that point.</li> </ul>	<ul style="list-style-type: none"> <li>• The recommendation remains in place. For management comments please see page 17.</li> </ul>




## Assessment

-  Significant improvement still required
-  Improvements noted but room for improvements remains
-  Control issue resolved


# Appendix A - IT control findings - Actions taken on issues raised in previous year (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
5.		<p><b>Terminated user process for QLX application</b></p> <p>There are no documented procedures in place to ensure the timely notification to the QLX application manager of terminated employees from the registry team.</p> <p><b>Implication</b></p> <p>Without processes to automatically inform the IT department of terminated users, there is a risk that the access rights of these users would not be removed from the system, exposing the data to unauthorised access which would not be detected in a timely manner</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• A process whereby the registry team is assigned specific responsibility for notifying the IT department of all terminated users should be introduced.</li> <li>• Additional assurance over this process operation could be achieved if it could be automated. For example, if an interface to the HR system, which flags up user terminations, could be introduced. The IT department should complement the control with a periodic review of all terminated users provided from Human Resources against the active network accounts.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>• We have manual notifications in place but we recognize that an automated feed will increase the accuracy and timelessness of notifying IT. The Identity Management project will make this an automatic rather than manual process. (See point 1.)</li> <li>• QLX - An additional manual process in Registry notifies ICT of terminated users.</li> </ul>	<ul style="list-style-type: none"> <li>• The recommendation remains in place. For management comments please see page 17.</li> </ul>




**Assessment**

-  Significant improvement still required
-  Improvements noted but room for improvements remains
-  Control issue resolved

# Appendix A - IT control findings - Actions taken on issues raised in previous year (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
6.		<p><b>Logical access parameters</b>            We continue to recommended that the following best practice password parameters be enforced on the network, Agresso Web and the core Agresso system:</p> <ul style="list-style-type: none"> <li>• minimum password length of 6-8 characters</li> <li>• minimum password age of at least 1 day</li> <li>• maximum password age of 30-60 days</li> <li>• alphanumeric passwords (complexity) enabled</li> <li>• account lockout set to 3-5 invalid lockout attempts</li> <li>• inactivity lockout set to 10-20 minutes</li> <li>• lockout period should be set to indefinite, with access only</li> <li>• reinstated by an administrator</li> </ul> <p><b>Management response</b>            A revised identity management system is being implemented to address this control weakness. The following parameters are already in place for the network and applications controlled by Active Directory:</p> <ul style="list-style-type: none"> <li>• minimum password length 6 charterers</li> <li>• account log out set for 3 attempts</li> <li>• lock out period indefinite.</li> </ul> <p>the other parameters will be addressed as part of the AIM project.</p>	<ul style="list-style-type: none"> <li>• The recommendation remains in place. The expected completion date has moved to November 2015. For management comments please see page 17.</li> </ul>

**Assessment**

-  Significant improvement still required
-  Improvements noted but room for improvements remains
-  Control issue resolved

# Appendix B - Financial Reporting and Sector Update

## Accounting developments for 2015-16

There are no changes to the accounting guidance impacting on the University's 2014-15 accounts.

The new accounting requirements, included in Financial Reporting Standard 102 (FRS102) apply to the financial statements of the University for first time in 2015/16. We continue to liaise with the University's finance team on the likely impact of the new SoRP on the University's accounts.

HEFCE has issued its Accounts Direction to apply to the University's 2015-16 accounts. The only change from the current year is a requirement to disclose in the Statement of Internal Control the existence of any material adverse event or serious untoward incident that is required to be reported to HEFCE under the Memorandum of Assurance and Accountability. This would include any incident relating to the "Prevent" duty or to terrorism.

## Higher Education in England 2015-Key facts (July 2015)

HEFCE have published their latest annual report on the latest shifts and trends in higher education identifying key issues in the sector. The main highlights this year are:

- the number of full time undergraduate entrants increased in 2014-15, but growth may be slowing
- however, the overall undergraduate student population will continue to grow in 2015-16 as a result of the "dropping out" of the smaller 2012-13 year's cohort
- the decline in undergraduate entrants to part time courses has continued
- the decline in the 18 year old demographic in the UK and EU will present a challenge to student numbers over the next five years
- numbers of postgraduate student entrants has increased again this year but at a lower rate than in the previous year
- there is a continuing reliance of international students on post graduate masters programmes, with as many Chinese as UK students on these programmes. International students make up over a half of students on post graduate STEM courses. This dependence on overseas students on these programmes creates a greater risk of volatility of demand
- disparities between HE participation in advantaged and disadvantaged areas remains large
- interest in studying STEM subjects continues to grow whilst the decline in modern language courses appears to have stabilised for now
- the financial health of the sector is stable but the forecast is a declining trajectory which is not sustainable and there remains a considerable risk of exposure to volatility in the overseas student market

# Appendix B - Financial Reporting and Sector Update (continued)

## Thrive or Survive- The financial Health of the Higher Education sector in the UK 2015-Grant Thornton

Grant Thornton has published its latest annual review of the financial health of the Higher Education sector, based on an analysis of University accounts for 2013-14. The report highlights that many Universities will continue to thrive whilst others will find the changing operating environment much more of a challenge. Overall, 2014-15 was another good year for the sector with increases in income, surpluses and cash balances. The report highlights a number of risks impacting on Universities impacting more on some than others. The removal of the Student Numbers Cap will mean even greater competition for students and the need for Universities to explain their proposition (ie Brand) has never been more essential. There continues to be a high dependence on the overseas student market which is increasingly seen to be volatile and so Universities need mitigation strategies if demand were to reduce.

There is much debate about what levels of surplus Universities need to generate to be financially sustainable. Universities have been encouraged to determine what cash they need to generate over the next five years to meet their investment needs and to consider how they might achieve the amounts required. The report highlights that some Universities will have to increase their surpluses if they are going to meet their future investment needs, including improving and maintaining their estate. The report has concluded that most Universities will have to generate cash in the region of 7-12% of income to be sustainable. BUDFG is developing a financial indicator based on revenue cash generated to help assess the comparative performance of Universities.

## HEFCE Teaching Grant Funding

HEFCE has notified Universities of proposed reductions in teaching grant for 2014-15 and 2015-16, arising out of the Chancellor's budget announcement in June. Savings of some £150m are required to be made and whilst part of these will be achieved whilst protecting core teaching grant funding, an average funding reduction of some 2.4% will be made to Universities' recurrent grant funding in 2014-15. The precise reduction for individual Universities will be notified in October and will need to be reflected in the University's 2014-15 accounts. HEFCE also remind Universities that they need to budget prudently in 2015-16 as there are possible further reductions to teaching grant funding to be announced by the Government.



# Appendix B - Financial Reporting and Sector Update (continued)

## The Committee of University Chairs (CUC) – Higher Education Code of Governance

The Committee of University Chairs (CUC) has published in December 2014 an updated version of the Higher Education Code of Governance ('Code'). A full copy of the Code can be downloaded from this link: <http://www.universitychairs.ac.uk/wp-content/uploads/2015/02/Code-Final.pdf>

The Code applies on a “comply or explain” basis – meaning that if governing bodies do not follow parts of the code, they must explain why. This new Code is effect from 1 January 2015 and therefore Higher Education Institutions (HEIs) are not expected to be in a position where they are fully to comply with the new code for 2014/15 year ends.

The new Code incorporates revised parts of the previous version and also includes new governance principles. A summary of some of the key changes have been outlined below.

- There is a new governance principle which focuses on “public interest and the safeguarding of public funds alongside the interests of the institution when considering all forms of payment, reward and severance” in the context of determining the remuneration of the Vice-Chancellor.
- The Code highlights that "the governing bodies must ensure that its decision-making processes are free of any undue pressures from external interest groups, including donors, alumni, corporate sponsors and political interest groups."
- The Code states that governing bodies “could consider” the “formalisation” of a deputy chair’s role. This role could “act as an intermediary with other members, and potentially can be helpful if there are significant differences of view within a governing body or with the executive." This role can provide a sounding board for the Chair. The Code also states that "as a Deputy Chair may assume the responsibilities of the Chair, the expectation is they would be similarly independent of the institution."
- The need for transparency remains high on the agenda and the Code suggests that governing bodies should manage their affairs in an “open and transparent manner” as well as publishing minutes and agendas of meetings.



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	PAPER NO: AC.51(15)
Paper title:	14/15 Internal Audit: Annual Report & Opinion.
Board/Committee	Audit Committee
Date of meeting:	5 <sup>th</sup> November 2015
Author:	PricewaterhouseCoopers
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide the annual internal audit opinion.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	
Recommendation:	The Executive recommends that Committee: Note this report

Matter previously considered by:	Audit Committee	24 September 2015
Further approval required?	HEFCE	December 2015

### **Executive Summary**

The attached report provides a review of the LSBU internal audit programme in 14/15, and an annual opinion based on the results of the audit work. The report, and the opinion is unchanged from the draft reviewed by Committee on 24/9/15 and is now presented as final.

The annual internal audit opinion contained within the report is that LSBU has adequate and effective arrangements to address the risk that management's objectives are not achieved; in respect of risk management, control and governance; and also for value for money processes.

The review of recommendations notes both that the number and category of findings from reports has fallen, and that majority are fully implemented, with none entirely outstanding.

*Internal Audit*  
*Annual Report*  
*2014/2015*  
FINAL

**London South  
Bank University**

**October 2015**

# Contents

<b>1. Executive summary</b>	<b>1</b>
<b>2. Summary of findings</b>	<b>3</b>
<b>3. Internal Audit work conducted</b>	<b>6</b>
<b>4. Follow up work conducted</b>	<b>9</b>

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<b>Appendices</b>	<b>10</b>
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Appendix 1: Limitations and responsibilities	11
Appendix 2: Basis of our opinion and classifications	12
Appendix 3: Outstanding recommendations	14
Appendix 4: Mapping of internal audit work	16

## Distribution List

For action	Richard Flatman, Chief Financial Officer
	Audit Committee
For information	James Stevenson, University Secretary

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 under our contract dated 21/07/2010.

# 1. *Executive summary*

## *Background*

The Higher Education Funding Council for England's (HEFCE) Memorandum of Assurance and Accountability (MAA) requires the Head of Internal Audit to provide a written report and annual internal audit opinion to the Audit Committee. The purpose of this report is to present our view on the adequacy and effectiveness of:

- Risk management, control and governance; and
- Economy, efficiency and effectiveness (value for money) arrangements.

Whilst this report is a key element of the framework designed to inform the Audit Committee's Annual Report to HEFCE, there are also a number of other important sources to which the Audit Committee should look to gain assurance. This report does not override the Audit Committee's responsibility for forming their own view on risk management, control, governance, value for money and data quality arrangements.

This report covers the period from 1 August 2014 to 31 July 2015.

## *Scope*

Our findings are based on the results of the internal audit work performed as set out in the Internal Audit Risk Assessment and Internal Audit Plan 2014/15 approved by the Audit Committee and updated during the year to reflect changing priorities and requests for additional reviews. Our report also considers any matters that arise up to the date of issuing our report.

Our opinion is subject to the inherent limitations of internal audit (covering both the control environment and the assurance over controls) as set out in Appendix 1.

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

## *Opinion*

Our opinion is based on our assessment of whether the controls in place support the achievement of management's objectives as set out in our Internal Audit Risk Assessment and Internal Audit Plan 2014/15.

We have completed the program of internal audit work for the financial year ended 31 July 2015 and except for the one area noted below (Data Security), we believe London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over:

- Risk management, control and governance; and
- Value for money processes.

This opinion is made on the basis that some medium risk rated weaknesses have been identified in individual assignments but these are not significant in aggregate to the system of internal control and our high risk findings are isolated to specific systems and processes and do not present systemic threats to the entire control and governance environment. None of the individual assignments have an overall classification of critical risk.

London South Bank University's risk management arrangements continue to be strong and our Continuous Auditing work shows that the core financial control environment has remained robust during the year. 1 high risk finding was noted in our second period of Continuous Auditing where we identified some reconciling items which were over 6 months old in the bank reconciliation, however our follow up work concluded that the reconciling items were cleared on the July 2015 reconciliation.

3 other high risk findings have been raised in 2014/15. These all related to information security issues identified as part of our review of Data Security. The recommendations agreed for 2 of these findings have now been implemented; 1 is not due yet but management have introduced an action plan and are making progress to implement these recommendations. These matters are described further in Section 2 of this report.

The timely implementation of internal audit recommendations by management is a key indicator of good governance and a target rate of 75%+ should be aspired to by management. The University has improved its implementation rate: 83% of agreed actions have been implemented during 2014/15 (2013/14: 78%).

Our work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: adherence to financial controls and use of purchase consortiums.

### *Acknowledgement*

We would like to take this opportunity to thank London South Bank University staff, for their co-operation and assistance provided during the year.

## 2. Summary of findings

A summary of the key findings from our programme of internal audit work for the year work is recorded in the table below:

<i>Description</i>	<i>Detail</i>
<p><b>Overview</b></p> <p>We have completed 9 internal audits.</p> <p>This resulted in the identification of 0 critical, 4 high, 13 medium and 9 low risk findings to improve weaknesses in control design and / or operating effectiveness.</p> <p>The University has undergone significant change in the last 12 – 18 months. While the number of medium and low risks has increased, the majority of these relate to findings from our review of the Change Programme (6 medium risks and 3 low risks). Given this background, the results suggest that the University has managed to retain a stable environment throughout a period of significant change: the results of our Continuous Auditing have remained largely consistent throughout the year, the University has improved its implementation rate to 83% (2013/14: 78%) and we have not identified any risks which are pervasive to the entire control environment.</p> <p>While 4 high risks were raised, 3 of these relate to one area, Data Security. This was a known area of risk for the University, which we were directed towards testing. Recommendations for all 4 high risk findings have either been fully implemented before 31/07/2015 or significant progress is underway to implement the recommendation.</p>	<p>Our audit plan was scoped to address London South Bank University's key risks and strategic objectives. We mapped each review to these areas in our Internal Audit Risk Assessment and Internal Audit Plan 2014/15.</p> <p>We have completed our internal audit plan in line with the set timescales.</p>
<p><b>Risk Management, Control and Governance</b></p> <p><b>Risk Management:</b></p> <p>Risk Management arrangements remain strong with a number of areas of good practice, for example: documented roles and responsibilities, established management escalation routes and a defined Risk Strategy and Risk Appetite.</p> <p>Our review has only identified one medium risk finding, which relates to ensuring that organisational risk registers are regularly updated and fully completed.</p> <p><b>Control:</b></p> <p>The results of our Continuous Auditing has remained largely consistent throughout the year. A summary of Continuous Auditing performance and the results of individual reviews is included in Section 3. The overall performance of financial controls compliance has remained strong in 2014/15.</p>	<p><b>Continuous Auditing – Phase 2</b></p> <p><b>Cash reconciliations</b></p> <p>During testing of bank reconciliations we identified that there were a large number of reconciling items on Agresso which were over 6 months old.</p> <p>These items were identified as online payments made by students for accommodation through the KX system.</p> <p>However, since identification of this issue, management have proactively worked to clear these reconciling items and when we tested the July 2015 reconciliation we found all of these had been cleared.</p> <p><b>Data Security</b></p> <p><b>User administration</b></p>



<p>4 high risk findings were identified this year; these are summarised opposite.</p> <p><b>Governance:</b></p> <p>Our core financial systems work has identified appropriate segregation of duties and reporting / documenting of key processes and there have been no significant issues raised as part of individual reviews performed.</p>	<p>We found that there was no documented procedure for ICT user administration and that the IT Security Policy has not yet been approved or distributed.</p> <p>Starters and leavers listings can be obtained from HR reports or the Phonebook. However, these are not integrated and the systems do not agree: when we obtained our leavers listing the HR report identified 245 leavers and the Phonebook showed 154.</p> <p>We also found that 3/30 leavers still had active AD access despite leaving the University over one month ago and that 2/30 starter forms could not be located. This was because they were both issued at the Havering campus where no forms are retained.</p> <p>ICT are not notified when an individual has moved within the University and ICT are unable to generate a report showing movers within the organisation. During testing of leavers we found 1 instance where a staff member had subsequently become a student. Although their AD access had been removed, there is no record of when the account was disabled.</p> <p>We also reviewed the process for granting privileged access to AD. We found that there is no documented process outlining how AD domain administrative user accounts should be created, amended or removed. There are 22 AD domain administrator accounts. 9/22 accounts were role based accounts, which are higher risk as they are not assigned to a specific user.</p> <p><b>Physical Security</b></p> <p>There is no written policy outlining the University's approach to physical security. We also visited 5 ICT storage areas to confirm that these were only accessible to specific ICT staff and found 2/5 buildings had active ICT network equipment that was accessible to anyone in the building.</p> <p><b>Logical Security</b></p> <p>We identified that unencrypted USBs can be used on the network to remove information and LSBU are not able to determine what information has been taken off the system. It is also not mandatory for mobile devices to be encrypted - users have the ability to 'opt out' through a disclaimer form. Desktop devices are not encrypted except in situations where users are specifically identified as dealing with sensitive data and when we requested a report of encrypted devices to determine whether they were actively encrypted, 43/252 laptops were listed as 'Null', this is caused by encryption not being completed on these devices. The password policy has not been reviewed since April 2012.</p>
<p><b>Value for Money</b></p> <p>Institutions have a duty of care to ensure the proper use of public funds and the achievement of value for money. Accordingly, our audit approach considers</p>	<p>Value for money has been demonstrated through the following activities:</p>

<p>value for money as an integral objective of London South Bank University's systems of internal control. Our work indicates that London South Bank University has processes in place to ensure value for money which are in accordance with good practice, examples are provided opposite.</p>	<ul style="list-style-type: none"> <li>• <i>Use of purchasing consortiums</i> – London South Bank University is a member of the London Universities Purchasing Consortia;</li> <li>• <i>Adherence to financial controls</i> - as part of our Continuous Auditing work we test to ensure transactions are approved and reviewed in accordance with London South Bank University's delegated authority framework. No significant issues have been noted this year; and</li> <li>• <i>Value for Money Working Group</i> – a working group was established in 2013 and is attended by senior officers across the organisation. This also focuses on delivering value for money for students.</li> </ul>
<p><b>Data Quality</b></p> <p>The MAA includes a mandatory requirement for quality assurances to be provided by Institutions over the data submitted to the Higher Education Statistics Agency (HESA) and HEFCE.</p> <p>Whilst there is no requirement for our internal audit programme to provide a conclusion in respect of data quality, our internal audit programme in 2014/15 has been designed to support the Audit Committee in forming its conclusion in respect of such matters.</p>	<p><i>Continuous Auditing</i></p> <p>We have not identified any significant exceptions regarding student financial data controls.</p> <p><i>Implementation of recommendations</i></p> <p>The University has continued to implement recommendations, see section 4.</p>

# 3. Internal Audit work conducted

## Introduction

The table below sets out the results of our internal audit work. We have also provided an analysis of findings identified year on year to provide an indicative direction of travel. The criteria for our report classifications and the definitions applied in the assessment of our individual findings are included in Appendix 2. We also include a comparison between planned internal audit activity and actual activity.

## Results of individual assignments

Audits	Report status	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Continuous Auditing: Financial Controls – Phase 1 (May to July 2014)	Final	No classification	-	-	-	1	-
Continuous Auditing: Financial Controls – Phase 2 (August – December 2014)	Final	No classification	-	1	1	1	-
Continuous Auditing: Key Financial Systems – Phase 3 (January 2015 – April 2015)	Final	No classification	-	-	2	-	-
Continuous Auditing: Student Data Controls – Phase 1 (August– October 2014)	Final	No classification	-	-	-	-	-
Continuous Auditing: Student Data Controls – Phase 2 (November– March 2015)	Final	No classification	-	-	-	2	-
Data Security	Final	High	-	3	3	-	-
Change Programme – Phase 1	Final	Medium	-	-	2	3	-
Change Portfolio	Final	Medium	-	-	4	-	-
Risk Management	Final	Low	-	-	1	2	-
<b>Total</b>			-	<b>4</b>	<b>13</b>	<b>9</b>	-

To assist the Audit Committee in understanding how our work corresponds to their reporting responsibilities, we have mapped our work against these areas in Appendix 4.

### Direction of control travel

Finding rating	Trend between current and prior year	Number of findings		
		2014/15	2013/14	2012/13
Critical	↔	0	0	0
High	↓	4	2	5
Medium	↓	13	8	13
Low	↔	9	8	11
<b>Total</b>	↓	<b>26</b>	<b>18</b>	<b>29</b>

### Implications for management

The increased number of recommendations could indicate that there has been a deterioration in the control environment compared to the previous year. The number of critical and low risks has not changed but the number of high and medium risks has increased.

However, the majority of these relate to findings from our review of the Change Programme (6 medium risks and 3 low risks). Given this background, the results suggest that the University has managed to retain a stable environment throughout a period of significant change: the results of our Continuous Auditing have remained largely consistent throughout the year (see below) and we have not identified any risks which are pervasive to the entire control environment.

3 of 4 high risks relate to one area, Data Security. This was a known area of risk for the University, which we were directed towards testing. Recommendations for all 4 high risk findings have either been fully implemented before 31/07/2015 or significant progress is underway to implement the recommendation.

No classification has been given for 5 reviews performed. These relate to Continuous Auditing and an analysis of findings in these areas has been provided below. However, we have provided risk-rated findings where exceptions were noted in our testing.

### Analysis of the Continuous Auditing programme

Whilst no overarching classification is assigned for our Continuous Auditing reports, we have below summarised the systems ratings assigned and number of operating effectiveness exceptions identified in each financial period under consideration as part of the 2014/15 audit programme.

System / Rating	IA Plan Year	2014/15			2013/14				Trend
	2015/16	P4	P3	P2	P1	P4	P3	P2	
	2014/15	2014/15	2014/15	2014/15	2013/14	2013/14	2013/14	2013/14	
Payroll	● Green (0)	● Green (2)	● Green (2)	● Green (0)	● Green (0)	● Amber (2)	● Amber (3)	● Green (0)	↑
Accounts Payable	● Green (1)	● Green (1)	● Amber (1)	● Green (0)	● Green (0)	● Amber (2)	● Green (0)	● Green (1)	↔
Accounts Receivable	● Green (0)	● Green (2)	● Green (1)	● Green (0)	● Green (0)	● Green (0)	● Amber (2)	● Green (2)	↑
Cash	● Green (0)	● Amber (2)	● Amber (1)	● Green (0)	● Green (0)	● Green (0)	● Green (1)	● Green (0)	↑
General Ledger	● Green (1)	● Green (2)	● Green (0)	● Green (0)	● Green (1)	● Green (0)	● Amber (1)	● Green (1)	↑

This table represents our view of the overall risk within each financial cycle and the numbers in brackets represent the number of control effectiveness exceptions identified from our work rather than the number of control design recommendations (these are summarised within the table included on page 5).

*Implications for next year's plan*

We have reduced the number of days assigned and the frequency of our Continuous Auditing programme for 2014/15. Although cash appears to have worsened, our follow up work has confirmed that the control design issues noted have been closed and during period 1 of testing in 2015/16, no issues were noted.

*Comparison of planned and actual activity*

<i>Audit</i>	<i>Audit Type</i>	<i>Budgeted days</i>	<i>Actual days</i>
Continuous Auditing: Financial Controls – Phase 1 (May to July 2014)	Value Protection	14	14
Continuous Auditing: Financial Controls – Phase 2 (October – April 2015)	Value Protection	13	13
Continuous Auditing: Financial Controls – Phase 3 (October – April 2015)	Value Protection	13	13
Continuous Auditing: Student Data Controls – Phase 1 (August– October 2014)	Value Protection	15	15
Continuous Auditing: Student Data Controls – Phase 2 (November– March 2015)	Value Protection	15	15
Change Management	Value Protection	15	15
Data Security	Value Protection	10	10
Risk Management	Value Protection	10	10
Value for Money	Value Protection	5	5
Audit management and follow up	N/a	15	15
		<b>125</b>	<b>125</b>

# 4. Follow up work conducted

## Introduction

Within the Internal Audit Risk Assessment and Internal Audit Plan 2014/15, 10 days were assigned for following up agreed actions raised in previous and current periods in order to assess whether agreed actions had been implemented by management.

Where findings were classified as critical, high or medium risk, we have validated that management's actions have been implemented. Where findings were classified as low risk or advisory, our follow up is limited to discussing progress with management and accepting their assurances with regards to the implementation status.

If some action has been taken to implement an action then the action has been classified as 'partially implemented'. If no action has been taken, this has been classified as 'outstanding'. We have agreed revised implementation deadlines for all 'partially implemented' actions.

Follow up work was not undertaken on findings from our Continuous Auditing programme. This is because issues noted as part of Continuous Auditing are followed up each testing period.

## Summary

23\* actions were due for implementation in 2014/15. The table below shows that 83% of actions had been fully implemented by 31 July 2015.

<i>Status</i>	<i>Number of agreed actions due by 31/07/2015</i>
Implemented	19
Partially implemented and deferred to 2015/16	3
Not agreed	1
<b>Total</b>	<b>23</b>

There are 3 agreed actions which were due to have been resolved by year end but remain in progress. We agreed revised implementation deadlines for these findings and have included a breakdown of these findings, with their current status and revised implementation deadlines in Appendix 3.

1 action has been closed as it was not agreed with management.

We will continue to work collaboratively with management in 2015/16 to ensure that implementation timescales agreed for management actions in year are achievable, taking in to account any known or expected changes in London South Bank University's processes or regulatory requirements.

*\* The total number of agreed actions has been calculated as 23. Originally, 25 actions were due in the period however 2 recommendations were closed as they were superseded by new recommendations.*

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# *Appendices*

# ***Appendix 1: Limitations and responsibilities***

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

We have prepared the Internal Audit Annual Report 2014/15 and undertaken the agreed programme of work as agreed with management and the Audit Committee, subject to the limitations outlined below.

## ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound arrangements and systems for risk management, internal control and governance. Additionally, management is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and to ensure proper stewardship and governance. Management is responsible for the regular review of the adequacy and effectiveness of these arrangements.

Management is responsible for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibility for the design and operation of these controls.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

## ***Opinion***

The opinion is based on the work undertaken as part of the agreed Internal Audit Risk Assessment and Internal Audit Plan 2014/15. The work addressed the control objectives agreed for each individual internal audit assignment as set out in our Internal Audit Risk Assessment and Internal Audit Plan 2014/15.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual audits was extended or other relevant matters were brought to our attention.

## ***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 relating to London South Bank University is for the year ended 31/07/2015. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

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







# Appendix 2: Basis of our opinion and classifications

## Assignment report classifications

Assignment report classifications are determined by allocating points to each of the findings included in the report:

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

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

## Individual finding classifications

Finding rating	Assessment rationale
<b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</li> <li>• <b>Critical</b> monetary or financial statement impact of £5m; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.</li> </ul>
<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</li> <li>• <b>Significant</b> monetary or financial statement impact of £2m; or</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</li> <li>• <b>Moderate</b> monetary or financial statement impact of £1m; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation’s operational performance resulting in moderate disruption of discrete non-core activities; or</li> <li>• <b>Minor</b> monetary or financial statement impact of £500k; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.</li> </ul>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

# Appendix 3: Outstanding recommendations

## Breakdown of partially implemented actions

There are 4 agreed actions which have been partially implemented by 31 July 2015. We have provided a breakdown of the original finding raised, agreed action, risk rating, status and revised due date below.

<i>Review</i>	<i>Agreed action</i>	<i>Original due dates</i>	<i>Revised due date</i>	<i>Risk rating</i>	<i>Status</i>
Office of the Independent Adjudicator (OIA) 2013/14	London South Bank University are moving the system to an electronic workflow process which will be piloted during 2013/14 and fully implemented for the next main appeals cycle.	31/08/14 30/04/15	30/09/15	<b>Advisory</b>	This has been piloted however the iCasework system was not ready for the July 2014 appeals deadline, so London South Bank University only has partial implementation at the moment (the new form, produced by London South Bank University, was ready but the workflow, provided by iCasework, was not).  Once the September appeals round is over, London South Bank University will re-engage with iCasework and complete the full implementation during 2014/15 as planned.
OIA 2013/14	The University is already working with faculties to iron out inconsistencies of approach. This will be further facilitated through the Student Records Development Team, who will ensure a follow-up review of process at the end of semester 1, to monitor progress and further eliminate inconsistency.	28/02/2014 31/10/2014 30/04/2015	30/09/2015	<b>Advisory</b>	The work completed by the Student Journey project within the Change Programme is now being taken forward by the new Head of Student Administration, who is in the process of re-structuring the School admin teams, and will then be working to ensure that processes are consistent across the institution whilst taking account of local requirements.
OIA 2013/14	In relation to the handling of student complaints, the executive's aim is to achieve informal resolution at Stage 1 by the Pro Dean of the relevant faculty. This means the complaint is resolved in a timely way, allowing the student to prioritise their studies and avoids entrenchment in the later stages of the formal process.  With this in mind, the following actions will be taken to mitigate the risks identified in section 5 (above). A. The complaints procedure requires the complaint to be handled by a senior manager within the relevant faculty. The complaints team will provide a refresher session for	31/10/2014 31/12/2014 30/04/2015	30/09/2015	<b>Advisory</b>	The management structures within Academic areas are being re-appointed following the structural transition from Faculties to Schools. The Pro Dean roles have been disestablished, and the new School Executive Administration teams are being established. Once all of these posts have been filled, a training session will be organised for all to ensure that they are fully cognisant of current procedures and time frames in regard to student complaints.

	<p>the four Pro Deans responsible for student complaints (plus their nominees) to cover best practice.</p> <p>B. Under the complaints procedure, it is best practice for decisions affecting students to be made at the level of Pro Dean or above. The refresher session will address this point.</p> <p>C. The complaints team will review the time limits and deadlines in the complaints procedure and make a recommendation to Academic Board as to whether they are fit for purpose or otherwise.</p> <p>The intention of the complaints procedure is that the handling of the case is led by the Pro Dean of the relevant faculty. The refresher session will address how Pro Deans and their senior colleagues may review and report on progress of cases, including keeping the student informed.</p>				
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# Appendix 4: Mapping of internal audit work

## Reporting responsibilities

The table below maps our internal audit work against the Audit Committee's reporting responsibilities.

<i>Audit Unit</i>	<i>Governance</i>	<i>Risk management</i>	<i>Control</i>	<i>Value for money</i>	<i>Data Quality</i>
Continuous Auditing: Financial Controls – Phase 1 (May to July 2014)	x	x	✓	x	x
Continuous Auditing: Financial Controls – Phase 2 (October – April 2015)	x	x	✓	x	x
Continuous Auditing: Financial Controls – Phase 3 (October – April 2015)	x	x	✓	x	x
Continuous Auditing: Student Data Controls – Phase 1 (August–October 2014)	x	x	x	x	✓
Continuous Auditing: Student Data Controls – Phase 2 (November–March 2015)	x	x	x	x	✓
Change Management	x	✓	-	x	-
Data Security	✓	✓	x	-	x
Risk Management	x	✓	-	-	-
Value for Money	-	-	-	✓	-

### Key

- ✓ Testing focused on this area
- x Testing was peripheral
- Not tested

## Data Quality

The Audit Committee's Annual Report must include an opinion on the adequacy and effectiveness of arrangements for the management and quality assurance of data submissions to HESA, HEFCE and other funding bodies. To assist the Audit Committee prepare its Annual Report, we have outlined where our work assessed the arrangements for the management and quality assurance of data (see the table on this page). We provide no conclusions or opinion on data quality.





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This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University in our agreement dated 21 July 2010. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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	CONFIDENTIAL
	PAPER NO: AC.52(15)
Paper title:	Going Concern Review
Board/Committee	Audit Committee
Date of meeting:	5 November 2015
Author:	John Baker, Corporate & Business Planning Manager
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To present the going concern report for the financial year 14/15.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	The going concern report relates to the sound operation of the entire institution.
Recommendation:	The Executive recommends that audit committee note the assurance sources and recommend approval by the Board of the going concern statement in the statutory accounts.

Matter previously considered by:		
Further approval required?		On:

**Executive Summary:**

The Going Concern Report relates to the condition in the financial statements of the University that they are prepared with the expectation that the University will continue in operation.

One of the responsibilities of the Board in approving the financial statements is to ensure that they are prepared on a going concern basis unless it is inappropriate to presume that the University will continue in operation. In ensuring the applicability of the going concern basis, the Board must be satisfied that the University has adequate resources to continue in operation for the foreseeable future (and has neither the intention nor the need to liquidate or curtail materially the scale of its operations for a period usually regarded as at least 12 months).



This report provides the Board with detail regarding the assurance sources of this judgement regarding future sustainability.

Areas of assurance include:

- regular KPI reporting in areas which are relevant to the sustainability of LSBU
- an effective risk management process (rated in September 2015 as low risk by the internal auditors)
- financial strategy and forecasts, which provide financial surpluses each year over the forecast period to 2020 in line with the corporate strategy
- 2015/16 budget, with a budget surplus of £1m agreed by the Board
- at 31 July 2015 the University has cash and cash deposits of £50.2m
- approved cashflow forecasts provide for sufficient annual net cash inflows to enable the University to meet its future investment plans
- an estates master plan has been approved with agreed prioritisation and identification of potential funding sources for individual projects. This supports future financial sustainability by unlocking the potential value of the existing estate or through self-financing business plans.

The Executive recommends that audit committee note the assurance sources and recommend approval by the Board of the going concern statement in the statutory accounts.

## **Executive Summary**

The financial statements set out the responsibilities of the Board of Governors. One of those responsibilities is to ensure that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University will continue in operation. In ensuring the applicability of the going concern basis, the Board must be satisfied that the University has adequate resources to continue in operation for the foreseeable future (at least 12 months).

This paper is presented to the Board and its committees to summarise the assurance sources regarding the future sustainability of LSBU which underpin the going concern statement in the annual financial accounts.

The Going Concern statement in the annual accounts reads as follows:

*Governors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.*

*2014/15 has been a year of significant change, re-structuring and investment for future success. This, coupled with in year funding cuts has resulted in significant costs which were not accounted for in the original budget. Through sound financial management, a financial surplus of £1.2m has been delivered which is ahead of the approved budget surplus for the year of £1m.*

*A budget surplus of £1m has been approved for 2015/16, reflecting continued investment to ensure delivery of 2020 corporate strategic and financial outcomes. The next few years will remain challenging in financial terms and the levels of surplus are expected to remain lower than the recent past whilst we are in the process of investing for growth, delivering new income streams and improving retention and progression. This is entirely consistent with the University's financial model and approved five year forecasts.*

*Whilst financial performance is expected to remain challenging, the University will continue to deliver annual surpluses and generate positive cash inflows from operating activities. This, together with the current strong cash position (the University has £50.2m cash and bank deposits at 31 July 2015), supports the University's ambitious investment plans.*

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

## 1. KPI reporting

- We review the institution's performance continually using a number of KPIs in areas relevant to the sustainability of the institution. In these areas, we have set long term targets against which the Board of Governors and its committees and our Executive team and Operations Board monitor performance. We are satisfied that our strategies will help us move towards achieving these targets. The headline financial KPI targets aligned to the new corporate strategy are unchanged from last year and are as follows:

By 2020 we will have delivered:
• 25% growth in income from £136m to £170m
• An operating surplus of 5% (£8.5m pa on income of £170m)
• EBITDA margin (EBITDA/income) of 15% (equivalent to EBITDA of £25.5m pa on income of £170m)

The latest KPI report for 2014/15 is attached as Appendix 1. In terms of financial KPIs the only red rated item relates to enterprise income which at £8.7m for 2014/15 was behind budget for the year. However, the budget was aggressive in terms of growth and the final figure of £8.7m, whilst short of budget, represented a year on year improvement of 8.75% after adjusting for one-off incomparable items.

- We are satisfied that our process for the selection of KPIs, and of data collection and analysis in setting targets and making assessments is appropriate and rigorous and can be reconciled with other information including the statutory financial accounts. Considerable work has been done over the past 12/18 months to ensure that the KPI set is aligned to the new University strategy 2015/20.

## 2. Risk management

- We have an effective risk management process (rated as low risk by our internal auditors as recently as September 2015), linked to the achievement of institutional objectives as set out in the corporate strategy 2015/20 and designed to identify, evaluate and effectively manage risk. Where there are serious issues or risks, this process helps ensure that appropriate controls

are in place and/or remedial actions taken as appropriate. During 2014/15 we have also agreed with the Board an approach to understanding its appetite for risk across key risk areas and this has been embedded into our risk management processes.

### 3. Financial sustainability

#### *Financial strategy and forecasts*

- The University's financial strategy is expressed through its rolling five year financial forecasts. Those forecasts are kept under constant review and have been thoroughly revised in 2015 to reflect latest assumptions.
- The key elements of the financial strategy are to:
  - Aim for a surplus of 5% of income. This will not be achievable each year over the next 5 years because we are increasing our revenue (as well as capital) investment to deliver the outcomes set out in the new University corporate strategy. However, the approved annual surplus over the next 5 years will generate sufficient cash reserves both to support investment at current planned levels and manage the financial position in the short term until the surplus returns to 5%
  - Deliver growth in income, with a particular focus on enterprise, income from international students and non SNC post graduate and part-time provision
  - manage staff costs, including agency costs, to an agreed maximum percentage of income
  - Ensure flexibility, to allow management to respond as necessary to changes as they arise. The revenue budget each year includes an investment pool which can be flexed as required in response to changing circumstances. In 2015/16 those revenue investment funds amount to £2.5m
  - Invest at an appropriate level to provide for future sustainability in buildings and infrastructure
  - Ensure that all aspects of the University's operation are as lean and efficient as possible without compromising quality or student success

- Maintain cash balances at agreed levels (minimum £20m).
- As stated above, the revised forecasts reflect the continued challenging financial environment over the next few years. However, the forecasts provide:
  - Financial surpluses over the forecast period (minimum £1m p.a.)
  - A clear path to toward delivery of 5% surplus target by the end of the forecast period, and
  - Sufficient operating cash to enable the University to meet its stated investment.
- Within our monitoring framework we have set targets for a small number of leading KPIs linked closely to delivery of the financial forecasts and which are monitored closely by the Board. The key targets are:
  - Minimum new student recruitment at FTUG Home/EU of 2,750
  - Improving YR1/YR2 progression to 76% by 2017/18
  - Additional income of £12 m p.a. (at surplus of 20%) by 2017/18
  - Capital Investment of over £100m over the life of the forecasts
  - Maintaining income in the Health and Social Care (HSC) at forecast levels.

With regard to progression rates, our financial forecasts assume improvement but at 80% for YR1/YR2 progression by 2020 this is considerably more prudent than the aspirational KPI target of 85% within the corporate strategy. In financial terms, there is potential therefore for upside in terms of bottom line assuming our aspirational targets are met.

We have made no assumptions about fee inflation which is pegged at the headline £9k over the life of the forecasts.

*2015/16 budget*

- The detailed budget planning process for 2015/16 is complete and a budget surplus of £1.0m (0.7%) has been approved by Board. This is in line with the agreed 5 year forecasts. To mitigate for the financial impact of the principal risk around recruitment, the budget contains an explicit contingency of £0.5M as well as an investment fund monies of £2.5m. The budget also contains a provision of £1.5M for restructuring costs and exceptional items.

*Student recruitment*

- The core number of new HEFCE full-time UG students will likely be under our 2750 target, this is despite receiving over 3,100 acceptances during the recruitment cycle. Of the 3100 students who accepted offers c2750 have engaged with the enrolment process but we are seeking to measure against those that are fully enrolled and still here at the end of October. Currently only 2550 are fully enrolled (c 200 remain partially enrolled) and there is a 2-week cool-off period when students can withdraw, hence the end of October census. This is therefore a tougher but more meaningful measure of 2750 than last year. It is clear that whilst we are gaining market share with respect to more qualified applicants, we remain highly dependent on clearing with c40% of students coming through this route. The 14/15 data published show we are still 125 out of 127 institutions for entry tariff (248 points). With increased market volatility these recruitment levels are not ideal but failure to increase tariff is damaging to reputation and impacts on retention. Selective institutions have this year sought to grow and have lowered entry tariffs. Further expansion of the sector is also expected with additional new providers. We will therefore review our institutional average entry tariff in coming weeks for the 15/16 cohort, but may need to hold at current entry levels while we seek to grow volume to help mitigate the risk of under recruitment in future years. The recruitment risks are compounded by challenges in the international market where we are gaining applications but are having to reject many well qualified candidates based on UKVI behaviour towards certain jurisdictions. If the English language requirements are further increased, and threshold for maintaining a licence reduces to 5-8% visa refusals, this will become increasingly challenging. It is rumoured that some London based institutions are considering withdrawal from international activity which could provide opportunity. Additional staffing is being released into this area to deal with the burden of supporting international recruitment on

staff - especially around student monitoring. NHS numbers should be on target.

- Whilst expected to be behind budget in terms of recruitment and resultant income in 2015/16 (current shortfall estimated to be up to £3m), this is manageable through careful cost control including commitment of investment funds. The recent voluntary severance and re-structure programme will also have a positive impact. Staff costs in the first 2 months of 2015/16 are £2m below budget. Some of this relates to timing but a minimum of £1m represents a real cost saving which has already been banked in budgetary terms. The shortfall in recruitment will not therefore have an impact on going concern. Future forecasts make no assumptions of growth beyond 2,750 Home/EU FTUG and our focus is on ensuring that we return to this level (minimum) in 2016/17 and subsequent years.

#### *Cashflow*

- Capital expenditure plans have been analysed in detail and a detailed cashflow model has been prepared as an integral part of the 5 year financial forecasts which reflect those agreed spending plans. The approved forecasts provide for sufficient annual net cash inflows to enable the University to meet its investment plans.

#### 4. Sustainability in estates & infrastructure investment

- LSBU continues to develop its strategic investment in the estate to create sustainable, first class facilities which will enhance both the learning and social experiences of students and support the delivery of the academic mission. The estate strategy includes plans to build new facilities and for the refurbishment of existing buildings. It is proposed to dispose of old buildings of corresponding dimensions to those of the new builds in order that there is no significant increase in the size of the overall footprint of the campus. Specific projects within the master plan have been prioritized and potential funding sources identified. The funding approach adopted supports future financial sustainability by unlocking the potential value of the existing estate or through developing self-financing business plans.

#### Attachments

1. Latest KPI report 14/15 Academic Year

Out comes	#	Corporate Strategy Goals	Report Date	9th October 2015			Past Performance		benchmark	Target	14/15 Ratings	
			20/20 Success Measures	#	Key Performance Indicators	2011/12	2012/13	2013/14	Competitor Group 12/13 average	2014/15	Forecast RAG rating	Actual Result Rating
Student Success	1	Employ- ability	95% students in employment / further study (EPI)	1	DHLE entry to employment or further study (EPI)	78.10%	77.4%	85.5%	88.5%	87%	90.2%	90.2%
			Top 10 UK universities for student start ups	2	Number of Student start ups	6	1	30	47.86	50	43	
	2	Student Experience	Top quartile of all universities in NSS	3	NSS scores – overall satisfaction	80%	82%	80%	81.7%	82%		82%
				4	International Student barometer (% recommending LSBU)	70.00%	73.00%	72.40%	not available	N/A (hiatus)		
				5	PGT experience (% satisfaction)	71%	75%	75%	not available	77%		74%
				6	Student Staff Ratio	22.4:1	23.7:1	24.2:1	21.2	22:1	17.2:1	
Real World Impact	3	Teaching and Learning	Top 50% of universities for graduate employment / starting salaries.	7	Graduate level employment	not available	59%	54%	n/a (local indicator)	55%		75%
	4	Research and Enterprise	Top 50% UK for Research & Enterprise Income	8	Research Income (non Hefce)	£2.4m	£2.2m	£1.8	£6.1	£1.4 m	£2.0m	
				9	Enterprise Income	£10m	£8.5m	£9.4m	not available	£9.9 m	£8.7m	
Access to Opportunity	5	Access	Top London Modern for LPN recruitment	10	% recruitment from low participation neighbourhoods	6.5%	7.4%	7.7%	6.4%	8.4%		
				11	Undergraduate recruitment before clearing	63.0%	68.0%	76.0%	not available	80%		78.9%
				12	First Degree Completion (at or above benchmark)	not available	-9.5%	-6.7%	-3.13%	-6%		
			Exceed expectations on completion	13	Year 1 progression	63%	65%	63%	not available	69%	64%	
				14	Good Honours	53.5%	59.7%	61.0%	62.2%	60 - 65%	65.6%	
				15	PG completion	not available	75%	55%	not available	76%	58%	
	6	International	4 QS Stars	16	QS Star Rating	n/a	n/a	2 (prov.)	not available	2		3 stars
				17	Overseas student income	£9.6m	£8.6m	£8.5m	£29.5m	£9.3m	£10.5m	
Strategic Enablers	7	People and Organisation	Rated as a good employer	18	Appraisal completion %	21%	28%	37%	not available	50%		
				19	Average Engagement Score as a %		58%	-	70%	55%		
	8	Resources and Infrastructure	Grow our income by 25% to £170m annually, deliver an operating surplus of 5% and an EBITDA margin of 15%	20	Surplus as % of income	4.7%	4.0%	2.3%	9.6%	0.7%	0.7%	
				21	Income (£m)	£138.3m	£137.9m	£134.8m	£188.2m	£136.5m	£135.4m	
				22	EBITDA margin (EBITDA expressed as % of income)	14.3%	11.2%	9.9%	9.20%	10.7%	11.3%	
				23	Student satisfaction ratings with facilities & environment	79%	80.0%	83.0%	82.7%	84%		87.7%
24	Teaching room utilisation rate	26%	23%	22%	not available	43%		21%				
League Tables	Overall	Top London Modern university (excl UAL)	25	TIMES - League table ranking	111/121	118/121	122/123	92.3	118		120 / 127	
			26	GUARDIAN – League table ranking	104/120	113/119	112/116	87.1	110		111 / 119	
			27	COMPLETE UNIVERSITY GUIDE – League table ranking	109/116	119/124	120/123	85	117		119 / 126	



	CONFIDENTIAL
	PAPER NO:AC.53(15)
Paper title:	Letter of representation to auditors
Board/Committee	Audit Committee
Date of meeting:	Thursday 5 <sup>th</sup> November 2015
Author:	Natalie Ferer
Executive/Operations sponsor:	Richard Flatman
Purpose:	To review the letter of representation. Decision
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory Financial Reporting
Recommendation:	To recommend the attached letter of representation to the Board for approval.

Matter previously considered by:	None	n/a
Further approval required?	Board of Governors	On: 26 <sup>th</sup> November 2015

### **Executive Summary**

The letter of representation requires the Board of Governors to give specific assurances to the auditors over matters regarding the financial statements and the year-end audit. It should be signed by the Chair of the Board of Governors at the time of signing the accounts. The attached letter contains standard representations only; there are no items that have been inserted specific to LSBU.

### **Recommendation**

It is recommended that the Audit Committee recommend the attached letter of representation to the Board for approval.

### **Attachments:**

- Letter of representation
- Letter of representation showing comparison with the 2014 letter.

**{\*\*Prepare on LSBU letterhead\*\*}**

Our Ref: LSBU(1415)/DB/NT

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
London

NW1 2EP

**{\*\*Date to be entered\*\*}**

Dear Sirs

## London South Bank University Financial Statements for the year ended 31 July 2015

This representation letter is provided in connection with the audit of the financial statements of London South Bank University and its subsidiary undertaking as shown in Appendix I to this letter for the year ended 31 July 2015 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

We confirm that, to the best of our knowledge and belief, the following representations are made on the basis of appropriate enquiries of other members of the Board with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the above financial statements, in accordance with the terms of your engagement letter dated 14 September 2015.

### **Financial Statements**

- i As set out in the Statement of Responsibilities of the Board of Governors on page 16, we acknowledge our responsibilities for preparing financial statements that give a true and fair view in accordance UK GAAP, the Statement of Recommended Practice - Accounting for Further and Higher Education ('SORP') and applicable law, and for making accurate representations to you.
- ii In addition, within the terms and conditions of the Memorandum of assurance and accountability agreed between the Higher Education Funding Council for England and the Board of the University, the Board of the University, through its designated officer holder, we have prepared the financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.
- iii We are responsible for ensuring that funds from the Higher Education Funding Council for England, the National College for Teaching and Leadership, and the Skills Funding Agency are used only for the purposes for which they have been given and in accordance with the Memorandum of assurance and accountability with the Higher Education Funding Council for England and any other conditions which the Funding Council may from time to time prescribe.
- iv The University has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- v We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.
- vi Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vii On the basis of the process established by the Board and having made appropriate enquiries, the Board is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with FRS 17 Retirement Benefits.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK GAAP, the SORP, and HEFCE's Accounts Direction.
- ix All events subsequent to the date of the University financial statements and for which UK GAAP and the SORP and any subsequent amendments or variations to this statement require adjustment or disclosure have been adjusted or disclosed.
- x Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK GAAP.
- xi We have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, attached to this letter, as they are immaterial to the results of the University and its financial position at the year-end. The University financial statements are free of material misstatements, including omissions.

#### **Information Provided**

- i We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the University financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- ii We have disclosed to you the results of our assessment of the risk that the University financial statements may be materially misstated as a result of fraud or error.
- iii All transactions have been recorded in the accounting records and are reflected in the University's financial statements.
- iv We confirm that we have provided to you all information relating to our contractual arrangements with HEFCE and that we currently know of nothing which could have an impact upon these arrangements and as far as we are aware, at the current time, there is no adjustment to the HEFCE funds to be provided for in the financial statements.

- vi We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the University's financial statements.
- vii We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the University's financial statements communicated by employees, former employees, analysts, regulators or others.
- viii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing University's financial statements.
- ix We have disclosed to you the identity of the University's related parties and all the related party relationships and transactions of which we are aware.
- x We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- xi We confirm that we have reviewed all correspondence with regulators, which has also been made available to you, including, in England and Wales, the serious incident report guidelines issued by the Charity Commission (updated in 2014). We also confirm that no serious incident reports have been submitted to HEFCE, as the principal regulator, nor any events considered for submission, during the year or in the period to the signing of the balance sheet.

Yours faithfully

On behalf of the Board of Governors of London South Bank University

Appendix I  
List of subsidiary undertakings

**South Bank University Enterprises Limited**

Appendix II  
List of unadjusted misstatements

**London South Bank University:**

The unadjusted misstatement is shown below. There would be no impact on the reported surplus for the period.

Detail	Profit and loss account £'000	Balance Sheet £'000	Impact on surplus £'000
1 Tangible fixed assets Accruals <i>Being the accrual for retentions against assets completed in the period.</i>	-	DR 384 CR 384	
<b>Overall impact</b>	-	-	-

**{\*\*Prepare on LSBU letterhead\*\*}**

Our Ref: ~~L05822015/LSBU(1415)/DB/ATNT~~

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
~~Euston Square~~  
London  
NW1 2EP

~~20<sup>th</sup> November 2014~~

**{\*\*Date to be entered\*\*}**

Dear Sirs

London South Bank University  
Financial Statements for the year ended 31 July ~~2014~~2015

This representation letter is provided in connection with the audit of the financial statements of London South Bank University and its subsidiary undertaking(s) as shown in Appendix I to this letter for the year ended 31 July ~~2014~~2015 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with ~~the Companies Act 2006~~ United Kingdom Generally Accepted Accounting Practice (UK GAAP).

We confirm that, to the best of our knowledge and belief ~~that~~, the following representations are made on the basis of appropriate enquiries of other members of the Board with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you in respect of your audit of the above financial statements, in accordance with the terms of your engagement letter dated ~~16 July 2014~~ 14 September 2015.

**Financial Statements**

- i As set out in the Statement of Responsibilities of the Board of Governors on page ~~221~~6, we acknowledge our responsibilities, ~~in accordance with the University's Memorandum and Articles of Association~~, for preparing financial statements that give a true and fair view in accordance ~~with the University's Memorandum and Articles of Association and UK GAAP~~, the Statement of Recommended Practice - Accounting for Further and Higher Education (SORP) and applicable law, and for making accurate representations to you.
- ii In addition, within the terms and conditions of the ~~Financial~~ Memorandum of assurance and accountability agreed between the Higher Education Funding Council for England and the Board of ~~Governors of~~ the University, the Board of ~~Governors~~ the University, through its designated officer holder, ~~is required to prepare~~ we have prepared the financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.
- iii We are responsible for ensuring that funds from the Higher Education Funding Council for England, the National College for Teaching Agency for Schools and Leadership, and the Skills Funding Agency - are used only for the purposes for which they have been

given and in accordance with the ~~Financial~~ Memorandum of assurance and accountability with the Higher Education Funding Council for England and any other conditions which the Funding Council may from time to time prescribe.

iv The University has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

v We acknowledge our responsibility for the design ~~and~~, implementation and maintenance of internal control to prevent and detect fraud or error ~~and fraud~~.

vi Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vii On the basis of the process established by the Board and having made appropriate enquiries, the Board is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with FRS 17 Retirement Benefits.

~~viii~~ Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Statement of Recommended Practice – Accounting for Further and Higher Education (‘SORP’), issued by the Charity Commission for England and Wales and any subsequent amendments or variations to this statement UK GAAP, the SORP, and HEFCE's Accounts Direction.

~~ix~~ All events subsequent to the date of the University financial statements and for which UK GAAP and the SORP and any subsequent amendments or variations to this statement require adjustment or disclosure have been adjusted or disclosed.

~~x~~ Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice GAAP.

~~xi~~ We have not adjusted the misstatements brought to our attention on the audit differences and adjustments summary, included within the Audit Findings document attached to this letter, as they are immaterial to the results of the University and its financial position at the year-end. The University financial statements are free of material misstatements, including omissions.

~~xii~~ We confirm that we have provided to you all information relating to our contractual arrangements with HEFCE and that we currently know of nothing which could have an impact upon these arrangements and as far as we are aware at the current time, there is no adjustment to the HEFCE funds to be provided for in the financial statements.

### Information Provided

i We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the University financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.



- ii We have disclosed to you the results of our assessment of the risk that the University financial statements may be materially misstated as a result of fraud or error.
- iii All transactions have been recorded in the accounting records and are reflected in the University's financial statements.
- iv We confirm that we have provided to you all information relating to our contractual arrangements with HEFCE and that we currently know of nothing which could have an impact upon these arrangements and as far as we are aware, at the current time, there is no adjustment to the HEFCE funds to be provided for in the financial statements.

- | ~~v~~vi We have disclosed to you our knowledge of fraud or suspected fraud affecting the entity involving:
- a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the University's financial statements.
- | ~~vii~~vii We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the University's financial statements communicated by employees, former employees, analysts, regulators or others.
- | ~~viii~~viii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing University's financial statements.
- | ~~ix~~ix We have disclosed to you the identity of the University's related parties and all the related party relationships and transactions of which we are aware.
- | ~~x~~x We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- | ~~xi~~xi We confirm that we have reviewed all correspondence with regulators, which has also been made available to you, including, in England and Wales, the serious incident report guidelines issued by the Charity Commission (updated in 2010)-2014). We also confirm that no serious incident reports have been submitted to HEFCE, as the Charity Commission principal regulator, nor any events considered for submission, during the year or in the period to the signing of the balance sheet.

Yours faithfully

|  
On behalf of the Board of Governors of London South Bank University



Appendix I  
List of subsidiary undertakings

**South Bank University Enterprises Limited**

|

Appendix II  
List of unadjusted misstatements

London South Bank University:

The unadjusted misstatement is shown below. There would be no impact on the reported surplus for the period.

Detail	Profit and loss account £'000	Balance Sheet £'000	Impact on surplus £'000
1 Tangible fixed assets Accruals <i>Being the accrual for retentions against assets completed in the period.</i>	-	DR 384 CR 384	
<b>Overall impact</b>	-	-	-

	CONFIDENTIAL
	PAPER NO: AC.54(15)
Paper title:	Draft Report and Accounts for the year to 31 <sup>st</sup> July 2015
Board/Committee	Audit committee
Date of meeting:	5 November 2015
Author:	Natalie Ferer, Financial Controller
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To review the draft report and accounts for the year ending 31 <sup>st</sup> July 2015 Decision / Discussion / Information
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory financial reporting
Recommendation:	That the Audit committee review the attached report and accounts and recommend approval to the Board.

Matter previously considered by:	Finance, Planning and Resources	On: 27 <sup>th</sup> October 2015
Further approval required?	Board of Governors	On: 26 <sup>th</sup> November 2015

### **Executive summary**

The audit for the year ended 31 July 2015 is almost complete. The draft report & accounts are enclosed for review by Audit Committee. The accounts will be submitted to the Board of Governors for approval and signing on 26<sup>th</sup> November.

Subject to satisfactory completion of the matters referred to below, the committee is requested to recommend approval to the Board.

**Outstanding steps to completion**

- Resolution of outstanding audit queries raised by Grant Thornton
- Completion of review work by Grant Thornton
- Issuing of letter of representation by LSBU to Grant Thornton
- Grant Thornton review of post balance sheet events
- Review by this Committee
- Approval by Board of Governors on 26<sup>th</sup> November
- Signing of accounts

**Key Issues**

The attached accounts are for the year ended 31 July 2015. A detailed financial review is included on pages 7-11 of the accounts. A clawback of funds by HEFCE relating to 2014/15 is expected and a provision of £263k has been included in the accounts. Grant Thornton will monitor the position up to the date of signing the accounts.

Grant Thornton are presenting the results of their audit to in their Audit Findings document

**Recommendation**

The Executive recommends that the Audit Committee review the attached report and accounts and recommend approval to the Board.

**London South Bank  
University**

**Report and Financial Statements**

**31 July 2015**

Version 8 draft date 30th Oct 2015



# **London South Bank University**

## **Report and financial statements 2015**

<b>Contents</b>	<b>Page</b>
Strategic report	2
Responsibilities of the Board of Governors	16
Corporate governance statement	17
Independent auditors' report	24
Consolidated income and expenditure account	26
Consolidated statement of total recognised gains and losses	26
Note of consolidated historical cost surplus	26
Balance sheets	27
Consolidated cash flow statement	28
Principal accounting policies	28
Notes to the accounts	33

Version 8 draft date 30th Oct 2015

# London South Bank University

## Strategic Report

### Legal and Administrative Details

This Strategic Report is that of the University and its subsidiary, South Bank University Enterprises Limited.

London South Bank University was incorporated on 12 August 1970. It is registered at Companies House under number 986761 and its registered address is 103 Borough Road, London, SE1 0AA. London South Bank University is a company limited by guarantee and has no share capital.

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described on pages 17-23 and the members of the Board of Governors during the year ended 31 July 2015 are listed on page 3. The Governors are also directors under the Companies Act 2006.

The University is an exempt charity within the meaning of the Charities Act 2011 applying in England and Wales and its principal regulator is HEFCE. All Governors are also charitable trustees. The University is regulated principally by HEFCE under a Financial Memorandum. The University complies with conditions of grant set out in funding agreements with the relevant grantor.

#### **Solicitors**

Shakespeare Martineau LLP  
1 Colmore Square  
Birmingham B4 6AA

Mills and Reeve LLP  
Botanic House  
100 Hills Road  
Cambridge CB2 1PH

Veale Wasbrough Vizards LLP  
Orchard Court  
Orchard Lane  
Bristol BS1 5WS

Shoosmiths LLP  
Witan Gate House  
500-600 Witan Gate West  
Milton Keynes MK9 1SH

Michelmores LLP  
48 Chancery Lane,  
London WC2A 1JF

#### **Auditor**

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

#### **Bankers**

NatWest  
City of London Office  
1 Princes Street  
London EC2R 8PA

### Structure, Governance and Management

#### **Principal Officers:**

##### **Position**

Vice Chancellor

Deputy Vice Chancellor

Pro Vice Chancellor (Research and External Engagement)

Pro Vice Chancellor (Education and Student Experience)

Chief Financial Officer

Chief Operating Officer

Executive Director of Organisational Development and HR

Secretary and Clerk to the Board of Governors

##### **Name**

Professor David Phoenix

Professor Patrick Bailey (appointed 1 September 2014)

Professor Paul Ivey (appointed 1 November 2014)

Professor Shân Wareing (appointed 18 May 2015)

Mr Richard Flatman

Mr Ian Mehrtens

Mrs Mandy Eddolls

Mr James Stevenson

## Strategic Report

A separate Corporate Governance Statement is shown on pages 17-23.

The following were Governors throughout the year ended 31 July 2015 except as noted:

### Board of Governors

Name	Dates
Mr David Longbottom (Chair)	resigned 31 July 2015
Mr Jeremy Cope	appointed 01 September 2014
Professor David Phoenix (Vice Chancellor and Chief Executive)	
Ms Ilham Abdishakur	resigned 30 June 2015
Mr Steve Balmont	
Mrs Shachi Blakemore	appointed 1 April 2015
Mr Douglas Denham St Pinnock	
Mr Ken Dytor	resigned 31 March 2015
Professor Neil Gorman	
Mrs Carol Hui	appointed 1 April 2015
Professor Hilary McCallion CBE	
Mr Kevin McGrath	appointed 1 April 2015
Ms Anne Montgomery	resigned 31 March 2015
The Revd Canon Sarah Mullally DBE	resigned 31 March 2015
Dr Mee Ling Ng	
Ms Louisa Nyandey	resigned 16 October 2014
Mr Abdi Osman	appointed 1 July 2015
Mr Andrew Owen	
Ms Diana Parker	resigned 31 March 2015
Professor Shushma Patel	resigned 31 July 2015
Mr James Smith CBE	
Professor Jon Warwick	resigned 31 July 2015

### Changes in Governors since 31 July 2015:

Anthony Roberts (appointed 21 October 2015)

Ms Jenny Owen (appointed 21 October 2015)

Mr Jeremy Cope (appointed Chair 01 August 2015)

Ms Andrea Smith (appointed 21 October 2015)

### Objectives and Activities

#### **Our mission:**

#### **To be recognised as an enterprising civic university that addresses real world challenges**

London South Bank University has been transforming lives, communities and businesses for over 120 years. At its creation, the Prince of Wales and Archbishop of Canterbury were instrumental in a fundraising campaign which

## Strategic Report

included 55,000 letters of appeal and led to collection boxes being placed on London's bridges. The aims were to improve the social mobility of the people of south east London by improving their employment opportunities and to support the community by providing access to applied knowledge that would advance their businesses. Other than an increasingly global reach that mission remains almost unchanged today – LSBU provides a highly applied academic environment which supports students into professional careers by providing the knowledge and skills attractive to employers. At the same time, it supports employers and the professions by providing the education, consultancy and high quality applied research they need to grow their businesses.

### Key outcomes 2015-2020

The higher education sector and the market within which we operate has changed and continues to develop rapidly and so we must continue to innovate in order to keep pace. The recent decision to remove student number controls means we will inevitably see recruitment becoming an even more heated environment and this will be fuelled by new entrants such as private providers. In 2010 only £30 million of public funding went to private providers and this is now approaching £1 billion.

Students do not want to simply sit in a lecture theatre. They continue to demand more for their money and the demand will increase still further when maintenance grants are scrapped and replaced with loans in September 2016. They will expect that their investment in education will enhance their future career prospects. Institutions who strive to successfully meet and manage these expectations are the ones who will prosper. Providing a personalised student experience leading to strong graduate outcomes will become increasingly important and, given our focus on professional education, this is an area in which we must excel.

As the number and diversity of providers grows it will be important to ensure a degree of differentiation from competitors. Universities that succeed in this new environment will be ones that build on their strengths to ensure they develop a strong external reputation for the quality of what they deliver.

Developing into a university that is recognised for addressing society's challenges by engaging with partners on both a local and global scale is not in itself a significant move away from who we are now. We have a reputation for courses relevant to the professions, for applied research and for business engagement and our teaching is becoming more and more dynamic as we produce enterprising graduates ready for a global market. Our academic expertise has real world impact and is drawn upon by commercial and government organisations, so it makes sense to build our future ambitions upon the relevance and strengths of our current identity.

Examples of recent activity include:

- 960 employers send 4,000 of their staff to be educated by LSBU each year
- Over 150 British SMEs and major companies have formed commercial research partnerships
- The Clarence Centre for Enterprise and Innovation is now home to 50 student-led businesses and social enterprises: companies in our business incubation suite generate an annual turnover of over £37m.

We are refocusing and re-doubling our ambition, trading on our specialisms and moulding graduates for success.

We want our success to be recognised, so by 2020 we aim to be London's top modern University.

### Key outcomes 2015-2020

We are committed to:-

- Ensuring we work with local partners to provide opportunities for students with the potential to succeed and through active engagement retain them;
- Developing the multicultural community of students and staff, working through international alliances and partnerships to further build our capacity and capabilities in education, research and enterprise;
- Ensuring students develop skills and aspiration to enter employment or further study and so become sought after by employers, or have the skills and confidence to start their own businesses, or develop a portfolio career;
- Ensuring that students are seen as participants in their learning and that the student voice is encouraged and listened to;

## Strategic Report

- Strengthening our national position and our profile as a leading university for professionally focused education underpinned by highly applied research;
- Delivering outstanding economic, social and cultural benefits from our intellectual capital, by connecting our teaching and research with the real world through commercial activities and via social enterprise;
- Creating an environment which attracts and fosters the very best staff, and within which all staff, whatever their role, feel valued and proud of their university and take appropriate responsibility for its development; and
- Strategically investing in the creation of first class facilities and ensuring that they are underpinned by services which are responsive to academic needs and outcome focused.

The University is split into seven schools, to ensure that it has academic groupings that are meaningful to the outside world and focused enough to be able to respond rapidly to stakeholder needs. This enables each to build its own ethos and brand, to attract potential students and business to work with the University. The Schools from are:

- Applied Science
- Arts and Creative Industries
- Built Environment and Architecture
- Business
- Engineering
- Health and Social Care
- Law and Social Sciences.

Professional Service functions have also been aligned with key areas of delivery, thereby allowing the University to minimise duplication through ensuring clarity in terms of responsibility.

In 2014, the University embarked on the implementation of a suite of IBM hardware and software solutions – the Edison Project – which will both reduce risks around systems delivery and security, and enable a step-change in the ways in which we monitor and respond to student engagement, and communicate digitally with students. The project has three distinct strands of activity: the transference of core systems onto IBM ‘Softlayer’ data centres; the implementation of new identity and access management systems; and the delivery of new systems for monitoring student engagement and enhancing digital communication with students. The last of these strands includes the use of analytical tools to identify and pro-actively respond to student engagement, the delivery of a new Student Portal (which will provide access to all our core systems in one location) and the enhancement of our Virtual Learning Environment to include social collaboration tools and instant messaging to students.

## Achievements and Performance

### Strategy and Performance:

The University’s financial strategy is expressed through its rolling five year financial forecasts. The strategy is focused on future sustainability and is designed to maintain financial resilience and flexibility at all times. These rolling five year forecasts are updated each year following Semester 1 recruitment and include surplus and liquidity forecasts and a five year investment profile as well as income and cost projections. This analysis ensures that the University delivers not only an acceptable level of surplus but stays within acceptable gearing levels and has the funds for an appropriate capital investment programme.

The strategy sets out a range of financial key performance indicators and these were reviewed in 2014 as part of the corporate strategy 2015-2020. The headline financial targets remain unchanged and show that by 2020 we will have:

- Grown our income by approximately 25% to £170m;
- Returned to an annual operating surplus of minimum 5%; and
- Improved the EBITDA margin to 15%.

The key drivers of successful financial outcomes for the university are:

- Meeting our home/EU recruitment targets;

## Strategic Report

- Delivering agreed growth targets for postgraduate, overseas students and enterprise income;
- Improving progression and retention rates. Our future forecasts assume that undergraduate fees are capped at £9,000, without inflation, and that significant financial impact can be delivered through small improvements in progression and retention rates;
- Maintaining current levels of NHS contract income through high quality delivery;
- Managing staff costs, including agency costs, so they are within our maximum agreed percentage of income; and
- Further efficiency savings wherever possible.

The key targets have been accompanied by a renewed focus on part time UG recruitment which has been an historic strength of this University and an emphasis on international recruitment where the University has underperformed compared to its peers.

We entered 2014/15 in a strong financial position having made real progress streamlining activity and delivering efficiency wherever possible. The previous few years had seen record surpluses although 2013/14 was more challenging given ongoing financial uncertainty, pressure on student numbers and continued reductions in government funding. As expected, recruitment in 2013/14 proved challenging and LSBU fell marginally short of initial recruitment targets. Financial performance was managed through effective cost control and the surplus of £3.1m was higher than the original agreed budget surplus of £2.5m.

The 2014/15 budget was for a surplus of £1m. This reduced level of surplus was planned and takes account of increased investment in a number of areas including close to £3m net revenue spend on the Edison project and £0.75m in relation to the cost of running the new programme change office which was established to drive University wide projects in support of the key outcomes in the new corporate strategy. Depreciation also increased, reflecting IBM investment cost and the recent investment in both the new Student Centre and the Clarence Centre. Delivery against agreed income targets and careful cost control has enabled delivery of a financial surplus of £1.2m which was better than the target surplus of £1m. Furthermore, this is after absorbing in year cuts to grant funding of £0.4m and staff restructure costs of £3.6m compared with an original budget of £1.5m. The latter, whilst having a significant downward impact on the reported financial result for 2014/15, will assist enhanced performance in subsequent years.

The 5 year forecasts demonstrate that the University will continue to deliver a level of £1m surplus over the next two years after accounting for the significant level of increased investment spend in our digital and physical infrastructure which is designed to improve student experience and progression. The resultant outcome that the increased spend will deliver will be increased surpluses (reaching 5% by 2020) linked to increased levels of graduation and international recruitment and enterprise income.

### Investment in the physical estate

LSBU continues to develop its strategic investment in the estate to create sustainable, first class facilities which will enhance both the learning and social experiences of students and support the delivery of the academic mission.

The Estate Development Strategy is currently being prepared and includes both plans to build new facilities and for the refurbishment of existing buildings. Sustainable construction principles will be used as standard and innovative solutions to improve the energy efficiency of existing buildings in order to meet the University's carbon reduction commitment by 2020 are being developed. It is proposed to dispose of old buildings of corresponding dimensions to those of the new builds in order that there is no significant increase in the size of the overall footprint of the campus.

Sustainability is a major consideration in all procurement processes and we ensure that, where appropriate, environmental criteria are used in both the award of contracts and the purchase of equipment and supplies. The new standards for the ISO 50001 and ISO14001 were published in September 2015 and an application for re-accreditation of the energy and environmental management systems at the University will be made mid-year 2016.

During 2014/15, £10.1m has been invested in the estate, of which £7.3m has been through capital investment and the remaining £2.8m has come from revenue budgets. Capital project highlights such as the new Media Centre in London Road, refurbishment of Caxton House for the Confucius Institute, refurbishment of the Refectory kitchen and the installation of Wi Fi in all four Halls of residences has greatly contributed to improving Student Experience whilst also improving the condition and environment across the estate. Revenue spend has seen investment in upgrading security systems across the estate, fire risk assessment remedial actions addressed, redecoration and carpeting of below standard rooms in all four Hall of Residences and the generation of social spaces in three of the four residences. Other

## Strategic Report

improvements to campus buildings has seen lighting replacement projects undertaken in Keyworth and Perry Library which will support the drive to reduce carbon emissions and Lift refurbishments that will improve safety as well as student/staff experience.

### Key Performance Indicators

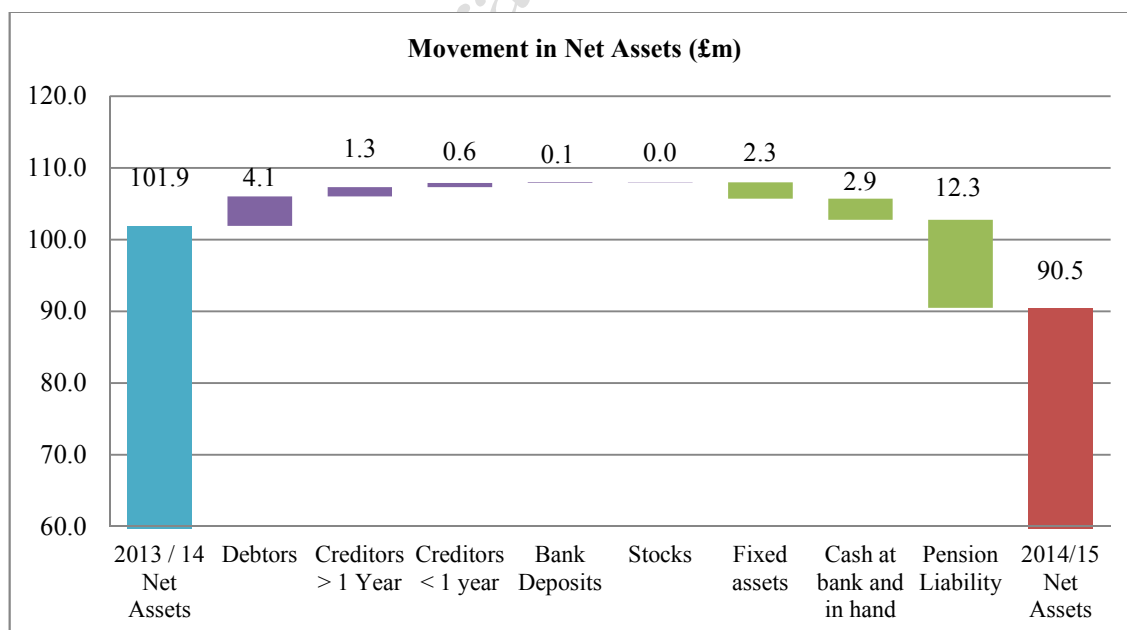
We review the institution’s performance continually using a number of KPIs in areas relevant to the sustainability of the institution. In these areas, we have set long term targets against which the Board of Governors and its committees and our Executive team monitor performance. We are satisfied that our strategies will help us move towards achieving these targets. Detailed financial results for the year and financial trend analysis is shown in the Financial Review section of this report.

Against the University KPIs significant progress was made in a number of areas. The University’s National Student Survey overall satisfaction relating to First Degrees increased from 79% in 2013/14 to 82% in 2014/15 with students showing satisfaction with areas such as professional development that were in the top 50% of the country. A key indicator has been graduate employment with students in graduate level jobs increasing from 49% in the DLHE survey conducted in 2013/14 to 68% in the 2014/15 survey and with those in employment or further study within six months of graduation now at 91%. In addition we have maintained our position as a leading university for graduate starting salaries with the average starting salary placing us in the top 15 universities nationally. Furthermore LSBU now has 37% of students attending university through sponsorship which is the highest proportion for any UK university and which shows the value employer put on the education provided. As a result of improvements in these and other KPIs, there was an overall increase in League Table performance, gaining places in each of the domestic league tables (Guardian, Times & Sunday Times and Complete University Guide) and with the University showing some of the greatest point score increases across the UK.

### Financial Review

#### Balance sheet and liquidity

The Group’s net assets decreased by 11.2% during the year moving from £101.9m to £90.5m. The principle reason for the reduction is an increase of £12.3m in the LPFA pension liability. Debtors have increased by £4.1m as a result of changes to the billing schedule for the NHS and this, together with movements in creditor balances, is reflected in reduced cash balances.

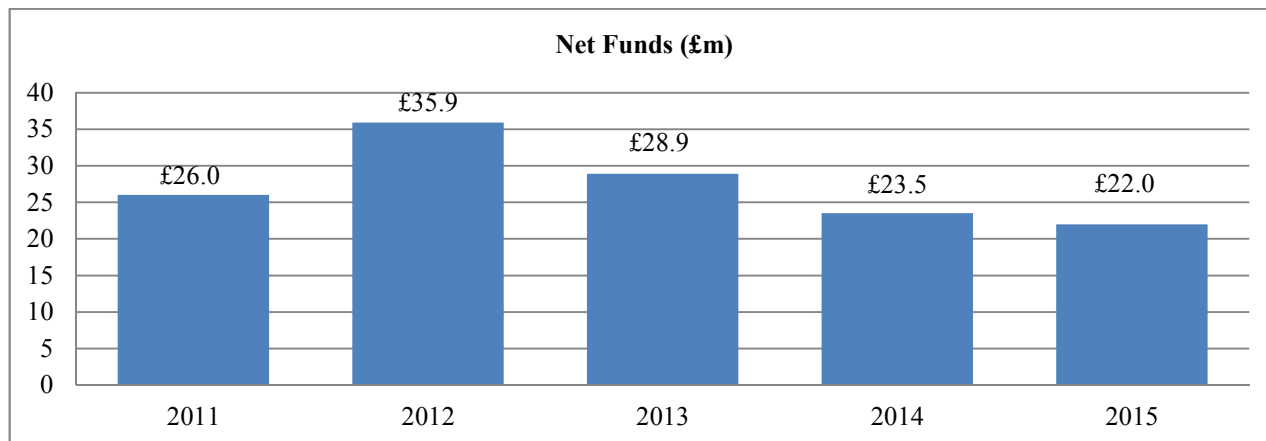


The University always plans to have sufficient liquid assets to meet its liabilities as they fall due and this reduction in net assets will not compromise the group’s ability to do so. In terms of the increase in debtors, the NHS settled £3.9m of invoices during August and September 2015.

## Strategic Report

Days liquidity has fallen from 157 days at 31 July 2014 to 143 days at 31 July 2015. This change is primarily due to a fall in cash balances and bank deposits from £53.0m at 31 July 2014 to £50.2m at 31 July 2015, which reflects the changes in working capital and the levels of capital expenditure through 2014/15. Borrowings have reduced from £29.6m at 31 July 2014 to £28.2m at 31 July 2015 reflecting loan repayments made during the year. No new loans were taken out during the year.

The University has net funds as summarised below:

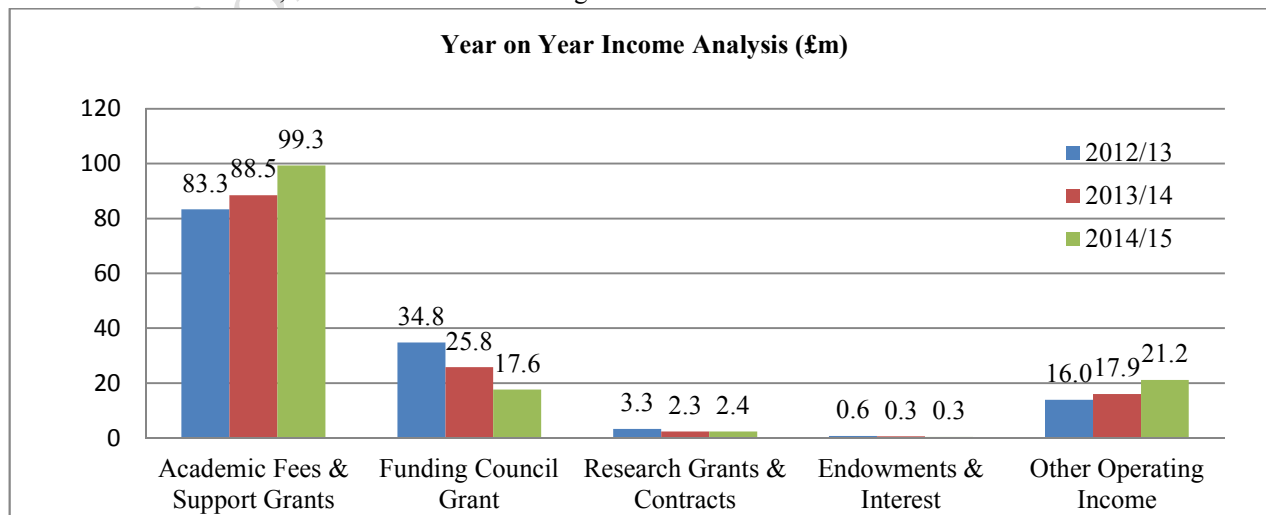


The levels of borrowing are reviewed on a regular basis and are considered adequate to meet current plans.

### Result for the Year

Financial Summary in £m				Variance from 2013 / 14 £m	
	2014/15	2013/14	2012/13		
Income	140.8	134.8	137.9	6.0	4.5%
Expenditure	139.6	131.7	132.4	7.9	6.0%
Surplus for the year	1.2	3.1	5.5	-1.9	-61.3%
Surplus %	0.86%	2.30%	4.00%		

The operating surplus of £1.2m is ahead of the agreed budget and the forecast surplus of £1.0m submitted to HEFCE in June 2015. In the context of the recruitment challenges across the sector in 2014/15, the reduction in BIS Funding which has had a corresponding impact on in year HEFCE Funding, and the continued level of investment and restructure costs incurred, this is a considered a strong result.

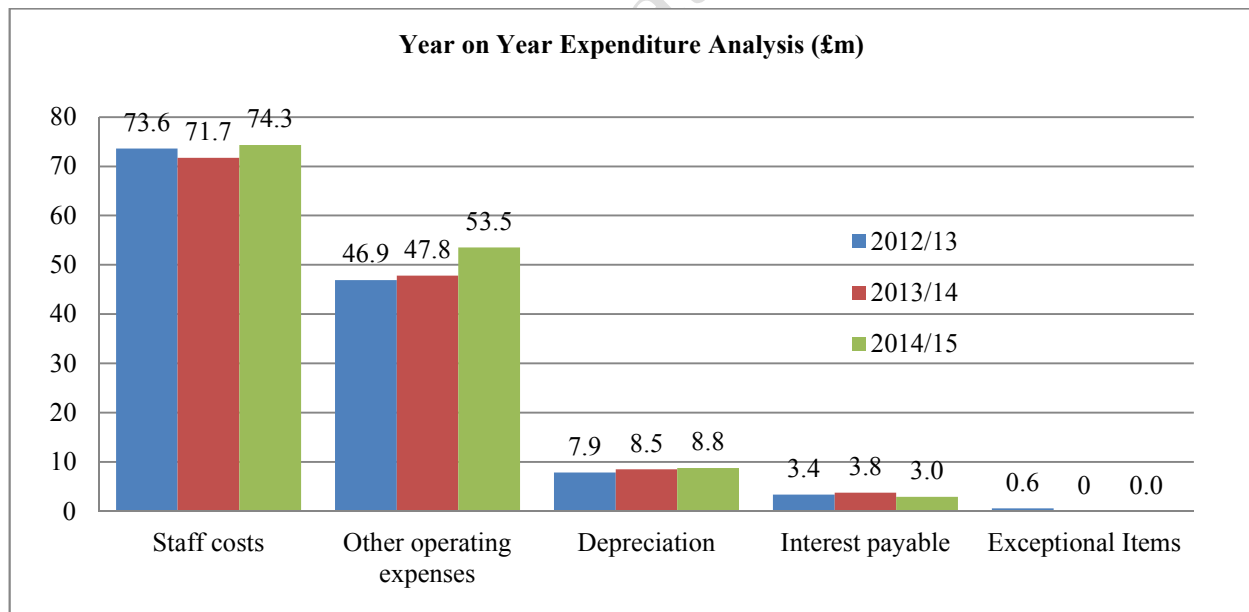
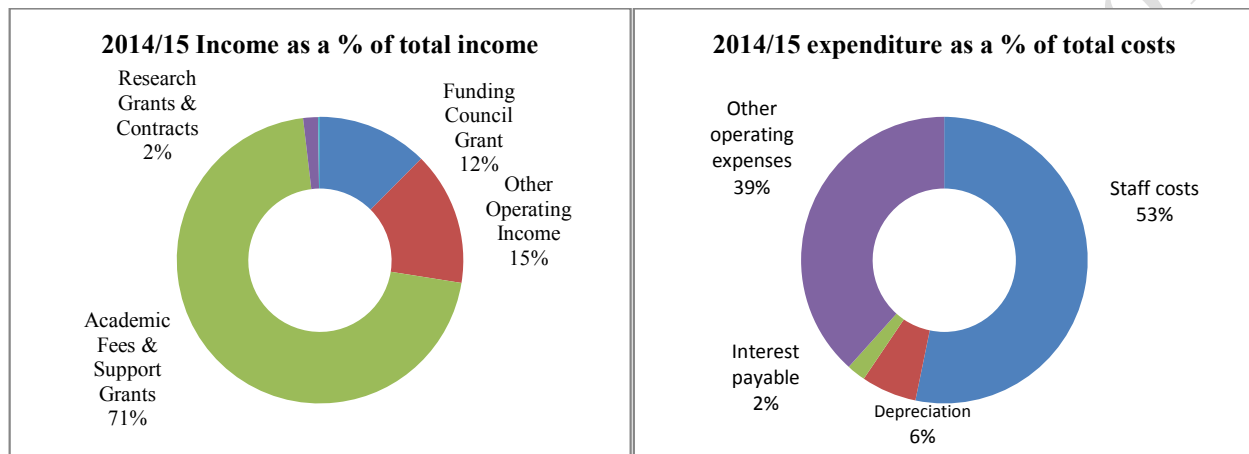




## Strategic Report

Total income increased by 4.5% (£6.0m) to £140.8m (2013/14: £134.8m). There was a reduction in Funding Grant due to the continued impact of the new fee regime for both undergraduate (UG) and post graduate (PG) students. This fall, however, was offset by an increase in Home / EU UG fees and a significant increase in Overseas fees. The other factors affecting income were a decline in Home/ EU PG fees and an increase in Other Operating Income which reflected the growth in Enterprise activity.

Academic fees (including NHS contract income) and Funding Council grants remain the main sources of income for the university representing 71% and 12% respectively (2013/14 = 67% and 19%). The key driver for the increase in fee income and corresponding decline in grant income is the introduction of the new fee regime for Undergraduate students.



Staff costs increased by 3.6% from £71.7m in 2013/14 to £74.3m in 2014/15 representing 53.0% of income (2013/14: 53.2%). After including agency staff costs, which are included in the accounts as operating expenditure, total staff costs represent 57.7% of income. This is ahead of our target of 55% but does include in year restructure costs of £3.6m (2.6%) and one off costs associated with the EDISON digital learning environment programme of 2.6m (1.8%). Staff costs remain an area of continued focus for the university in 2015/16.

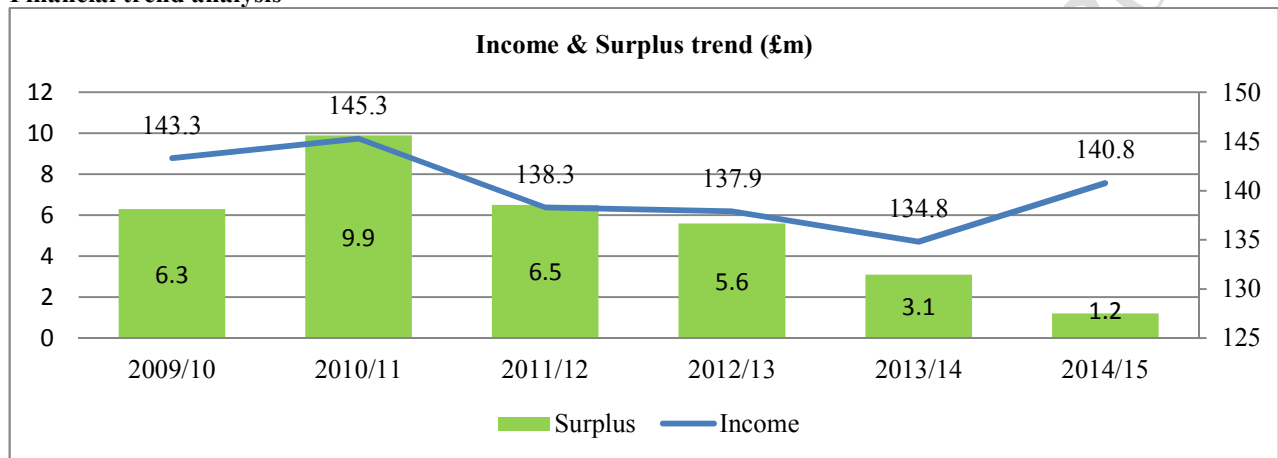
Other operating expenses increased by 11.9% from £47.8m in 2013/14 to £53.5m. This increase was driven by one off costs of £5.2m, including agency staff, computing software and computing software consultancy spent on the EDISON

## Strategic Report

project, increased expenditure to overseas agents which reflects the increase in overseas tuition fee income and increased expenditure on security and cleaning due to the implementation of the London living wage. This was offset by a year on year reduction in expenditure on the maintenance of the campus including our halls of residences, a reduction in the expenditure on utilities and a reduction in staff recruitment costs.

Capital expenditure during the year include £7.3m capitalised as part of the overall £10.1m investment in the estate along with some additional investment in computers and other equipment. Major investments included the new Media Centre in London Road, refurbishment of Caxton House for the Confucius Institute, refurbishment of the Refectory kitchen and the installation of Wi Fi in all four Halls of residences

### Financial trend analysis



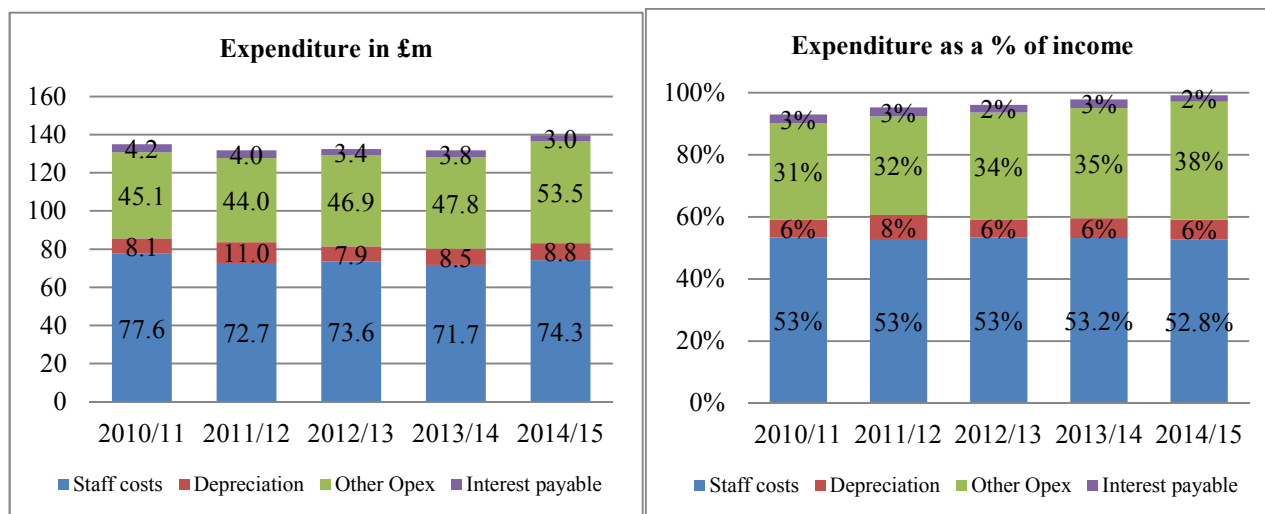
Between 2007/08 and 2010/11 income had grown steadily as a result of the introduction of higher tuition fees for full-time Home & European Union students from 2006 and growth in student numbers. The number of new students enrolling in the University then declined as a result of the introduction of £9,000 undergraduate tuition fees. The University has now begun to grow in terms of new home/EU students and has seen significant growth in the recruitment of Overseas students.

The University strategy is to focus on income growth from postgraduate, overseas students and enterprise. For full time home and EU undergraduate students the focus is on maintaining stability in terms of numbers with the emphasis on increased entry tariff, improved retention and progression, enhanced student experience and employability.

The large increase in 2010/11 income can be explained by one-off additional recruitment. These discontinued in 2011/12 and income was further reduced in both 2012/13 and 2013/14 by continued cuts to the HEFCE funding grant and by a reduction in the level of income generated from overseas students. There was also an additional change with regard to Teacher Training Agency (TTA) funding in 2013/14 which further depressed income.

The surplus in 2013/14 and 2014/15 has declined due to the one off costs associated with the EDISON programme and the costs associated with the establishment of both the new school structure and academic and professional career paths and related redundancy costs. The University remains focused on both income growth and cost management.

## Strategic Report



### Staff costs

Staff costs (including restructuring costs but excluding agency staff) have decreased from £77.6m in 2010/11 to £74.3m in 2014/15. As a percentage of income, staff costs (excluding agency staff) have been broadly flat over the last 5 years.

### Operating expenditure

Operating expenditure increased from 2008/09 as a result of the introduction of student bursaries alongside higher tuition fees. This began to reverse in 2012/13 and continued to fall in 2013/14 due to the replacement of bursaries with fee waivers which are accounted for by reducing income rather than being charged to expenditure. The increase in operating expenditure from 31% of income in 2009/10 to 38% in 2014/15 reflects the decline in income as well as additional expenditure particularly with regard to ICT and the significant investments in the EDISON programme and the maintenance of our estate.

### Interest

Interest payable decreased from £4.2m in 2010/11 to £3.0m in 2014/15 reflecting a reduction in borrowings outstanding and a requirement for a reduced FRS 17 interest charge compared to previous years.

### Depreciation

Depreciation has broadly increased over the 5-year period as a result of investments in the University's estate including the K2 building which came into use in November 2009, the Student Centre which came into use in 2012/13 and the Clarence Centre for Enterprise which came into use in 2013/14. The increase is expected to continue since the University has proposed further investments in the estate, additional investments in IT infrastructure and systems and has further plans to improve teaching spaces.

### Cashflows

The University generated a net cash outflow from operating activities of £6.1m in the year broadly comparable to the 2013/14 position of £6.0m. After accounting for the cost of the Capital Investment programme and repayment of loans the net cash position was reduced by £2.9m. Net funds reduced by £1.5m to £22.0m at 31 July 2015.

### Pension liability

The pension liability with the London Pension Scheme Authority (LPFA) has increased from £76.5m to £88.8m, mainly as a result of actuarial losses. The FRS 17 charge to the I&E account for the year is £2.6m (interest £1.6m and staff costs £1.0m) and an £11.0m loss is recognised in the statement of total recognised gains and losses (STRGL).

## Strategic Report

### Creditor payment policy

It is the University's policy to abide by terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later. Average creditor days during the year were 26 (2014: 25).

### Accounting policies

The University's financial statements have been prepared in accordance with the Statement of Principal Accounting Policies set out on pages 28-32. The University's Governing Body has reviewed the Group's accounting policies and considers them to be the most appropriate to the group's operations.

### Subsidiaries

South Bank University Enterprises Limited ("SBUEL") provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL has donated £0.32m in gift aid to the University this year (2014: £nil).

SBUEL is fully consolidated into the Group accounts.

### Principal risks and uncertainties

At a corporate level, the principal risks are identified and managed through the University's risk management processes as described in the statement on internal control.

The Corporate Risk Register has been the subject of careful and frequent review, and is aligned to the Corporate Strategy. The principal risks and mitigation strategies are as follows:

Risk & Impact	Mitigation Strategy
Failure to position LSBU to improve reputation & effectively respond to policy changes & shifts in the competitive landscape, leading to loss of funding and greater challenge in recruitment and partnership development.	<ul style="list-style-type: none"> <li>- Strategic partner appointed to advise on sector changes communications strategies &amp; horizon scanning with a report to each Executive meeting</li> <li>- Reputational dashboard regularly reviewed by senior staff</li> <li>- Strategic approach to business intelligence through Corporate metrics dashboard,</li> </ul>
Revenue reduction if marketing and PR activity does not achieve Home/EU recruitment targets, or if strategies do not cause progression rates across undergraduate programs to rise in line with targets of Corporate Strategy.	<ul style="list-style-type: none"> <li>- Financial modelling and scenario analysis over 5 year period reviewed annually</li> <li>- Incorporation of Analytics Technology into course review and interventions processes</li> <li>- Differentiated marketing campaigns for FT, PT &amp; PG course offerings, and monthly reporting on applications cycle</li> </ul>
Income growth expected from greater research and enterprise, activity and international recruitment does not materialise, leading to weakened financial position, and challenge to current investment plans.	<ul style="list-style-type: none"> <li>- Routine R&amp;E pipeline reports to Operations Board</li> <li>- Annual review of SBUEL strategy by NEDs</li> <li>- 2 tier forecasting approach to in year activity</li> <li>- KPI review of activity</li> <li>- Regular reporting of Visa Refusal rates</li> </ul>
Loss of NHS contract relationships, leading to loss of income, staff and reputation.	<ul style="list-style-type: none"> <li>- Named customer manager roles with Trusts &amp; Clinical Commissioning Groups (CCGs)</li> <li>- Annual course quality review processes</li> <li>- Applicant support for Literacy &amp; Numeracy</li> </ul>

## Strategic Report

	requirements
	– Development of BSc courses for general entry
Staff pension scheme deficit increases, leading to increased pressure on maintaining a defined staff cost % and challenge to achieving planned surplus.	<ul style="list-style-type: none"> <li>– Participation in sector review activity</li> <li>– Strict control on early access</li> <li>– DC pension scheme for some staff</li> <li>– Annual FRS 17 valuation, utilising CPI inflator</li> </ul>
Management Information is not meaningful, unreliable, or does not triangulate for internal decision or external reporting, leading to poor decision making, or external penalty.	<ul style="list-style-type: none"> <li>– Data quality framework introduced</li> <li>– Systematic Internal Audit Reviews</li> <li>– Review of external returns by Business Intelligence unit</li> <li>– Cycle of training for staff on UKVI matters and process</li> </ul>

### **Going Concern**

Governors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2014/15 has been a year of significant change, re-structuring and investment for future success. This, coupled with in year funding cuts has resulted in significant costs which were not accounted for in the original budget. Through sound financial management, a financial surplus of £1.2m has been delivered which is ahead of the approved budget surplus for the year of £1m.

A budget surplus of £1m has been approved for 2015/16, reflecting continued investment to ensure delivery of 2020 corporate strategic and financial outcomes. The next few years will remain challenging in financial terms and the levels of surplus are expected to remain lower than the recent past whilst we are in the process of investing for growth, delivering new income streams and improving retention and progression. This is entirely consistent with the University's financial model and approved five year forecasts.

Whilst financial performance is expected to remain challenging, the University will continue to deliver annual surpluses and generate positive cash inflows from operating activities. This, together with the current strong cash position (the University has £50.2m cash and bank deposits at 31 July 2015), supports the University's ambitious investment plans.

### **Public Benefit statement**

The University is an exempt charity within the meaning of the Charities Act 2011 and is regulated by HEFCE on behalf of the Charity Commission.

The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students.

### **Charity Commission Guidance on Public Benefit**

The members of the Board of Governors are the charitable trustees of the University. In undertaking its duties the Board of Governors has regard to the Charity Commission's guidance on public benefit.

### **Aims (Charitable Objects)**

The charitable objects (under s.3 Charities Act 2011) of the University are to:

- conduct a university for the public benefit for the advancement of education, promotion of research and dissemination of knowledge;
- provide full time and part time courses of education at all levels; and
- provide facilities to promote these objects and provide associated support and welfare for students.

## Strategic Report

The University's objects are applied solely for the public benefit, as follows:

The University advances education for the public benefit by:

- providing teaching to its students in the form of lectures, seminars, personal tuition and online resources;
- delivering many courses accredited by recognised professional bodies, both full and part time; and
- setting and marking assessments and providing evidence of achievement by the awarding of degrees, diplomas and certificates.

The University promotes research and the dissemination of knowledge by:

- undertaking academic research and publishing the results;
- publishing articles in peer-reviewed journals; and
- maintaining an academic library with access for students and academics.

The University provides associated support and welfare for students by:

- tutorial guidance, assessment and feedback;
- mentoring and coaching;
- providing student welfare and student accommodation;
- funding some individual students' education through bursaries and fee waivers; and
- providing funds to London South Bank University Students' Union.

### Beneficiaries

In carrying out its objects the University benefits the wider public, through research and knowledge transfer; and benefits its students and future students through teaching and learning activities.

The trustees affirm that the opportunity to benefit is not unreasonably restricted. The benefits of learning at London South Bank University are open to anyone who the University believes has the potential to succeed, irrespective of background or ability to pay tuition fees. Throughout its history LSBU has enabled wider access to education. The University's Strategy, 2015-2020 sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; and access to education.

Like other universities LSBU must charge tuition fees. However, maintenance grants are available to home full time undergraduates with restricted means who have applied for funding via Student Finance England. In addition, the University offers financial assistance in the form of scholarships, bursaries and charitable funds to students in need.

The University's curriculum is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. 90% of graduates were in employment or further education six months after graduating (DLHE survey results 2013-14). Over 5,000 LSBU students are sponsored to study by their employers.

The University also contributes to the wider public benefit through the publication of research. The University performed well in the Research Excellence Framework 2015, with the majority of its research graded as internationally excellent and recognised internationally.

The University sponsors two schools in the local area: the University Academy of Engineering South Bank which opened in September 2014; and a University Technical College which is due to open in September 2016. This community engagement aims to develop professional opportunities for students who have the ability to succeed and to enhance student success by preparing them for higher education.

## Strategic Report

### **Employment policy, diversity and training**

During the year, the University has continued to roll out actions from its Equality, Diversity and Inclusion (EDI) Policy. We are committed to the promotion of equality, diversity and a supportive environment for all members of our community. In meeting the general duty, we strive to prevent and eliminate discrimination; promote fairness; and celebrate the diversity within our community. We aspire to be a truly inclusive organisation.

The recruitment and selection processes, together with programmes for employee engagement, communication and training are all designed to promote diversity and inclusion, irrespective of age, disability, sex, gender reassignment, marriage/civil partnership, pregnancy and maternity, race, religion or sexual orientation. To this end, LSBU delivered Unconscious Bias training, aimed towards staff and contractors who managed key decision-making processes in relation to appointing, selecting, training and/or teaching staff and students.

The University continues to meet the requirements of the “Two Ticks Positive about disability” Scheme, having demonstrated its commitment to the recruitment and retention of staff who are disabled on joining LSBU have or become disabled during the course of their employment.

We are also Stonewall Diversity Champions and, in 2015, have again made a submission to their annual Workplace Equality Index (WEI) that measures and externally benchmarks our progress and commitment towards lesbian, gay, bisexual and trans (LGBT) equality. In addition, we are also Athena SWAN members and have signed up to the 10 Athena SWAN principles committing us to gender equality in academia. Through Athena SWAN, we will also explore opportunities to incorporate race equality data.

Two of our established staff networks were prominent at our inaugural Staff Conference in May 2015: Equinet, our staff network for black and minority ethnic employees; and SONET, our staff network for LGBT staff and allies. Following feedback from the Staff Census in November 2014, a third staff network – dNET – has been created for disabled employees.

The University places considerable value on the involvement of its employees and on good and effective communication with them. Staff are informed through regular meetings, emails and information on the University website, open staff forums, staff newsletters and magazines and other means. Staff are encouraged to participate in formal and informal consultation, through membership of formal Committees and informal working groups.

### **Disclosure of information to auditors**

At the date of making this report each of the Governors, as set out on page 3, confirm the following:

- So far as each Governor is aware, there is no relevant information needed by the University’s auditors in connection with preparing their report of which the University’s auditors are unaware; and
- Each Governor has taken all the steps that he or she ought to take as a Governor in order to make him or herself aware of any relevant information needed by the University’s auditors in connection with preparing their report and to establish that the University’s auditors are aware of that information.

### **Auditor**

A resolution to reappoint Grant Thornton UK LLP as auditor of the University will be proposed at the forthcoming Annual General Meeting.

### **Directors’ report**

This Strategic Report also serves as the Directors’ Report for the purposes of the Companies Act 2006.

### **Approval**

Approved by the Board of Governors and signed on behalf of the Board by:

## Responsibilities of the Board of Governors

In accordance with the University's Articles of Association approved by the Privy Council, the Board of Governors is responsible for the effective stewardship of the University and Group and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the University and the Group and to enable it to ensure that the financial statements are prepared in accordance with the University's Articles of Association, the HEFCE Accounts Direction, the Statement of Recommended Practice on Accounting for Further and Higher Education, other relevant accounting standards and comply with the Companies Act 2006. In addition, within the terms and conditions of a Memorandum of Assurance and Accountability agreed between HEFCE and the Board of Governors of the University, the Board of Governors, through its Accounting Officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit and cash flows of the Group for that year.

In preparing the financial statements, the Board of Governors has ensured that:

- Suitable accounting policies are selected and applied consistently;
- Judgements and estimates are made that are reasonable and prudent;
- Applicable accounting standards have been followed; and
- Financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Board of Governors is satisfied that it has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the University and the Group and prevent and detect fraud; and
- Secure the economical, efficient and effective management of the University and Group's resources and expenditure.

Signed on behalf of the Board of Governors by:



## Corporate Governance Statement

The following statement is given to assist readers of the financial statements in understanding the governance and legal structure of the University.

The University's Board of Governors is committed to maintaining the highest standards of corporate governance. In carrying out its duties it has regard to:

- The CUC Governance Code of Practice;
- The UK Corporate Governance Code (where applicable);
- The seven principles of behaviour in public life;
- The HEFCE Memorandum of Assurance and Accountability and the Audit Code of Practice;
- The Directors' duties as set out in sections 170 – 177 of the Companies Act 2006;
- The Charity Commission's Guidance on Public Benefit and its duties as charity trustees of compliance, prudence and care;
- Other legislative requirements of corporate bodies; and
- The University's Articles of Association.

In September 2011, the University received a positive outcome from HEFCE's five yearly assurance review, undertaken in July 2011, which examined how the University exercises accountability for the public funding it receives.

The University's Internal Auditor's annual opinion on risk management, control and governance is that it is adequate and effective.

### Governance and Legal Structure

London South Bank University is a company limited by guarantee and an exempt charity within the meaning of the Charities Act 2011. Its objects and powers are set out in its Articles of Association, which govern how the University is run.

The Articles provide the governance framework of the University and set out the key responsibilities of the Board of Governors and its powers to delegate to committees, the Vice Chancellor and the Academic Board.

### Compliance with CUC Governance Code of Practice

Adopting the HEFCE Accounts Direction 2014/15, the appropriate version of the CUC Governance Code of Practice is 2009. The Board has complied with all aspects of the 2009 CUC Code during the year under review, as demonstrated below.

#### *Role of the Board of Governors*

The University is headed by a Board of Governors which is collectively responsible for the strategic direction of the University, approval of major developments and creating an environment where the potential of all students is maximised.

All governors, when appointed, agree to abide by the standards of behaviour in public life. As the University is also a company, its governors comply with the directors' duties as set out in sections 170 – 177 of the Companies Act 2006 in addition to the duties of charity trustees when making decisions. Governors are unremunerated but may claim back reasonable expenses properly incurred in the discharge of their duties.

## Corporate Governance Statement

During the year, the Board met five times (seven in 2013/14, five ordinary business meetings and two for the appointment and remuneration of the Vice Chancellor). In addition, the Board held two strategy days (two in 2013/14) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chairman. In the year under review there was a 90% (2013/14: 87%) attendance rate at Board meetings.

The Board has agreed a Statement of Primary Responsibilities (on page 20), which is reviewed annually and published on the University's website.

The Board delegates day-to-day management of the University to the Vice Chancellor as Chief Executive Officer and Chief Academic Officer. The Vice Chancellor's delegated authority is set out in the Articles of Association. The Vice Chancellor is the designated officer in respect of the use of Funding Council funds.

As Chief Academic Officer, the Vice Chancellor is the Chairman of the Academic Board. The Academic Board is responsible for all academic affairs and subject to the overall responsibility of the Board of Governors for determining the educational character and mission of the institution.

Governors are reminded of their duty to exercise their responsibilities in the interests of the University as whole during their induction and throughout their term of office. The University maintains a register of interests of governors and the executive which is published on the University's website. New governors are required to complete a declaration on appointment and to inform the Secretary of any amendments to their entry. The register is reviewed annually by the Board who decide whether to authorise the declared interests. During the year under review, all declared interests were authorised by the Board. No conditions were attached to any of these interests. In addition, governors are asked at the opening of each Board and committee meeting to declare whether they have any interests in any matters on the agenda.

The University Court enhances the University's engagement with its key stakeholders. Although not a decision making body, the University Court plays an important advisory role in the development of the University through its wide membership of prominent and distinguished individuals. The University Court meets annually in the spring and helps the University build relationships with members and identify areas for collaboration for the benefit of students. The Court's annual meeting took place in the Clarence Centre for Enterprise and Innovation on 19 March 2015.

The University's Chancellor, Richard Farleigh, acts as the principal figurehead of the University and represents the University's interests externally. His role includes hosting the annual Court event, presiding at degree ceremonies and establishing relationships with the University's stakeholders.

### *Structure and Processes*

The Board when fully complemented consists of 18 governors: 13 independent governors, the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the period are listed on pages 3. The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association.

In accordance with the Articles of Association the Board consisted of a majority of independent governors throughout the year and at all Board and committee meetings. All independent governors are external and independent of the University.

The appointment of independent governors to the Board is determined by the Nomination Committee and Appointments Committee, both chaired by the Chairman of the Board. A written description of the role and

## Corporate Governance Statement

capabilities required of governors has been agreed by the Nomination Committee. Candidates are judged against the capabilities required and the balance of skills and experience currently on the Board. The balance of skills and experience of independent governors is kept continually under review by the Nomination Committee.

Each new governor is given an appropriate induction and encouraged to attend relevant external training. New governors are appointed to at least one committee.

Independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties.

The Board of Governors is supported by the University Secretary and Clerk to the Board of Governors and his team. The Secretary provides advice on all matters of governance to the Chairman. The Secretary ensures that governors receive information in a timely manner and of sufficient quality to allow the Board to fulfil its duties.

The University publishes minutes of Board and its sub-committee meetings on its external website. Minutes are redacted when the wider interests of the University as a whole demands it and in the spirit of the Freedom of Information Act 2000.

### *Effectiveness and Performance Reviews*

During the year an independent governance effectiveness review was carried out. The scope of the review covered the Board of Governors and its sub-committee, the Academic Board, and the Executive. The overall conclusion of the review was that "LSBU has sound governance structures and that there is little risk of major governance failings". As a result of the review the Board has implemented a new committee structure.

### **Committees**

The Board operates through a number of committees which report to the Board at each of its meetings. All committees are formally constituted with appropriate terms of reference which are reviewed annually. Terms of reference and membership of each committee are available on the governance page of the University's website. All committees have a majority of independent governors, from whom its chair is drawn. The chairs of each committee are set out on page 21. The terms of reference of each committee complement the decision-making framework of the Matters Reserved to the Board, which the Board reviews annually.

Following the governance effectiveness review two new committees were established from May 2015:

- Finance, Planning and Resources;
- Major Projects and Investments.

The following committees were closed in May 2015:

- Policy and Resources Committee;
- Educational Character Committee;
- Human Resources Committee;
- Property Committee.

The following committees were in operation throughout the year:

- Audit Committee;
- Nomination Committee;
- Appointments Committee;
- Remuneration Committee.

## **Corporate Governance Statement**

### *Board of Governors – Statement of Primary Responsibilities (approved by the Board at its meeting in May 2015)*

1. To approve the educational character, mission and strategic vision of the institution, together with its long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate, personnel and health and safety management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself, and to carry out such reviews at appropriate intervals.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard and promote the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution or its students.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice to the Board is available to enable this to happen.

This Statement of Primary Responsibilities does not replace the provisions of the University's Articles of Association. If the two conflict, the Articles shall prevail.

## Corporate Governance Statement

### *Key individuals*

<b>Position</b>	<b>Name</b>	<b>Date</b>
Chair of the Board of Governors	Mr David Longbottom	until 31 July 2015
	Mr Jeremy Cope	from 1 August 2015
Joint Vice Chair of the Board of Governors	The Revd Canon Sarah Mullally DBE	until 31 March 2015
Joint Vice Chair of the Board of Governors	Mr Jeremy Cope	from 9 October 2014
Vice Chair	Mr Andrew Owen	From 1 August 2015
Head of Institution (Vice Chancellor and Chief Executive)	Professor David Phoenix	
Chair of Policy and Resources Committee	The Revd Canon Sarah Mullally DBE	until 16 December 2014
	Mr Jeremy Cope	from 16 December 2014
Chair of Audit Committee	Mr Andrew Owen	until 9 July 2015
	Mr Steve Balmont	from 9 July 2015
Chair of Educational Character Committee	Mr Douglas Denham St Pinnock	until 14 May 2015
Chair of Human Resources Committee	Ms Anne Montgomery	until 31 March 2015
Chair of Property Committee	Mr Ken Dytor	until 31 March 2015
Chair of Nominations Committee	Mr David Longbottom	until 31 July 2015
	Mr Jeremy Cope	from 1 August 2015
Chair of Appointments Committee	Mr David Longbottom	until 31 July 2015
	Mr Jeremy Cope	from 1 August 2015
Chair of Remuneration Committee	Ms Diana Parker	until 31 March 2015
	Ms Mee Ling Ng	from 9 July 2015
Chair of Major Projects and Investment Committee	Mr Douglas Denham St Pinnock	from 9 July 2015
Chair of Finance, Planning and Resources Committee	Mr Andrew Owen	from 9 July 2015
University Secretary and Clerk to the Board of Governors	Mr James Stevenson	

Key individuals can be contacted through the office of the University Secretary and Clerk to the Board of Governors, Mr James Stevenson, at London South Bank University, 103 Borough Road, London SE1 0AA. Published documents are available on the governance section of the University website.

### **Statement on Internal Control**

As the governing body of London South Bank University, we have responsibility for ensuring that there is a process for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives of the University, whilst safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Articles of Association, and the Memorandum of Assurance and Accountability with HEFCE.

## Corporate Governance Statement

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2015 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- We meet a minimum of seven times a year (including two strategy days) to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Audit Committee provide oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Audit Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Audit Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Audit Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;
- An organisation-wide register of key corporate risks is maintained, together with individual risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- The Operations Board meets regularly to consider risk, assess the current exposure and keep up to date the record of key corporate risks facing the University;
- A network of risk champions exists to support risk management activity in all schools and professional service groups; Update training is provided as required to support delivery; and
- Formal risk management and internal control procedures have been embedded within ongoing operations.

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in July 2011. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Corporate Governance and Internal Control statements were approved by the Board of Governors on 26 November 2015 and were signed on its behalf by:

Version 8 draft date 30th Oct 2015

Mr Jeremy Cope  
*Chair of the Board of Governors*

Professor David Phoenix  
*Vice Chancellor and Chief Executive*

## Independent auditors' report to the Board of Governors of London South Bank University

We have audited the financial statements of London South Bank University (the 'University') for the year ended 31 July 2015 which comprise the principal accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the note of consolidated historical cost surplus, the balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University's Governing Body, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the University's Governing Body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University's Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Board of Governors and auditor

As explained more fully in the Responsibilities of the Board of Governors Statement set out on page 17, the Governing Body (who are also the directors of the charitable company for the purposes of company law) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Companies Act 2006 and the Education Reform Act 1988 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the University's affairs as at 31 July 2015 and of the group's surplus, its income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Opinion on other matters prescribed by HEFCE's Memorandum of assurance and accountability dated June 2014

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of assurance and accountability and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.



# London South Bank University

## Independent auditors' report to the Board of Governors of London South Bank University

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the University, or returns adequate for our audit have not been received from branches not visited by us; or
- the University financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the Governing Body's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**David Barnes**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
26 November 2015

# London South Bank University

## Consolidated Income and Expenditure Account Year ended 31 July 2015

		2015 £'000	2014 £'000
<b>Income</b>	Note		
Funding council grants	1	17,584	25,825
Academic fees and support grants	2	99,338	88,453
Research grants and contracts	3	2,358	2,255
Other operating income	4	21,182	17,890
Endowment income and interest receivable	5	311	331
		<hr/>	<hr/>
<b>Total income</b>		140,773	134,754
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff costs	6	74,293	71,663
Depreciation	12	8,759	8,455
Other operating expenses	8	53,547	47,763
Interest payable	10	2,963	3,776
		<hr/>	<hr/>
<b>Total expenditure</b>		139,562	131,657
		<hr/>	<hr/>
<b>Surplus for the year</b>		1,211	3,097
		<hr/> <hr/>	<hr/> <hr/>

All activities consist of continuing operations.

## Consolidated Statement of total recognised gains and losses Year ended 31 July 2015

		2015 £'000	2014 £'000
	Note		
Surplus for the year	21	1,211	3,097
Actuarial losses relating to pension scheme	23	(11,030)	(12,500)
Change in market value of endowment asset investments	25	6	7
		<hr/>	<hr/>
Total recognised losses relating to the financial year		(9,813)	(9,396)
		<hr/> <hr/>	<hr/> <hr/>
Opening reserves and endowments		73,681	83,077
Total recognised losses for the year		(9,812)	(9,396)
		<hr/>	<hr/>
Closing reserves and endowments		63,869	73,681
		<hr/> <hr/>	<hr/> <hr/>

## Note of consolidated historical cost surplus Year ended 31 July 2015

		2015 £'000	2014 £'000
Reported surplus for the year	21	1,211	3,097
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	20	707	792
		<hr/>	<hr/>
Historical cost surplus for the year		1,918	3,889
		<hr/> <hr/>	<hr/> <hr/>

**Balance sheets  
As at 31 July 2015**

		<b>Consolidated</b>		<b>University</b>	
		<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>	<b>Note</b>				
Tangible assets	12	174,219	176,532	174,219	176,532
Investments	13	38	38	38	38
		<u>174,257</u>	<u>176,570</u>	<u>174,257</u>	<u>176,570</u>
<b>Endowment fixed assets</b>					
Total Endowments	25	742	736	742	736
		<u>71</u>	<u>45</u>	<u>71</u>	<u>45</u>
Stocks					
Debtors	14	12,773	8,663	12,485	9,023
Bank deposits		15,620	15,540	15,620	15,540
Cash at bank and in hand		34,552	37,492	34,422	36,526
		<u>63,016</u>	<u>61,740</u>	<u>62,598</u>	<u>61,134</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(31,830)</u>	<u>(32,408)</u>	<u>(31,910)</u>	<u>(31,890)</u>
<b>Net current assets</b>		<u>31,186</u>	<u>29,332</u>	<u>30,688</u>	<u>29,244</u>
<b>Total assets less current liabilities</b>		<u>206,185</u>	<u>206,638</u>	<u>205,687</u>	<u>206,550</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(26,934)	(28,243)	(26,934)	(28,243)
<b>Pension liability</b>	18	(88,757)	(76,502)	(88,757)	(76,502)
<b>Net assets</b>		<u>90,494</u>	<u>101,893</u>	<u>89,996</u>	<u>101,805</u>
<b>Deferred capital grants</b>	19	26,626	28,212	26,626	28,212
<b>Endowments</b>					
Permanent	25	397	392	397	392
Expendable	25	345	344	345	344
		<u>742</u>	<u>736</u>	<u>742</u>	<u>736</u>
<b>Capital and reserves</b>					
Income & expenditure account excluding pension reserve	21	123,190	120,047	122,692	119,959
Pension reserve	21	(88,757)	(76,502)	(88,757)	(76,502)
		<u>34,433</u>	<u>43,545</u>	<u>33,935</u>	<u>43,457</u>
Income and expenditure account including pension reserve					
Revaluation reserves	20	28,693	29,400	28,693	29,400
<b>Total</b>		<u>90,494</u>	<u>101,893</u>	<u>89,996</u>	<u>101,805</u>

These financial statements were approved by the Board of Governors on 26 November 2015 and were signed and authorised on their behalf by:

# London South Bank University

## Consolidated Cash Flow Statement Year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	28	6,067	6,038
Returns on investments and servicing of finance	29	(1,062)	(1,103)
Capital expenditure and financial investment	30	(6,524)	(10,744)
Net cash outflow before management of liquid resources and financing		(1,519)	(5,809)
Management of liquid resources	31	(80)	(10,334)
Financing	32	(1,341)	(1,115)
Decrease in cash	33	(2,940)	(17,258)
<b>Reconciliation of net cash flow to movement in net funds</b>			
Decrease in cash	33	(2,940)	(17,258)
Cash outflow from liquid resources	31	80	10,334
Net decrease in debt	34	1,349	1,470
Change in net funds		(1,511)	(5,454)
Net funds at 1 August	33	23,507	28,961
Net funds at 31 July	33	21,996	23,507

## Principal Accounting Policies

The following principal accounting policies have been applied consistently in both the current and prior year in dealing with items which are considered material in relation to the Group's financial statements.

### Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the inclusion of certain properties at valuation and the revaluation of endowment assets, in accordance with the Companies Act 2006 and with the Statement of Recommended Practice (SORP) for Further and Higher Education 2007, and in accordance with applicable accounting standards and HEFCE's Accounts Direction. The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Board is satisfied that the Group has adequate resources to continue in operation for the foreseeable future, as described in more detail on page 13 of these accounts. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

### Consolidation of accounts

The consolidated financial statements incorporate the financial statements of the University and its subsidiary undertaking South Bank University Enterprises Limited (SBUEL). Following a change to the constitution of the London South Bank University Students' Union (LSBUSU) from August 2012, the University no longer exercises control over the LSBUSU and therefore took the decision to cease consolidating the accounts of LSBU SU within these financial statements. The University Sponsors an Academy, University Academy of Engineering South Bank and a University Technical College, Southbank Engineering UTC Trust. Although the University has representation on the Board of Trustees and Governing Bodies of both schools, the Trustees and Governors act for the school and not the University. Furthermore, if either school were to fail, the University would not receive its assets or reserves. Therefore the Accounts of the Academy and the UTC are not consolidated into the University Accounts. Consolidation of subsidiaries is based on the equity method.

## Principal Accounting Policies

### Income recognition

Recurrent funding council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for as gross expenditure and not deducted from income.

Income from research grants, contracts and other services rendered is included when conditions attaching to its receipt have been met. Contributions towards overhead costs are aligned with expenditure and recognised based on expenditure to date.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Income from the sale of goods and services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowments, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus. Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, debiting or crediting the endowment fund and is reported in the statement of total recognised gains and losses.

### Tangible fixed assets

Upon implementation of FRS 15 'Tangible Fixed Assets', the University opted to include assets in its books at historical cost/revalued amount at the date of introduction of the FRS. Properties are not carried under the valuation method and therefore regular revaluation of assets are not undertaken by the University.

Freehold land and buildings, long leasehold and short leasehold premises are included in the accounts at cost or valuation together with subsequent refurbishment expenditure, less amounts written off by way of depreciation. Freehold land is not depreciated. Finance costs that are directly attributable to the construction of land and buildings are not capitalised.

Assets in the course of construction are accounted for at cost, based on the value of Quantity Surveyors' certificates and other direct costs incurred to the end of the year. They are not depreciated until they are brought into use.

Equipment costing less than £10,000 per individual item or group of items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2% per annum
Long leaseholds	Period of lease
Short leaseholds	Period of lease

## Principal Accounting Policies

Building improvements	6.7% per annum
IT equipment	25% per annum
Other equipment and motor vehicles	20% per annum
Furniture	6.7% per annum

At each financial year end the carrying amounts of tangible assets are reviewed to determine whether there is any indication that those assets have suffered a diminution in value. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value and its value in use, is estimated in order to determine the extent of the impairment loss.

### Investments

Investments in subsidiaries and associated undertakings are shown in the University's balance sheet at cost less any provision for impairment in their value. Endowment Asset Investments are included in the balance sheet at market value.

### Stocks

Stocks are valued at the lower of cost and net realisable value.

### Pension costs

The University contributes to the Teachers' Pensions Scheme (England and Wales), the London Pension Fund Authority Pension Fund (LPFAPF) and the Universities Superannuation Scheme (USS). These schemes are administered by Teachers' Pensions (on behalf of the Department for Education), the London Pension Fund Authority and USS Ltd respectively and are all of the defined benefit type. The costs in relation to these schemes are accounted for in accordance with FRS 17 (Retirement benefits).

Where the University is unable to identify its share of the underlying assets and liabilities in a scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total of contributions payable in the year.

For other defined benefit schemes, the assets of each scheme are measured at fair value, and the liabilities are measured on an actuarial basis using the projected unit method and discounted at an appropriate rate of return. The University's share of the surplus or deficit of the scheme is recognised as an asset or liability on the balance sheet. The current service cost, being the actuarially determined present value of the pension benefits earned by employees in the current period, and the past service cost are included within staff costs. Endowment and investment income includes the net of the expected return on assets, being the actuarial forecast of total return on the assets of the scheme, and the interest cost being the notional interest cost arising from unwinding the discount on the scheme liabilities. All changes in the pension surplus or deficit due to changes in actuarial assumptions or differences between actuarial forecasts and the actual out-turn are reported in the statement of total recognised gains and losses.

### Taxation status

The University is an exempt charity within the meaning of part 3 of the Charities Act 2011, and as such is a 'charity' within the meaning of Section 467 of the Corporation Tax Act (CTA) 2010. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 478 of the CTA 2010 and Section 256C of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

The University's subsidiary company SBUEL is subject to corporation tax and is therefore required to account for deferred tax and current tax.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to

## Principal Accounting Policies

the extent they are regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

### Agency arrangements

Funds the institution receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term. Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the institution, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance lease are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

### Maintenance

Maintenance expenditure is charged to the consolidated income and expenditure account in the period in which it is incurred. Refurbishment expenditure on a property is deemed to be of a capital nature if it either enhances the property's operational capabilities, or if it significantly upgrades the mechanical or electrical infrastructure of that property. To the extent that the expenditure is of a capital nature, it is capitalised and written off over its useful economic life. Refurbishment expenditure that does not meet either of these criteria is treated as maintenance expenditure.

### Reserves

Designated reserves represent retained reserves generated by activities not funded by the HEFCE. Any surplus or deficit for the year is transferred from the income and expenditure reserve to designated reserves. Where fixed assets were revalued prior to the implementation of FRS 15, the gain or loss on revaluation was credited or debited to the capital reserve. Where depreciation on the revalued amount exceeds the corresponding depreciation based on historical cost, the excess is transferred annually from the capital reserve to the income and expenditure reserve. The pension reserve represents the pension liability in respect of the defined benefit pension schemes (see note 23).

### Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within twenty-four hours without penalty. Liquid resources comprise of assets, which in normal practice are generally convertible to cash. They include term deposits held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

### Financial Instruments

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and it is intended either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is

## Principal Accounting Policies

discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; the amount of the obligation cannot be measured with sufficient reliability. Contingent assets are disclosed by way of a note, where there is probable, rather than a present asset arising from a past event.

### **Charitable donations**

#### ***Unrestricted donations***

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

#### ***Endowment funds***

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution. These are shown as unrestricted permanent endowments in the balance sheet.
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income. These are shown as restricted expendable endowments in the balance sheet if the donation is to be retained for more than two years, and as deferred income within creditors due within one year if the donation is to be fully expended within two years.
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective. These are shown as restricted permanent endowments in the balance sheet.

#### ***Total return on investment for permanent endowments***

Total return is the whole of the investment return received by the institution on the permanent endowment funds regardless of how it has arisen. The total return, less any part of the return which has previously been applied for the purposes of the institution, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

#### ***Donations for fixed assets***

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

#### ***Gifts in kind, including donated tangible fixed assets***

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.



# London South Bank University

## Notes to the accounts Year ended 31 July 2015

<b>1. Funding council grants</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
HEFCE recurrent grant	14,811	22,102
HEFCE Non recurrent grants	808	808
Specific grants		
Pension liabilities	334	244
Teaching Agency grant	45	689
Deferred capital grants released (note 19)	1,586	1,982
	<u>17,584</u>	<u>25,825</u>
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>2. Academic fees and support grants</b>		
Full-time home and EU students	51,716	43,871
Full-time international students	10,258	8,067
Part-time students	9,747	8,606
Other courses	757	721
Strategic Health Authority education contracts	26,860	27,188
	<u>99,338</u>	<u>88,453</u>
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>3. Research grants and contracts</b>		
Research councils	751	689
UK based charities	338	310
European Commission	196	295
Other grants and contracts	777	678
Knowledge Transfer Partnerships	296	283
	<u>2,358</u>	<u>2,255</u>
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>4. Other operating income</b>		
Residence and catering income	10,418	9,626
Other income	10,764	8,264
	<u>21,182</u>	<u>17,890</u>
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>5. Endowment income and investment income</b>		
Income from permanent endowments	11	12
Income from expendable endowments	13	14
Interest receivable	287	305
	<u>311</u>	<u>331</u>

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

<b>6. Staff - consolidated</b>	<b>2015</b>	<b>2014</b>
Average staff numbers by major category:	<b>No.</b>	<b>No.</b>
Academic staff	499	491
Part time teaching staff	281	276
Student support staff	122	124
Other support staff	467	479
	<u>1,369</u>	<u>1,370</u>
	<b>2015</b>	<b>2014</b>
<b>Costs:</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	59,824	58,276
Social security costs	4,958	5,065
Employers' pension contributions	9,511	8,322
	<u>74,293</u>	<u>71,663</u>

Staff costs for the year include costs arising from redundancies of £3.61m (2014: £1.3m).

## 7. Remuneration of Board of Governors and Higher-Paid employees

### A. Governors

The University's governors do not receive remuneration from the University in their capacity as governors.

The salaries and pension contributions below therefore relate entirely to staff governors and to sums received by them in their capacity as employees of the University.

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	383	378
Pension contributions	53	41
	<u>436</u>	<u>419</u>

Governors, who are also all trustees, are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2015 six trustees were paid total expenses of £6,253 (2014: five trustees were paid total expenses of £3,897) for travel and subsistence.

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### B. Higher paid employees

Certain employees received remuneration (excluding pension contributions) in excess of £100,000 during the Year. Eight of these employees accrued benefits under defined benefit pension schemes during the year (2014:8). These employees are grouped as follows:

	2015 No.	2014 No.
£100,000 to £109,999	1	2
£110,000 to £119,999	1	3
£120,000 to £129,999	1	-
£130,000 to £139,000	2	3
£140,000 to £149,999	1	1
£150,000 to £159,999	1	-
£160,000 to £169,999	-	1
£240,000 to £249,999	1	-
	8	10

### C. Remuneration of the Vice Chancellor

	2015 £'000	2014 £'000
Salary and taxable benefits	242	247
Pension Scheme contributions	31	20
	273	267

All remuneration was to the current Vice Chancellor, Professor David Phoenix. The Vice Chancellor is the highest paid Governor. Included in taxable benefits is the value of the benefit to the Vice Chancellor of an interest free loan detailed in note 24. The Vice Chancellor is a member of the Teachers' Pension Scheme. The nature of the scheme means it is not possible to ascertain the amount of his accrued pension at the year end.

8. Other operating expenses	2015 £'000	2014 £'000
Academic	11,076	11,487
Academic support	12,316	5,845
Other support	6,706	5,668
Premises	14,812	16,912
Residence and catering	3,697	1,758
Other expenses	4,940	6,093
	53,547	47,763

Group other operating expenses are stated after charging:

	2015 £'000	2014 £'000
Auditors' remuneration		
<i>External audit</i> Grant Thornton UK LLP*	54	49
<i>Internal audit</i> ** PricewaterhouseCoopers LLP	91	98
<i>Other services</i> ** Grant Thornton UK LLP	5	3

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

Rentals under operating leases	Plant and machinery	119	356
Loss on disposal of fixed assets		70	50
		<u>189</u>	<u>406</u>

\* Includes £50,154 attributable to the University (2014: £44,714)

\*\* All attributable to the University

### 9. Taxation

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and trading losses as there is insufficient evidence that the asset will be recovered.

The amount of the asset not recognised is **£XXX** (2014: £24,147). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>10. Interest payable</b>		
Loans not wholly repayable within five years	1,372	1,423
Unwinding of discount in respect of pension liability less expected return on pension assets (see note 18)	1,590	2,341
Finance leases	1	12
	<u>2,963</u>	<u>3,776</u>

### 11. Surplus of parent company

The income and expenditure account of the parent company (London South Bank University) has not been presented as part of these accounts. This dispensation is allowed under section 408 of the Companies Act 2006. The surplus, after depreciation of assets at valuation, of London South Bank University was £0.8m (2014: £3.1m).

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### 12. Tangible fixed assets (University and Consolidated)

	Equipment, Furniture and Motor Vehicles		Land and buildings		Assets in Course of Construction	Total £'000
	Freehold £'000	£'000	Long Leasehold £'000	Short Leasehold £'000		
<b>Cost or Valuation</b>						
At 1 August 2014	40,681	177,725	47,281	52	9,545	275,284
Additions	25	4	-	-	6,495	6,524
Disposals	(225)	(1,666)	(48)	(8)	-	(1,947)
Transfers	1,673	472	-	-	(2,152)	(7)
At 31 July 2015	42,154	176,535	47,233	44	13,888	279,854
<b>Depreciation</b>						
At 1 August 2014	(27,418)	(45,760)	(25,529)	(45)	-	(98,752)
Charge for the year	(3,063)	(4,403)	(1,293)	-	-	(8,759)
Disposals	175	1,652	41	8	-	1,876
At 31 July 2015	(30,306)	(48,511)	(26,781)	(37)	-	(105,635)
<b>Net book value</b>						
At 31 July 2015	11,848	128,024	20,452	7	13,888	174,219
At 31 July 2014	13,263	131,965	21,752	7	9,545	176,532

If the land and buildings detailed above had not been revalued, tangible fixed assets would have been included in these financial statements at 31 July 2015 at the following amounts:

	Equipment, Furniture and Motor Vehicles		Land and buildings		Assets in Course of Construction	Total £'000
	Freehold £'000	£'000	Long Leasehold £'000	Short Leasehold £'000		
Cost	40,681	97,325	24,807	44	13,888	176,745
Depreciation	(27,418)	(28,620)	(16,886)	(37)	-	(72,961)
Net book value	13,263	68,705	7,921	7	13,888	103,784

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### Assets held under Finance Leases

Consolidated and University equipment, furniture and motor vehicles include assets held under finance leases as follows:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Cost	2,863	2,870
Accumulated depreciation	(2,863)	(2,815)
Net book value	-	55
Depreciation charge for the year	47	192

### 13. Investments

	<b>Consolidated</b>		<b>University</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
CVCP Properties plc	38	38	38	38

The University holds 9% of the £1 ordinary shares of CVCP Properties plc. The principal activity of the company is leasing of buildings, with the majority of tenants being Higher Education organisations.

Details of the companies, all incorporated in England and Wales, in which London South Bank University holds directly or indirectly more than 20% of the nominal value of any class of share capital are as follows:

#### South Bank University Enterprises Limited

The University holds 100% of the £1 ordinary shares of South Bank University Enterprises Limited (SBUEL), which was formed in order to take over the commercial aspects of the University's activities. Five of these shares have been held since 5 February 1988 with a further five issued on 19 July 2012.

#### London Knowledge Innovation Centre Limited

SBUEL holds 50% of the issued £1 shares of London Knowledge Innovation Centre Limited (LKIC), a company formed to provide serviced office space and other services to start-up companies but now dormant. The share of the net assets and profit/(loss) of LKIC have not been included in the consolidated accounts as they are immaterial. The profit/(loss) and net assets of LKIC were both £nil for the period ended 31 July 2015 (2014: £nil).

#### Other investments

All other investments represent less than 20% of the issued share capital in each case and are therefore not individually disclosed.

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

14. Debtors: amounts falling due within one year	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade debtors	9,577	5,284	9,574	5,430
Amounts owed by group undertakings	-	-	-	554
Other debtors	264	271	262	198
Prepayments & accrued income	2,582	2,758	2,299	2,491
<b>Total debtors due within one year</b>	<b>12,423</b>	<b>8,313</b>	<b>12,135</b>	<b>8,673</b>
Debtors: amounts falling due after one year: amounts owed by related parties (note 24)	350	350	350	350
	<b>12,773</b>	<b>8,663</b>	<b>12,485</b>	<b>9,023</b>

15. Creditors: amounts falling due within one year	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank and other loans	1,309	1,294	1,309	1,293
Obligations under finance leases	-	55	-	55
Trade creditors	993	1,997	993	1,997
Amounts owed to group undertakings	-	-	458	-
Other creditors	1,175	957	1,081	892
Social security and other taxation payable	1,319	1,354	1,319	1,354
Accruals and deferred income	27,034	26,751	26,750	26,299
	<b>31,830</b>	<b>32,408</b>	<b>31,910</b>	<b>31,890</b>

16. Creditors: Amounts falling due after more than one year	Consolidated and University	
	2015 £'000	2014 £'000
Bank and other loans	26,934	28,243
	<b>26,934</b>	<b>28,243</b>

17. Borrowings	Consolidated and University	
	2015 £'000	2014 £'000
Bank loans and finance leases are repayable as follows:		
Due in less than one year (note 15)	1,309	1,349
Due between one and two years	1,325	1,309
Due between two and five years	4,097	4,039
Due after five years	21,512	22,895
<b>Total due after one year (note 16)</b>	<b>26,934</b>	<b>28,243</b>
	<b>28,243</b>	<b>29,592</b>

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

Details of bank loans:

The loan from Allied Irish Bank (GB) in respect of the Dante Road hall of residence is repayable over 26.5 years to 2027. The amount outstanding at 31 July 2015 was £4.623 million (2014: £5.000 million). The loan bears interest at a rate of 6.67% per annum. The loan is secured on the property to which it relates.

There is a loan facility from Barclays Bank of £37 million, secured on David Bomberg House halls of residences. Within the facility, the following balances are outstanding at 31 July 2015:

An amount of £5.130 million in respect of David Bomberg House was outstanding at 31 July 2015 (2014: £5.441 million). This borrowing is repayable over 25 years to 2032 and bears interest at a fixed rate of 5.67% per annum.

A further £21.830 million of the Barclays facility was drawn down to finance the K2 building. Of this amount, £18.290 million was outstanding at 31 July 2014 as follows: £5.000m (2014: £5.000m) is interest-only, repayable in April 2029, and bears interest at a fixed rate of 5.25% per annum; £8.316m (2014: £8.625m) is repayable over 23.25 years to 2032 and bears interest at a fixed rate of 5.54% per annum, and £4.974 (2014: £5.271m) is repayable over 23 years to 2032 and bears interest at a variable rate of 0.225% above LIBOR per annum.

### 18. Pension liability

The pension liability has been measured in accordance with the requirements of FRS 17 and relates to the London Pension Fund Authority pension scheme (LPFA).

	<b>Consolidated and University</b>	
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 August	76,502	62,211
Current service cost	4,843	4,228
Settlements and curtailments	304	104
Contributions	(5,512)	(4,882)
Other finance cost (note 23)	1,590	2,341
Actuarial losses recognised in STRGL (note 23)	11,030	12,500
<b>Balance at 31 July</b>	<b>88,757</b>	<b>76,502</b>

### 19. Deferred capital grants

#### Consolidated and University

	<b>Land and buildings</b>	<b>Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 August 2014	26,944	1,268	28,212
Release to income and expenditure account (note 1)	(1,254)	(332)	(1,586)
<b>Balance at 31 July 2015</b>	<b>25,690</b>	<b>936</b>	<b>26,626</b>



# London South Bank University

## Notes to the accounts Year ended 31 July 2015

20. Revaluation reserves	Consolidated and University	
	2015 £'000	2014 £'000
Balance at 1 August	29,400	30,192
Transfer to income & expenditure reserves being excess depreciation on revalued assets (note 21)	(707)	(792)
<b>Balance at 31 July</b>	<b>28,693</b>	<b>29,400</b>

21. Income and expenditure account	Consolidated	University
	2015 £'000	2015 £'000
<b>Reserve</b>		
Balance at 1 August 2014	120,047	119,959
Surplus for the year	1,211	801
Transfer from revaluation reserve (note 20)	707	707
Net FRS 17 pension costs transferred to pension reserve	1,225	1,225
Balance at 31 July 2015	123,190	122,692
<b>Pension reserve</b>		
Balance at 1 August 2014	(76,502)	(76,502)
Actuarial loss	(11,030)	(11,030)
Net FRS 17 pension costs transferred from income and expenditure reserve	(1,225)	(1,225)
<b>Balance at 31 July 2015</b>	<b>(88,757)</b>	<b>(88,757)</b>

22. **Designated reserves**  
The income and expenditure account of the Group does not include any amounts which are designated reserves (2014: £nil).

### 23. Pension arrangements

The University participates in the Teachers Pension Scheme (TPS) and the Universities Superannuation Scheme Limited (USS) for academic employees and the London Pension Fund Authority (LPFA) Pension Fund for non-academic employees.

#### A. The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales including teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers or lecturers and from 1 January 2007 automatic too for teachers or lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of the TPS.

Retirement and other pension benefits are provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Teachers' contributions are credited to the Exchequer under arrangements governed by the above act. The Teachers' Pension Regulations require that an annual account, the Teachers' Budgeting and Valuation Account, be kept of receipts and expenditure, including the cost of pension increases.

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

From 1 April 2001, the account has been credited with a real rate of return of 3.5%, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The contribution rate paid into the TPS is in two parts: a standard contribution rate plus a supplementary contribution payable if, as a result of actuarial investigation, it is found that accumulated liabilities of the Account are not fully covered by the standard contribution to be paid in the future plus the notional fund built up from past contributions.

The last valuation of the TPS was as of 31 March 2012 and revealed that total liabilities in the scheme (pensions currently in payment and estimated cost of future benefits) amounted to £191.5 billion. The value of the assets (estimated future contributions together with the proceeds of notional investments) amounted to £176.6 billion, giving a notional past service deficit of £15.0 billion. The assumed real rate of return is 3%, pension increases 2% and long term salary growth 4.75% (2.75% pa in excess of assumed CPI).

The employer contribution rate in respect of the period 1 September 2015 to 31 March 2019 will be 16.4% and the next revision to the employer rate is not expected until 1 April 2019, following the next valuation which is due on 31 March 2016. From April 2015 employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

At 31 July 2015 the University had 1,027 active members participating in the scheme. During the year contributions were paid by the University and charged to the Income and Expenditure account at a current rate of 14.1% (2014: 14.1%) of salaries and the University's contribution to the TPS for 2015 was £3,574,565 (2014: £3,590,765).

Under the definitions set out in FRS 17 'Retirement Benefits', the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

### **B. The Universities Superannuation Scheme**

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2015, the percentage was 16% (2014: 16%). The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The 2014 valuation has recently been finalised and the audit process is in progress. Therefore the latest available audited triennial actuarial valuation of the scheme was at 31 March 2011 ("the valuation date"), which was carried out using the projected unit method. The 2014 valuation indicates that employer contributions will increase to 18% from 1 April 2016.

The 2011 valuation was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £32.4 billion and the value of the scheme's technical provisions was £35.3 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

The Financial Assumptions of that Valuation are as follows:

	2015	2014
Discount Rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

At 31 July 2015 the University had 51 active members participating in the scheme. The total cost charged to the income and expenditure account is £461,367 (2014: £414,047). The scheme has tiered employer contribution rates of between 6% and 9% depending on employee earnings.

### C. The London Pension Fund

The London Pension Fund Authority (LPFA) provides members with benefits related to pay and service at rates which are defined under the Local Government Pensions Scheme Regulations 1997. To finance these benefits, assets are accumulated in the Fund and held separately from the assets of the University.

A full triennial valuation was carried out by the scheme's actuary Barnett Waddingham as at 31 March 2013 with the valuation results taking into account changes to the scheme from 1 April 2014. The results showed the market value of the Fund's assets attributable to the University as £92.17m. The actuarial value of those assets represented 69% of the value of the benefits that have accrued to the University's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases. Employer contribution rates effective from 1 April 2014 are 15.2% of pensionable salaries to cover the cost of future service plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period of 17 years. During 2014/15 this lump sum payment amounted to £1,417,704.

### Pension costs under FRS 17

For accounting purposes the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the annualised yield on the iBoxx AA rated over 15 year corporate bond index. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the contribution rates set by the trustees of the scheme. The principal assumptions used by the actuary were:

	31 July 2015 % per annum	31 July 2014 % per annum
Salary increases	4.4%	4.5
Pension and price increases	2.6%	2.7
Discount rate	3.8%	4.2

Employees retiring on or after 6 April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

On the advice of our actuaries we have assumed that members will exchange half of their commutable pension for cash at retirements. In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2012 model, allowing for a long term rate of improvement of 1.5% per annum. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	<b>Males Years</b>	<b>Females Years</b>
Current pensioners	21.9	25.1
Future pensioners	24.3	27.3

### Fund assets

For the year ending 31 July 2015 a single expected rate of return of 5.8% has been used to determine the income and expenditure charge for the year. Comparative figures for the year ending 31 July 2014 show the expected returns based on the long-term future expected investment return for each asset class as at the beginning of that period as follows:

	<b>Expected rate of return at 31 July 2015</b>	<b>Fair value as at 31 July 2015 £'000</b>	<b>Expected rate of return at 31 July 2014</b>	<b>Fair value as at 31 July 2014 £'000</b>
Equities	5.8%	46,573	6.7%	44,008
Target return portfolio	5.8%	20,464	6.1%	28,644
Cash	5.8%	13,833	3.2%	13,803
Cashflow matching	5.8%	15,229	3.4%	6,116
Infrastructure	5.8%	5,655	6.3%	3,343
Commodities	5.8%	473	6.1%	1,067
Property	5.8%	3,307	5.6%	2,745
Total fair value of assets		<u>105,534</u>		<u>99,726</u>

### Net pension liability

The following amounts at 31 July related to London South Bank University measured in accordance with the requirements of FRS 17:

	<b>2015 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Fair value of Employer Assets	105,534	99,726	96,319	80,635	78,471
Present value of funded obligations	(182,439)	(164,260)	(146,774)	(143,181)	(121,971)
Net underfunding in funded plans	(76,905)	(64,534)	(50,455)	(62,546)	(43,500)
Present value of unfunded obligations	(11,852)	(11,968)	(11,756)	(12,118)	(11,840)
Net Pension Liability	<u>(88,757)</u>	<u>(76,502)</u>	<u>(62,211)</u>	<u>(74,664)</u>	<u>(55,340)</u>

The movement for the year in the net pension liability is shown in note 18.

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### Analysis of the amount included in staff costs for the year

	2015 £'000	2014 £'000
Current service cost	4,843	4,228
Curtailments and settlements	304	104
Enhancements to former employees (recoverable in full from HEFCE (note 1))	334	249
Total operating charge	<u>5,481</u>	<u>4,581</u>

### Analysis of the amount included in interest payable for the year

	2015 £'000	2014 £'000
Expected return on pension scheme assets	(5,810)	(5,209)
Interest on pension scheme liabilities	7,400	7,550
Net charge	<u>1,590</u>	<u>2,341</u>

### Analysis of the amount recognised in STRGL

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	(1,438)	(2,910)
Experience gains and losses	493	10,002
Changes in assumptions underlying the present value of scheme liabilities	(10,085)	(19,592)
Actuarial losses recognised in STRGL	<u>(11,030)</u>	<u>(12,500)</u>

### Analysis of movement in the present value of scheme liabilities

	2015 £'000	2014 £'000
At 1 August	176,278	158,530
Current service cost	4,843	4,228
Interest cost	7,400	7,550
Actuarial losses	9,592	9,590
Losses on curtailments	304	104
Benefits paid	(4,963)	(4,248)
Contributions by scheme participants	1,475	1,323
Unfunded pension payments	(638)	(849)
At 31 July	<u>194,291</u>	<u>176,228</u>

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

	2015	2014
	£'000	£'000
<b>Analysis of movement in the fair value of scheme assets</b>		
At 1 August	99,776	96,319
Expected return on scheme assets	5,810	5,209
Actuarial losses	(1,438)	(2,910)
Contributions by employer	4,874	4,033
Contributions by scheme participants	1,475	1,323
Benefits paid	(4,963)	(4,248)
	<hr/>	<hr/>
At 31 July	105,534	99,726
	<hr/> <hr/>	<hr/> <hr/>

The projected pension expense for the year to 31 July 2015 is £8,761,000 (2014: £6,141,000)

### Experience gains & losses in year

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Difference between the actual and expected return on pension scheme assets	(1,438)	(2,910)	11,058	(4,000)	1,206
Experience gains and losses arising on scheme liabilities	493	10,002	(237)	(374)	12,593

### Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	190,804	194,291	197,846
Projected service cost	5,142	5,254	5,369
Adjustment to mortality age rating assumption	+1 Year	None	- 1 Year
Present Value of total obligation	190,804	194,291	197,846
Projected service cost	5,388	5,254	5,123

### D. London South Bank University Defined Contribution Scheme.

The University provides a defined contribution pension scheme through Friends Life for employees of London South Bank University Enterprises Limited (SBUEL). At 31/7/15 the University had 9 members participating in the scheme. The University's contribution to the Friends Life scheme for 2015 was £52,031 (2014: £22,750) and employers contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2015 were nil (2014: nil)

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### 24. Related party disclosures

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

During the year the University paid £5,616 in respect of recruitment fees to Robert Walters Plc, a company for which a member of the Board was a director during the year. During the year the University paid £6,750 in respect of hire of sports pitches and £4,606 in respect of research costs to Kings College, London, a university for which a member of its board was a visiting professor during the year.

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these accounts and therefore the University has taken exemption under FRS 8 not to disclose transactions between the SBUEL and the University. There were no transactions during the year between London Knowledge Innovation Centre Limited (LKIC) or CVCP Properties PLC and the University.

During the year the LSBU Students' Union received financial support from the University of £727,000, net of services provided by the University. The President of the LSBU Students' Union is a member of the Board of Governors. The balance between the two parties at the year-end was £nil.

The Vice Chancellor of the University is a member of the University Academy of Engineering South Bank (UAESB) and the University is a member of South Bank Engineering UTC, both of which the University sponsors. During the year UAESB paid the University £8,778 in reimbursement of actual expenses incurred on behalf of the Academy. During the year the UTC paid the University £47,182 in reimbursement of actual expenses incurred on behalf of the UTC. The balance between the University and both the UAESB and the UTC at the year-end was £nil.

The Vice Chancellor of the University, Professor David Phoenix received an interest free loan in October 2013 as part of a relocation package agreed for him. Professor David Phoenix is an employee of the University. The amount of the loan was £350,000 and was solely to purchase a specified property. The loan is repayable on 30 October 2018 (or later as agreed). As of 31 July 2015 the outstanding balance was £350,000. The loan is fully secured by way of legal mortgage on the property in favour of London South Bank University.

### 25. Endowments

	Consolidated and University			
	Unrestricted Permanent £'000	Restricted Expendable £'000	2015 Total £'000	2014 Total £'000
Balance at 1 August	392	344	736	729
Investment income	11	13	24	26
Expenditure	(11)	(13)	(24)	(26)
Increase in market value of investments	5	1	6	7
Balance at 31 July	397	345	742	736

# London South Bank University

## Notes to the accounts Year ended 31 July 2015

### 26. Operating lease commitments

At 31 July 2015 the University and the Group were committed to making the following annual payments in respect of operating leases on land and buildings:

	2015 £'000	2014 £'000
Expiring within two and five years	51	-
Expiring in over five years	-	51
	<u>51</u>	<u>51</u>

### Consolidated and University

### 27. Capital commitments

	2015 £'000	2014 £'000
Commitments contracted at 31 July	4,671	5,369
	<u>4,671</u>	<u>5,369</u>

### 28. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2015 £'000	2014 £'000
Surplus after depreciation of assets at valuation	1,211	3,097
Depreciation (note 12)	8,759	8,455
Loss on disposal of fixed assets	71	50
Investment income	(311)	(331)
Interest payable (note 10)	2,963	3,776
Increase in stocks	(26)	(27)
Increase in debtors	(4,110)	(841)
Decrease in creditors	(539)	(5,609)
Decrease in provisions	(365)	(550)
Deferred capital grants released to income (note 19)	(1,586)	(1,982)
	<u>6,067</u>	<u>6,038</u>

### 29. Returns on investments and servicing of finance

	2015 £'000	2014 £'000
Income from endowments (note 5)	24	26
Interest receivable (note 5)	287	305
Interest paid (note 10)	(1,373)	(1,434)
	<u>(1,062)</u>	<u>(1,103)</u>

### 30. Capital expenditure and financial investment

	2015 £'000	2014 £'000
Payment to acquire tangible fixed assets	(6,524)	(10,744)
	<u>(6,524)</u>	<u>(10,744)</u>



# London South Bank University

## Notes to the accounts Year ended 31 July 2015

<b>31. Management of Liquid Resources</b>		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
Cash added to fixed term		(80)	(10,334)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(80)</b>	<b>(10,334)</b>
<b>32. Financing</b>		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
Capital element of bank loan repayments		(1,294)	(1,277)
Capital element of finance lease repayments		(47)	(193)
Capital grants received in year		-	355
<b>Net cash outflow from financing</b>		<b>(1,341)</b>	<b>(1,115)</b>
<b>33. Analysis of changes in net funds</b>	<b>At 31 July 2014</b>	<b>Cash flow £'000</b>	<b>At 31 July 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	37,492	(2,940)	34,552
Endowment asset investments	67	-	67
	<b>37,559</b>	<b>(2,940)</b>	<b>34,619</b>
Fixed Term deposits	15,540	80	15,620
Debt due within one year (note 16)	(1,349)	40	(1,309)
Debt due after more than one year (note 16)	(28,243)	1,309	(26,934)
<b>Net funds</b>	<b>23,507</b>	<b>(1,511)</b>	<b>21,996</b>
<b>34. Analysis of changes in financing during the year</b>		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
<b>Bank and Other Loans</b>			
Balance at 1 August		29,592	31,062
Capital repayments		(1,349)	(1,470)
Balance at 31 July		28,243	29,592
<b>35. Teacher Training Bursaries</b>		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
Balance at 1 August		(77)	(190)
Funding council grant		102	682
Disbursed to students		(66)	(569)
Balance at 31 July		(41)	(77)

# **London South Bank University**

## **Notes to the accounts Year ended 31 July 2015**

Teacher Training Bursary funds are paid to universities by the Teaching Agency to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status (QTS).

The grant from the TDA is available solely for students. The University acts only as a paying agent. The grant and related disbursements are therefore excluded from the Income and Expenditure account and grants not disbursed are shown within other creditors.

*Version 8 draft date 30th Oct 2015*

	PAPER NO: AC.55(15)	
Paper title:	Audit Committee Annual Report	
Board/Committee	Audit Committee	
Date of meeting:	5 November 2015	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Board sponsor:	Steve Balmont, Chairman of the Audit Committee	
Purpose:	To approve the annual report of the Audit Committee to the Board	
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	As part of the Audit Code of Practice in the Memorandum of Assurance and Accountability with HEFCE (see Appendix A) (which was effective for 2014/15), the Audit Committee is required to provide an annual report to the Board of Governors and accountable officer (the Vice Chancellor). The report should include the Committee's opinion on risk management, control and governance; economy, efficiency and effectiveness (VFM); and management and quality assurance of data.	
Recommendation:	<p>The proposed opinions of the Committee are set out below:</p> <ol style="list-style-type: none"> <li>1) the institution's risk management, control and governance arrangements are adequate and effective;</li> <li>2) the arrangements for VFM are adequate and effective; and</li> <li>3) for the management and quality assurance of data submitted to HEFCE and HESA the University has adequate assurance.</li> </ol> <p>The Committee is requested to approve the report.</p>	

Matter previously considered by:	Executive	On: 3 November 2015
Further approval required?	<p>Board of Governors (for noting)</p> <p>Submitted to HEFCE as part of the Annual Accountability Return</p>	<p>On: 26 November 2015</p> <p>December 2015</p>

## **Executive Summary**

### **Introduction**

Under the Memorandum of Assurance and Accountability with HEFCE (see Appendix A), the Audit Committee is required to issue an annual report to the Board of Governors and the Accountable Officer (the Vice Chancellor). The report will also be submitted to HEFCE in December 2015.

Guidance from HEFCE is that the report must include any significant issues and should be considered by the Board before approval of the accounts. It must also include the Committee's opinions on the adequacy and effectiveness of LSBU's arrangements for the following:

- Risk management, control and governance;
- Economy, efficiency and effectiveness (value for money);
- Management and quality assurance of data submitted to HESA and to HEFCE and other funding bodies.

### **Executive Summary**

See page 1 of the Report for an Executive Summary

### **Additional Information**

Additional information that the Board of Governors should be aware of but is not included in the report is set out below:

#### *Internal Audit*

During the year 9 internal audits (2014: 10) were undertaken. Of the five that were classified, one was deemed low risk (2014: 2), three medium risk (2014: 1) and one high risk (2014: 1) which was "data security". A total of 26 recommendations (2014: 18) across the five audits were made of which none were critical (2014: 0), four were high (2014: 2), thirteen were medium (2014: 8) and nine were low (2014: 8).

The one high risk issue identified as part of Continuous Auditing was:

- A large number of cash reconciliations on Agresso which were over 6 months old.

The three high risk issues identified as part of the review of Data Security were:

- At the time of audit there were no documented procedures for ICT user administration, i.e. creation, modification and removal of accounts. Lack of

independent review of changes to data could mean unauthorised access to sensitive records and data;

- Inadequate procedures and controls to ensure the physical security of LSBU's buildings and associated ICT assets; and
- Inadequate controls and procedures to ensure that logical security settings are appropriate and consistently applied across the LSBU ICT environment.

PwC's Annual Report to the Audit Committee states that: recommendations for all four high risk findings have either been fully implemented before 31 July 2015 or significant progress is underway to implement the recommendation.

### **Anti-fraud matters**

Under LSBU's anti-fraud policy the Chief Financial Officer reported on fraud at every Audit Committee meeting. During the year 2014/15 four irregularities were discovered and all were reported to the Board. Details were reported to the Committee:

- a. The possible misuse of a purchasing card by an employee;
- b. A possible breach in regulations around the payment of Student Ambassadors;
- c. Pension overpayments; and
- d. A possible bribe from a prospective student's family to a colleague at an open day.

During the year, the Committee were updated on the ongoing investigation into alleged bribery by a former member of staff. The committee noted that a former employee was likely to be prosecuted by the Crown Prosecution Service for bribery. The case had been reported to the Audit Committee and HEFCE after its discovery in 2013.

### **Recommendation**

The Committee is asked to approve the report and the opinions of the Committee.

### **Attachment**

- Audit Committee annual report to the Board and accountable officer

**Appendix – sections 8-10 of the Audit Code of Practice from the Memorandum of Assurance and Accountability with HEFCE**

8. The committee must produce an annual report for the governing body and the accountable officer. The report must cover the financial year and include any significant issues up to the date of signing the report and its consideration of the financial statements for the year. The report must be presented to and reviewed by the governing body before the audited financial statements are signed.
9. The report must include the committee's opinion on the adequacy and effectiveness of the HEI's arrangements for:
  - risk management, control and governance
  - economy, efficiency and effectiveness (VFM)
  - management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE and other bodies.
10. The final annual report to the governing body and the accountable officer must be shared with HEFCE each year.

## **Annual Report of the Audit Committee to the Board of Governors and the Accountable Officer 2014/15**

### **Executive summary**

During the year to 31 July 2015, the Audit Committee was chaired by Andrew Owen and met four times. Steve Balmont became Chair of the Committee with effect from 9 July 2015.

Matters completed by the Committee during the year include:

- review and clearance of the University's annual report and accounts for 2014/15 (paragraph 8);
- approval of the plan for PwC's internal audit review work for the year (paragraph 13);
- at each meeting, detailed consideration of PwC's internal audit reports (paragraph 12);
- four meetings with PwC and one meeting with Grant Thornton UK LLP in the absence of all University officers;
- consideration of the annual internal audit report (paragraph 15);
- regular review of the corporate risk framework (paragraph 19);
- approval of a statement of internal control (paragraph 20); and
- an external assessment of the Committee's effectiveness as part of an overall governance effectiveness review (paragraph 30).

## **Introduction**

1. This report covers the financial and academic year from 1 August 2014 to 31 July 2015 and includes any significant issues up to the date of the signing this report and consideration of the financial statements for the year.
2. No member of the Audit Committee has, or has had during the year, a direct role in the management of the University. All members of the Committee are asked to declare any interests in any item of business on the agenda at each meeting.
3. During 2014/15, the Audit Committee was chaired by Andrew Owen, an independent governor until 9 July 2015. Steve Balmont chaired the Committee from 9 July 2015. Other members of the Committee during the year were: Steve Balmont, Douglas Denham St Pinnock, Mee Ling Ng and Shachi Blakemore (independent co-opted member). Shachi Blakemore was appointed as a governor of London South Bank University on 1 April 2015 and became a full member of the Audit Committee on appointment. All members of the Committee are independent of management. James Stevenson, University Secretary & Clerk to the Board, served as secretary to the Committee throughout the year. Steve Balmont was appointed Chair of the Committee on 9 July 2015.
4. The Committee held four business meetings during the financial year to 31 July 2015. The Vice Chancellor, Chief Financial Officer and other members of the Executive were present at all meetings. The internal auditors and the external auditors were present at all four meetings. For the financial & academic year 2015/16 the Committee will also hold four business meetings (September, November, February, June).
5. The Committee's terms of reference are reviewed annually in the autumn. The Committee has an agreed forward business plan which is used to plan its agendas during the year and is reviewed annually.

## **External Audit**

6. Throughout the year Grant Thornton UK LLP served as the University's external auditors.
7. At its meeting of 4 June 2015, the Committee approved the external audit plan for the financial year 2014/15.



8. [SUBJECT TO APPROVAL AT BOARD - At its meeting of 5 November 2015, the Committee considered and recommended to the Board for approval the draft Financial Statements for the year ended 31 July 2015. The Committee considered in detail audit findings and audit opinion from Grant Thornton UK LLP. The Committee considered and recommended to the Board for approval the letter of representation from the Board of Governors to Grant Thornton UK LLP.]
9. [Performance indicators had been agreed against which the performance of the external auditors would be measured. The Committee received a report on performance against indicators at its meeting of 5 November 2015. The external auditors met all of the agreed performance indicators].
- 10.[The Committee met Grant Thornton UK LLP prior to its meeting of 5 November 2015 in the absence of any University employees to discuss the year end audit and other matters. In addition, private meetings between the Committee and Grant Thornton UK LLP are held, if required, during the year.]
11. Grant Thornton reports that non-audit work for LSBU Group is as follows. For the year ended 31 July 2015, Grant Thornton provided tax advisory services with a value of £4,110 including VAT. The work was carried out by an engagement team completely separate from the audit team.

### **Internal Audit**

12. The University's Internal Auditors for the year were PricewaterhouseCoopers (PwC). PwC worked to an internal audit plan of 125 days approved by the Committee at its meeting of 12 June 2014. The Committee has received progress reports from PwC against the plan at every meeting.
13. During the year 9 internal audits (2014: 10) and no specialist reviews were undertaken. The Continuous Audit programme of key financial systems was carried out through the year. Continuous Auditing of student data controls was introduced during the year.
14. The internal auditor's annual report for 2014/15 (dated September 2015) provided a positive assurance statement. The internal audit annual report found:

“The internal audit opinion is that, with the exception of Data Security: LSBU has adequate and effective arrangements in place to address the risks that management's objectives are not achieved in respect of risk management, control, governance and value for money”.

15. "This [PwC's] opinion is made on the basis that some medium risk rated weaknesses have been identified in individual assignments but these are not significant in aggregate to the system of internal control and our high risk findings are isolated to specific systems and processes and do not present systematic threats to the entire control and governance environment."
16. The Executive states that work to further strengthen data security has been undertaken and the PwC annual report states that recommendations for all high risk findings have been fully implemented or significant progress is underway.
17. The Committee met PwC prior to each meeting, in the absence of any of the University's employees.
18. Following a tender process, PwC were re-appointed as internal auditors. The contract is for three years from 1 August 2015 with the possibility of a further two 12 month extensions subject to performance.

#### **Risk management, control and governance**

19. The Committee received a report on risk management at each meeting. The University's corporate risk framework is aligned to the Corporate Strategy.
20. PwC undertook an internal audit on risk management during the year which was rated as low risk.
21. [A review of the effectiveness of internal control is undertaken annually by the Executive. A draft report was submitted to the Committee at its meetings of 24 September 2015 and 5 November 2015. At the November meeting, the Committee approved the Statement of Internal Control as part of the annual report and accounts.]

#### **Economy, Efficiency and Effectiveness**

22. A Value for money (VFM) report was prepared by the Executive and considered by the Committee on 5 November 2015. Based on the report the Executive are confident that LSBU has delivered Value for Money (VFM) across the broad range of its spend and activities for 2014/15.

## **Management and Quality Assurance of Data submitted to HESA and HEFCE**

23. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.
24. Following two reports on the continuous auditing of student data controls, the Internal Auditors “have not identified any significant exceptions regarding student financial data controls”. Only two low risk findings were reported in the year.

## **HEFCE’s Assessment of Institutional Risk**

25. In a letter dated 28 April 2015 the Board received HEFCE’s assessment of the University’s institutional risk, which was that LSBU was “not at higher risk” at this time. HEFCE has given the same opinion each year since 2007.

## **HEFCE Assurance Review**

26. In July 2011 HEFCE undertook a five yearly assurance review of the University to review how the University exercises accountability for the public funds it receives. HEFCE’s conclusion was that they are “able to place reliance on the accountability information”. This is the highest rating possible. HEFCE did not make any recommendations for improvement in the report.

## **Public Interest Disclosure**

27. Under the “speak up” policy the University Secretary reported on speak up activity at every meeting of the Audit Committee. The Chairman of the Audit Committee acts as the independent point of contact for anyone wishing to raise a speak up matter outside line management. An independent reporting helpline has been implemented for the 2015/16 financial year.
28. During 2014/15, four matters were considered to fit the definition of the “speak up” policy. In each instance, the Committee was satisfied that due process had been followed by management.

## **Anti-Fraud**

29. Under LSBU's anti-fraud policy the Chief Financial Officer reported on any fraud matter at every business meeting. During the year 2014/15 four irregularities were investigated and all were reported to the Board.

## **Audit Committee effectiveness assessment**

30. The Audit Committee's effectiveness was reviewed as part of a governance effectiveness review undertaken by the Leadership Foundation for Higher Education during spring 2015. No recommendations were made regarding the Audit Committee.

## **Opinion of the Audit Committee**

### *Risk Management, Control and Governance*

31. The Committee's opinion on the institution's risk management, control and governance is that these arrangements are [adequate and effective].

32. This opinion is based on:

- the Internal Audit annual report for 2014/15 which gave the opinion that "we believe London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over risk management, control and governance";
- the Executive's detailed review of internal controls. [This review was considered by the Audit Committee on 5 November 2015]; and
- the independent Governance Effective Review of May 2015.

### *Economy, Efficiency and Effectiveness*

33. The Committee's opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are [adequate and effective].

34. This opinion is based on the Executive's annual assessment of Value for Money and the Internal Audit annual report, 2014/15 which gave the opinion that "[PwC's] work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: adherence to financial controls and use of purchasing consortiums".

*Management and quality assurance of data submitted to HESA and HEFCE*

35. The Committee's opinion on the management and quality assurance of data submitted to HESA and HEFCE is that the University has [adequate assurance].
36. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.

[This annual report was approved by the members of the Audit Committee on 5 November 2015.]

Signed .....

Steve Balmont  
Chairman of the Audit Committee

	CONFIDENTIAL
	PAPER NO: AC.56(15)
Paper title:	External Audit Performance
Board/Committee	<b>Audit committee</b>
Date of meeting:	5 <sup>th</sup> November 2015
Author:	Natalie Ferer – Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To consider the performance of the Grant Thornton during their audit for the year ending 31 <sup>st</sup> July 2015  Decision / <del>Discussion</del> / Information
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory financial reporting
Recommendation:	No material issues have arisen. The Audit Committee is requested to note the report.

Matter previously considered by:	N/a	N/a
Further approval required?	n/a	n/a

**Key Performance Indicators (KPIs)**

The agreed KPIs are listed below with a summary of performance against them for the 2014/15 financial year end audit.

**Dialogue with the University**

1.	<p><b>Establish and maintain good lines of communication throughout the year and at critical times for the Audit.</b></p> <p><i>Measure/Target:</i></p> <ul style="list-style-type: none"> <li>• Significant issues identified during fieldwork communicated immediately and directly to the Chief Financial Officer</li> <li>• Audit planning and clearance meetings set up by 30 June of each year</li> <li>• Auditor to update LSBU on any significant financial reporting developments as and when they occur</li> </ul>
	<ul style="list-style-type: none"> <li>• Achieved. There were no significant issues identified during the fieldwork. Communication between the audit team and the Financial Controller and team was good.</li> <li>• Achieved. Audit planning meeting took place on 16<sup>th</sup> April 2015. At this meeting it was agreed that the clearance meeting would take place during October and the actual date of the clearance meeting was 20<sup>th</sup> October 2015.</li> <li>• Achieved. Any financial reporting developments were discussed as they occurred.</li> </ul>
2.	<p><b>Effective and timely planning with Management to address areas of risk and discuss and agree the responses with Management and present these in the audit strategy prior to 31 May each year.</b></p> <p><i>Measure/Target: Areas of risk and management responses agreed by 31 May</i></p>
	<ul style="list-style-type: none"> <li>• Achieved. Audit planning meeting held 16<sup>th</sup> April 2015 with Audit Approach Memorandum presented to Audit Committee on 4<sup>th</sup> June 2015.</li> </ul>
3.	<p><b>Communicate with Management in relation to reporting standards and their impact on the University.</b></p> <p><i>Measure/Target: Auditor to update LSBU on any significant Financial Reporting developments as and when they occur</i></p>
	<ul style="list-style-type: none"> <li>• Achieved</li> </ul>

## Reporting and Communication

<b>4.</b>	<p><b>Annual audit work, including Financial Statements, completed by 31 October following the relevant financial year end.</b></p> <p><i>Measure/Target: Audit work and financial statements completed by 31 October</i></p> <p>Achieved:</p> <ul style="list-style-type: none"> <li>• Onsite audit fieldwork completed by 9<sup>th</sup> October 2015.</li> <li>• Draft financial statements considered by Audit Committee on 5<sup>th</sup> November 2015.</li> </ul>
<b>5.</b>	<p><b>Timely discussion of findings with Management so issues are resolved promptly.</b></p> <p><i>Measure/Target:</i></p> <ul style="list-style-type: none"> <li>• Significant issues identified during fieldwork communicated immediately and directly to Chief Financial Officer</li> <li>• Less significant issues communicated immediately to Financial Controller</li> </ul> <p>Communication of issues met the targets</p> <ul style="list-style-type: none"> <li>• There were no significant issues identified during the audit fieldwork.</li> <li>• Less significant issues were communicated to the Financial Controller during the audit visit and with the Chief Financial Officer at a meeting on the 8<sup>th</sup> October 2015.</li> </ul>
<b>6.</b>	<p><b>Timely reporting of Audit strategy and findings to comply with the requirements of the Audit Committee which would normally be 10 working days prior to the relevant date.</b></p> <p><i>Measure/Target: Reports completed and submitted 10 working days before date of relevant committee meeting</i></p> <ul style="list-style-type: none"> <li>• Achieved: Audit Findings document finalised and sent to the University on 26<sup>th</sup> October, 10 working days before Audit Committee on the 5<sup>th</sup> November</li> </ul>
<b>7.</b>	<p><b>Issue of a separate management letter highlighting any significant accounting and control issues arising from the audit. (A copy of this letter will be sent to the HEFCE Assurance Service to enable them to see what observations have been made about the internal control system and how management have responded).</b></p> <p><i>Measure/Target: Separate management letter compiled for submission to HEFCE</i></p> <ul style="list-style-type: none"> <li>• Achieved.</li> </ul>



<b>8.</b>	<b>An innovative audit approach, offering timely advice and constructive, practical, relevant and value added recommendations for improvement.</b>
	<i>Measure/Target: Advice and analysis not directly relevant to financial statement audit included within annual audit report.</i>
	<ul style="list-style-type: none"> <li>• Advice delivered in Audit Findings document.</li> </ul>

### Other Measures

<b>9.</b>	<b>Independent, professional and suitably experienced staff engaged on the Audit.</b>
	<i>Measure/Target: No avoidable staff rotation, with exception of 5 year partner rotation</i>
	<ul style="list-style-type: none"> <li>• Achieved. Nick Taylor took over as Senior Manager following Deborah Moorehouse's departure from the company. There was continuity within other members of the team with Antonis Evripidou and Courtney Waite continuing from 2014. All members of the team were suitably experienced and prepared for the audit and the University experienced no issues or delays as a result of working with the team.</li> </ul>

<b>10.</b>	<b>Effective liaison with the internal auditors in order to maximise efficiency from total audit effort.</b>
	<i>Measure/Target:</i> <ul style="list-style-type: none"> <li>• <i>External auditors meet internal auditors as part of planning process</i></li> <li>• <i>External auditors review completed internal audit reports and rely on their work if appropriate</i></li> </ul>
	<ul style="list-style-type: none"> <li>• Achieved. Grant Thornton spoke to the internal auditors as part of their planning process to ensure that there were no significant issues that they needed to be made aware of. They also discussed if they were aware of any fraud issues etc at the University. Grant Thornton attend the Audit Committee meetings and listen to the IA presentations and picked up on any issues at these meetings on an informal basis.</li> <li>• As part of their planning work they also reviewed all Internal Audit reports to assess whether there is any significant impact on their required audit work. This formed a key part of their risk assessment process.</li> </ul>

	PAPER NO:AC.57(15)	
Paper title:	Review of non-audit services	
Board/Committee	Audit committee	
Date of meeting:	5 <sup>th</sup> November 2015	
Author:	Natalie Ferer	
Executive/Operations sponsor:	Richard Flatman	
Purpose:	To review Grant Thornton's non audit services for the year ending 31 <sup>st</sup> July 2015.	
Which aspect of the Strategy/Corporate Delivery plan will this help deliver	Statutory financial reporting	
Recommendation	The committee is requested to note this report	
Matter previously considered by:	N/A	N/A
Further approval required?	None	N/A

The University has engaged Grant Thornton to conduct the audit for the year ending 31<sup>st</sup> July 2015. In addition Grant Thornton undertook tax advisory services

Tax advisory services with a value of £4,110 including VAT were delivered by Grant Thornton, with the work being carried out by an engagement team completely separate from the audit team.

The committee is requested to note this report.

	PAPER NO: AC.58(15)
Paper title:	Annual review of effectiveness: Statement of Internal Controls
Board/Committee	Audit Committee
Date of meeting:	5 November 2015
Author:	John Baker, Corporate & Business Planning Manager
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To set out the full compliance statement on internal control for approval and inclusion in the year-end financial accounts and to set out the assurance sources in support of the full compliance statement.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Compliance – forms part of the annual report and accounts
Recommendation:	That Committee: <ul style="list-style-type: none"> <li>• notes this report</li> <li>• approves the annual compliance statement (subject to final review immediately before approval of accounts).</li> </ul>

Matter previously considered by:	Audit Committee	On: 24 September 2015
Further approval required?		

### **Executive summary**

This paper presents the annual review of effectiveness of the University's system of internal control and underpins the internal control statement in the annual report and accounts. This paper is in draft form at this stage, until the approval of the financial statements, and will require further confirmation that no changes are required at the Board meeting on the 26 November 2015. It was considered at the Audit Committee meeting of 24 September 2015. No changes have been made since then.

The proposed statement is a "full compliance" statement for the period under review. Please refer to section 1 of the report for the summary/justification of the full compliance statement.

London South Bank University

System of Internal Controls

Annual Review of Effectiveness  
Year ended 31 July 2015

## CONTENTS

1. Executive Summary
2. Annual review process
3. Changes in the nature and extent of significant risks
4. Scope and quality of management's ongoing monitoring of risks and the system of internal control
5. Results of internal audit work
6. Extent and frequency of communication to the board (and other committees)
7. Incidence of significant control failings or weaknesses during the year
8. Effectiveness of the University's external reporting processes

### Appendix

1. Draft Statement on Internal Control
2. Corporate Risk Register as at 4 September 2015

## 1. Executive Summary

This report documents the progress that has been made to our system of internal control and to our risk management processes over the past year. A copy of the proposed statement of full compliance for the year ended 31 July 2015 is enclosed as Appendix 1.

In making this statement, we are required to ensure that a number of key principles of effective risk management have been applied. These principles, together with an assessment of compliance by LSBU, are provided in the table below.

Effective risk management:

Requirement	Assessment
Covers all risks – governance, management, quality, reputation and financial.	✓
Produces a balanced portfolio of risk exposure.	✓
Is based on a clearly articulated policy and approach.	✓
Requires regular monitoring and review, giving rise to action where appropriate.	✓
Needs to be managed by an identified individual and involves the demonstrable commitment of governors, academics and officers.	✓
Is integrated into normal business processes and aligned to the strategic objectives of the organisation.	✓

In making this assessment and a full compliance statement for the period under review (for the year ended 31 July 2015 and up to the date of approval of the financial statements) the following assurance sources have been taken into account:

### **HEFCE**

- The most recent risk assessment, as reported by HEFCE in its letter to LSBU dated 28 April 2015 (and as reported to Board and Audit Committee at subsequent meetings) confirms that LSBU is “not at higher risk at this time”. The Executive is not aware of any issues which would currently change that rating
- HEFCE carried out an assurance visit to LSBU on 12 July 2011, which is conducted every 5 years. The overall conclusion from that review was the highest assurance rating possible “*that, at this time we (HEFCE) are able to*

*place reliance on the accountability information.”* No additional recommendations for improvement were included in the report.

### **Internal Audit**

- The programme of internal audit work for the year ended 31 July 2015 was aligned to the corporate risk framework to provide assurance on the effectiveness of controls in key risk areas.
- The 2014/15 internal audit programme included a review of risk management. Based on the results, our risk processes were categorised as low risk. Corporate Risk is reported on a monthly basis to the University Operations Board and to every meeting of the Board of Governors and Audit Committee.
- The conclusions from internal audit work are discussed in more detail in section 5 of this report. No critical risk findings and only 4 high risk findings were identified in 2014/15. 3 of the 4 high risk findings related to data security.
- The opinion of the internal auditors is that except for one area (data security), LSBU has adequate and effective arrangements to address the risk that management's objectives are not achieved in respect of risk management, control and governance. *(The annual report also provided positive assurance on our vfm processes but that is outside the scope of this report which focuses on internal control).*
- The annual internal audit report makes clear that a small number of high risk findings were raised regarding data security but that these do not present systemic threats to the entire control and governance environment. Appropriate action is being taken to address those weaknesses and to implement agreed actions.
- The overall implementation rate for internal audit actions for the year was 83% of all recommendations made. Excluding the 1 recommendation not agreed by management, the implementation rate rises to 86%. This is an improvement on the 78% reported last year.

### **Internal Governance**

- The Corporate Risk Register is aligned to the Corporate Strategy and is reviewed by Operations Board on a monthly basis and updated regularly. It has been re-structured to align to the new corporate strategy 2015/2020.
- The Corporate Risk Register has been submitted to every meeting of the Board of Governors and Audit Committee.
- In addition to the Risk Register, regular reports have been submitted to Audit committee/Board demonstrating progress on projects/actions related to key corporate risks, including substantive reporting of progress on projects within the change programme.

- Our opinion that LSBU's risk management arrangements continue to be strong is confirmed by the internal auditors in their annual report.
- There have been no major breakdowns in controls during the year. The annual internal audit opinion comments that the core financial control environment has remained robust during the year.
- Regular anti-fraud, bribery and corruption updates/reports have been provided to each meeting of the Audit Committee. No significant matters have occurred.
- No significant issues have arisen as a result of the University's external reporting processes.

## **2. Annual Review Process**

To be able to make the statement on internal control set out in Appendix 1, Governors need to satisfy themselves that the risk management system is functioning effectively and in a manner that they have approved.

The two elements of effective monitoring are:

- An ongoing review process- (for LSBU this takes the form of regular risk management reports to the Audit Committee and Board of Governors, and ongoing monitoring reports and consideration of risk issues by the Operations Board); and
- An annual assessment of the effectiveness of internal controls.

This paper documents the annual assessment undertaken. It considers issues dealt with in reports received during the year, together with any additional information necessary to ensure that Governors take account of all significant aspects of internal control for the year under review and up to the date of approval of the annual accounts.

## **3. Changes in the nature and extent of significant risks**

The Corporate Risk Register has been subject to monthly review by the Operations Board and has been updated as appropriate. The Risk Register has been aligned with the goals of the University's Corporate Strategy for 2020. The current Corporate Risk Register residual likelihood matrix is attached at Appendix 2.

The main changes to the corporate risk register have been the addition of new risks relating to the L4 Progression rate, and to income delivered through international student recruitment.



The principal risks facing the University relate to student recruitment, income generation, the failure to respond effectively to policy change or maintain and enhance the University's reputation and increasing pension deficits / cost of pension provision.

These risks are discussed in more detail in the University's financial statements.

#### **4. Scope and quality of management's ongoing monitoring of risks and the system of internal control**

Risk Management is a standing item on every Operations Board agenda, and risk management and internal control are embedded into normal operating routines. Both are subject to regular management review and periodic audit review.

Every Corporate Risk has an Executive Risk Owner. Every member of the Executive is the Risk Champion for their area, and this is embedded into formal letters of delegated authority issued for every financial period.

All matters relating to internal control are reported to Operations Board which also monitors carefully the implementation of agreed recommendations / actions for improvement.

#### **5. Results of internal audit work for 2014/15**

The University's Internal Auditors for the period under review were PricewaterhouseCoopers LLP (PwC) and their opinion for 2014/15 is set out in their internal audit annual report.

The PwC opinion for 2014/15 is based on their assessment of whether the controls in place support the achievement of management's objectives as set out in their Internal Audit Risk Assessment and Internal Audit Plan 2014/15.

They have completed the program of internal audit work for the financial year ended 31 July 2015, and their opinion is:

*Extract from PwC Internal audit Annual Report 2014/15 for LSBU*

Our opinion is based on our assessment of whether the controls in place support the achievement of management's objectives as set out in our Internal Audit Risk Assessment and Internal Audit Plan 2014/15.

We have completed the program of internal audit work for the financial year ended 31 July 2015 and except for the one area noted below (Data Security), we believe London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over:

- Risk management, control and governance; and
- Value for money processes.

This opinion is made on the basis that some medium risk rated weaknesses have been identified in individual assignments but these are not significant in aggregate to the system of internal control and our high risk findings are isolated to specific systems and processes and

do not present systemic threats to the entire control and governance environment. None of the individual assignments have an overall classification of critical risk.

London South Bank University's risk management arrangements continue to be strong and our Continuous Auditing work shows that the core financial control environment has remained robust during the year. 1 high risk finding was noted in our second period of Continuous Auditing where we identified some reconciling items which were over 6 months old in the bank reconciliation, however our follow up work concluded that the reconciling items were cleared on the July 2015 reconciliation.

3 other high risk findings have been raised in 2014/15. These all related to information security issues identified as part of our review of Data Security. The recommendations agreed for 2 of these findings have now been implemented; 1 is not due yet but management have introduced an action plan and are making progress to implement these recommendations. These matters are described further in Section 2 of this report.

The timely implementation of internal audit recommendations by management is a key indicator of good governance and a target rate of 75%+ should be aspired to by management. The University has maintained its implementation rate: 83% of agreed actions have been implemented during 2014/15; this is an improvement on the 78% reported in the prior year.

Our work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: adherence to financial controls and use of purchase consortiums.

## 6. Extent and frequency of communication to the Board (and other committees)

Regular reports on risk and control matters have been presented to the Board and its Committees throughout the year as set out below. These are in addition to the detailed papers at this meeting.

<b>Board of Governors</b>	<b>Report</b>	<b>Purpose</b>
9 <sup>th</sup> July 2015	<b>Key performance indicators</b>	To note a progress report from the Vice Chancellor
	<b>Corporate risk register</b>	To note a report from the Chief Financial Officer
	<b>HEFCE Annual Mid Year Accountability Return</b>	To approve the return to Hefce including the 5 year forecast.
14 <sup>th</sup> May 2015	<b>Key Performance Indicators</b>	To consider the Vice Chancellor's report and note developments

	<b>Corporate risk register</b>	To consider a report from the Chief Financial Officer
12 <sup>th</sup> Feb 2015	<b>Corporate risk register</b>	To note and update report from the Chief Financial Officer
	<b>Key performance indicators</b>	To consider the Vice Chancellor's report and note developments
	<b>External Reporting (HESES HESA) progress report</b>	To note progress report by Pro-Vice Chancellor (Academic)
21 <sup>st</sup> November 2014	<b>Corporate risk register</b>	To note and update report from the Chief Financial Officer
	<b>Key performance indicators</b>	To consider the Vice Chancellor's report and note developments
20 <sup>th</sup> November 2014	<b>Annual report from Audit Committee</b>	To note report from the Chair of Audit Committee
	<b>Audit Committee report on the accounts</b>	To note report from the Chair of Audit Committee
	<b>Annual report and financial statements for year ended 31 July 2014</b>	To approve report from the Chief Financial Officer
	<b>Report from the Policy and Resources Committee on the accounts</b>	To note report from the Chair of Policy and Resources Committee
	<b>External Audit key issues memorandum</b>	To note report from the External Auditors (Grant Thornton)
	<b>HEFCE annual accountability return</b>	To note report from the Chief Financial Officer
9 <sup>th</sup> October 2014	<b>Corporate risk register</b>	To note detailed annual review from the Chief Financial Officer
	<b>Key performance indicators</b>	To consider the Vice Chancellor's report and note developments

	<b>Corporate Governance Statement</b>	To approve
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<b>Audit Committee</b>	<b>Report</b>	<b>Purpose</b>
4 <sup>th</sup> June 2015	<b>Corporate risk report</b>	To consider the report on corporate risks from the Chief Financial Officer
	<b>Internal Audit progress report 2014/15</b>	To note report from internal auditors on audit progress for 2014/15
	<b>Internal Audit Reports 2013/14:</b>	To note reports completed from 2013/14 internal audit plan
	<ul style="list-style-type: none"> <li>• Continuous Audit into Financial Systems – period 2</li> <li>• Continuous Audit into Student Data – period 2</li> </ul>	
	<b>Internal Audit plan 2015/16 &amp; Re-Tender</b>	To preview plan from internal auditors for activity in 2015/16
	<b>External audit plan for 2015/16</b>	To approve plan from external auditors
26 <sup>th</sup> February 2015	<b>Corporate risk report</b>	To consider the report on corporate risks from the Chief Financial Officer
	<b>Internal Audit progress report 2014/15</b>	To note report from internal auditors on audit progress for 2014/15
	<b>Internal Audit Reports 2014/15:</b>	To note reports completed from 2014/15 internal audit plan
	<ul style="list-style-type: none"> <li>• Data Security</li> <li>• Continuous Audit into Student Data – period 1</li> <li>• Continuous Audit finance Systems – period 1</li> </ul>	
30 <sup>th</sup> October 2014	<b>Corporate risk report</b>	To consider the report on corporate risks and mitigating actions
	<b>External Reporting (HESES HESA) progress report</b>	To note progress report by Pro-Vice Chancellor (Academic)
	<b>Draft report and accounts</b>	To consider the report from the Chief

	<b>for year ended 31 July 2014</b>	Financial Officer
	<b>Internal audit annual report</b>	To note report from internal auditors
	<b>Internal Audit Reports 2014/15</b>	To note reports completed from 2014/15 internal audit plan
	<ul style="list-style-type: none"> <li>• Change Programme Review part 1</li> </ul>	
	<b>Internal audit progress report</b>	To note report from internal auditors on audit progress for 2013/14
	<b>Audit Committee Annual Report</b>	To approve the Audit Committee Annual Report
	<b>HEFCE assurance report</b>	To note a report from HEFCE
25 <sup>th</sup> September 2014	<b>Corporate risk report</b>	To consider the report on corporate risks and mitigating actions
	<b>Internal Audit progress report 2014/15</b>	To note report from internal auditors on audit progress for 2014/15
	<b>Annual report on effectiveness of internal controls</b>	To consider this report from the Chief Financial Officer
	<b>Internal Audit Reports</b>	To note reports on various 2012/13 audit plan areas
	<ul style="list-style-type: none"> <li>• Continuous Audit Q4 13/14</li> <li>• Risk Management Report</li> </ul>	
	<b>External Reporting (HESES HESA) progress report</b>	To note progress report by Pro-Vice Chancellor (Academic)

<b>Policy and Resources</b>	<b>Report</b>	<b>Purpose</b>
6 <sup>th</sup> May 2015	<b>Key performance indicators update</b>	To consider the corporate plan KPIs progress report
3 <sup>rd</sup> Feb 2015	<b>Key performance indicators update</b>	To consider the corporate plan KPIs progress report
12 <sup>th</sup> November 2014	<b>Key performance indicators update</b>	To consider the corporate plan KPIs progress report

23 <sup>rd</sup> September 2014	<b>Key performance indicators update</b>	To consider the corporate plan KPIs progress report
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In addition:

The Audit Committee will have reviewed the following reports at meetings in September 2015 and October 2015 before the accounts are signed:

- The financial statements, including the Statement of Internal Control
- final annual report of the internal auditors for the year ended 31 July 2015
- External auditor's Key Issues memorandum (KIM).

The Board will conduct a detailed review of the corporate risk register at its meeting in October 2015.

## **7. Incidence of significant control failings or weaknesses during the year**

There have been no reportable incidents of significant control failings or weaknesses during the year.

The internal auditors have identified some control design and operating effectiveness issues around data security and these are being addressed.

Regular anti-fraud, bribery and corruption reports have been submitted to each meeting of the Audit Committee.

## **8. Effectiveness of the University's external reporting processes**

No significant issues have arisen as a result of the University's external reporting processes other than matters already covered within the Corporate Risk framework.

## APPENDIX 1

### Statement on Internal Control

As the governing body of London South Bank University, we have responsibility for ensuring that there is a process for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives of the University, whilst safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Memorandum and Articles of Association, and the Memorandum of Assurance and Accountability with HEFCE.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2015 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

As the governing body, we have responsibility for reviewing the effectiveness of the system of internal control. The following processes have been established:

- We meet a minimum of seven times a year (including 2 strategy days) to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Audit Committee provide oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Audit Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Audit Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Audit Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;

- An organisation-wide register of key corporate risks is maintained, together with individual risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- The Operations Board meets regularly to consider risk, assess the current exposure and keep up to date the record of key corporate risks facing the University;
- A network of risk champions exists to support risk management activity in all schools and professional service groups; Update training is provided as required to support delivery;
- Formal risk management and internal control procedures have been embedded within ongoing operations.

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in July 2011. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement.

Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.





**APPENDIX 2: Corporate Risk Register: Residual Likelihood Matrix**

**Date:** 4<sup>th</sup> September 2015    **Author:** John Baker – Corporate & Business Planning Manager    **Executive Lead:** Richard Flatman – Chief Financial Officer

	2: Revenue reduction if marketing and PR activity does not achieve recruitment targets (PI)	1: Failure to position LSBU to improve reputation & effectively respond to policy changes & shifts in competitive landscape (DP)	4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty / closure</i>	<b>Impact</b>
397: Effectiveness of delivery impaired as institution goes through restructuring process (DP)	6: Management Information is not meaningful, or reliable for decision making or reporting (RF) 14: Potential loss of NHS contract income (WT) 305: Data not used / maintained securely (IM) 362: Low staff engagement impacts performance negatively (DP) 3: Increasing pensions deficit (RF) 402: Income growth from R&E unrealised (PI) 467: Progression rates don't rise (PB)	37: Capital investment ambitions of forward estates strategy undermine financial sustainability (RF)	3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>	
	398: Academic programmes not engaged with technological and pedagogic developments (SW) 457: Anticipated international student revenue unrealised (PI)		2 Medium <i>failure to meet operational objectives of the University</i>	
			1 Low <i>little effect on operational objectives</i>	
<b>3 - High</b> <i>The risk is likely to occur short term</i>	<b>2 - Medium</b> <i>This risk may occur in the medium to long term.</i>	<b>1 - Low</b> <i>This risk is unlikely to occur</i>		
<b>Residual Likelihood</b>				
Executive Risk Spread: VC – 3, DVC – 1, CFO – 3, PVC-S&E – 1, PVC-R&EE – 3, COO – 1, Dean Health – 1, ExD-HR – 0, US - 0				

	PAPER NO: AC.59(15)
Paper title:	Corporate Risk Register
Board/Committee	Audit Committee
Date of meeting:	5 November 2015
Author:	John Baker, Corporate & Business Planning Manager
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide Committee with the current corporate risk register.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Risk register is aligned to the corporate strategy
Recommendation:	Note: <ul style="list-style-type: none"> <li>• the risks and their ratings,</li> <li>• the allocation of risks to corporate objectives</li> </ul>

Matter previously considered by:	Operations Board	On: 15 <sup>th</sup> October 2015
Further approval required?		

### **Executive Summary**

The register is a dynamic document managed within the 4-Risk platform. This record presents all identified Corporate Risks, grouped by Corporate Objective, with impact and likelihood assessments, and related controls and actions; as at 6<sup>th</sup> October. The summary pages present the totality of risk on a 1 page matrix, along with a record of all changes and action progress updates sine the last presentation of the register.

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

**Date:** 6<sup>th</sup> October 2015

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

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

	2: Revenue reduction if marketing and PR activity does not achieve recruitment targets (PI)	1: Failure to position LSBU to improve reputation & effectively respond to policy changes & shifts in competitive landscape (DP)	4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty / closure</i>	<b>Impact</b>
	6: Management Information is not meaningful, or reliable for decision making or reporting (RF) 14: Potential loss of NHS contract income (WT) 305: Data not used / maintained securely (IM) 362: Low staff engagement impacts performance negatively (DP) 3: Increasing pensions deficit (RF) 402: Income growth from R&E unrealised (PI) 467: Progression rates don't rise (PB)	37: Capital investment ambitions of forward estates strategy undermine financial sustainability (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>	
397: Effectiveness of delivery impaired as institution goes through restructuring processes (DP)	398: Academic programmes not engaged with technological and pedagogic developments (SW) 457: Anticipated international student revenue unrealised (PI)		2 Medium <i>failure to meet operational objectives of the University</i>	
			1 Low <i>little effect on operational objectives</i>	
<b>3 - High</b> <i>The risk is likely to occur short term</i>	<b>2 - Medium</b> <i>This risk may occur in the medium to long term.</i>	<b>1 - Low</b> <i>This risk is unlikely to occur</i>		
	<b>Residual Likelihood</b>			
Executive Risk Spread: VC – 3, DVC – 1, CFO – 3, PVC-S&E – 1, PVC-R&EE – 3, COO – 1, Dean Health – 1, ExD-HR – 0, US - 0				

**Changes since presentation at July Board meeting, and overdue action progress updates detailed below:**

<i>Reference</i>	<i>Risk title</i>	<i>Changes made</i>
<b>Goal 3: Real World Impact - Teaching &amp; Learning: Ensuring teaching is highly applied, professionally accredited &amp; linked to research &amp; enterprise</b>		
398 (SW)	Low engagement with technological or pedagogic developments	
467 (PB)	UG Progression rate doesn't rise	<p><b>ESE Phase 1 action implemented:</b> Final changes to phase 1 dashboards implemented and live in system, which is accessible to the 60 pilot users.</p> <p><b>Progression calculation action implemented:</b> The progression methodology was developed, and the data presented in the School KPI Data set document.</p> <p><b>Summer school action implemented:</b> Summer school was held during August, and 265 students registered to attend. <b>New Action</b> - Jenny Laws will produce review of success of this initiative once results are entered onto the QL database.</p>
<b>Goal 4: Real World Impact - Research &amp; Enterprise: Delivering outstanding economic, social and cultural benefits from our intellectual capital.</b>		
402 (PI)	2020 income growth through Research & Enterprise	<p><b>Forecasting action progress note:</b> A short term enterprise forecasting system is in now place and discussions planned to implement the equivalent for research. Ability to undertake longer term enterprise forecasting depends on the Cognos Business Development Reporting - currently awaiting a delivery date from ICT. For longer term research forecasting a request for development is with ICT which will extend the current SharePoint system to capture the relevant data and also provide reporting equivalent to enterprise. Action should be complete by end of November.</p> <p><b>Performance reporting action progress note:</b> PIs: Definitions and sources are complete and we are now in the process of capturing the initial baseline data. However, HEBCI data requires individual project manual analysis as we do not yet automatically tag qualifying income. Action should be complete by end of November.</p>
<b>Goal 6: Access to Opportunity - Internationalisation: Developing a multicultural community of students &amp; staff through alliances &amp; partnerships.</b>		
457 (PI)	International student £income unrealised	<p><b>International Strategy Action implemented:</b> Final report now being printed for distribution.</p>
<b>Goal 7: Strategic Enabler - People &amp; Organisation: Attracting proud, responsible staff, &amp; valuing &amp; rewarding their achievements.</b>		
1 (DP)	Response to environmental change & reputation	<p><b>Review of process and functions Action Implemented:</b> The restructure of functions to align with Corporate Strategy has been completed, in time for the 15/16 Academic Year.</p> <p><b>Reputation dashboard action progress note:</b> Our social media tool is now live and we are in the process of configuring it. Our new approach to media monitoring is also up and running and the first monthly report will be delivered soon.</p>
362 (DP)	Poor Staff Engagement	
397 (DP)	Restructuring impact	<b>Technicians and Student Admin restructuring Actions implemented.</b>

		<p>Your Career Matters action now recorded as complete. Risk impact rating reduced.</p>
<p><b>Goal 8: Strategic Enabler - Infrastructure: Investing in first class facilities and outcome focused services, responsive to academic needs.</b></p>		
2 (PI)	Home & EU Recruitment income targets	<p><b>ICT App for Masters and PHD students implemented:</b> The IT solution is now in place and will go live in September 2015.</p> <p><b>Partnership Strategy Action implemented:</b> Final paper presented to Ops Board in July 2015.</p> <p><b>Graduate Attributes Strategy action recorded as complete.</b></p>
3 (RF)	Pensions deficit	
6 (RF)	Quality and availability of Management Information	<b>BIU External Returns Action recorded as complete.</b>
14 (WT)	Loss of NHS income	
37 (RF)	Estates strategy £ impact	<p><b>Estates Strategy Working Group Action implemented</b> The Estates Strategy working group report was presented to the July Executive meeting.</p> <p><b>Student Centre negotiations action progress note:</b> Programming expert engaged to adjudicate on the decisions taken in respect of the refused extension of time claim &amp; met with Mansell to agree a final account by March 2015. We are now awaiting a response from Mansell.</p>
305 (IM)	Data Security	<p><b>PWC Audit Findings action progress update</b> Internal Audit progress report records that one finding is implemented and two are in progress.</p> <p><b>Mandatory training action progress update</b> The current plan is to pilot the content with the Library and LRC staff at the start of October, and then to phase staff rollout towards the end of the month, action re-allocated to Craig Girvan.</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
398	Academic programmes do not engage with technological and pedagogic developments which support students and promote achievement  <b>Risk Owner: Shan Wareing</b>  <b>Last Updated: 29/09/2015</b>	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b> LSBU does not effectively exploit the learning potential of new technologies. Curriculum do not adapt sufficiently for students to develop the knowledge, behaviours and skills valued by employers Support mechanisms do not provide some students with the learning support they need to navigate and succeed in the learning environment.</p> <p><b>Effect:</b> Retention does not meet the targets within the 5 year forecast. Employability of LSBU graduates does not improve. Market appeal of courses is impaired</p>	2 3 <b>Medium</b>	Delivery of the Technologically Enhanced Learning Strategy (TEL) through the Learning Pathway Programme.	2 2 <b>Medium</b>	<p>Actively pursue the long term objectives of the TEL strategy through Student Experience Committee.</p> <p><b>Person Responsible: Shan Wareing</b> <b>To be implemented by: 31/12/2015</b></p> <hr/> <p>Invest in pilots and subject-specific developments, consistent with local expertise, motivation and market intelligence, to ensure staff &amp; students are able to experiment with appropriately controlled risks.</p> <p><b>Person Responsible: Shan Wareing</b> <b>To be implemented by: 30/06/2016</b></p> <hr/> <p>Liaise with legal team to provide assurance on usage of student data within analytics projects.</p> <p><b>Person Responsible: Grace McCalla</b> <b>To be implemented by: 24/12/2015</b></p> <hr/> <p>Co-ordinate (with DESEs) School intervention projects using analytics data, and produce report on plans and outcomes.</p> <p><b>Person Responsible: Lesley Roberts</b> <b>To be implemented by: 31/05/2016</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
467	<p>Progression rate across undergraduate programs does not rise in line with targets of Corporate Strategy</p> <p><b>Risk Owner: Pat Bailey</b></p> <p><b>Last Updated: 29/09/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b>                      Low tariff students admitted through clearing.                      ESE analytics dashboards not used by staff to target interventions, or provide information too late for in year impact.                      Students don't engage with new initiatives.                      Support provided fails to bridge support gap for students entering through non-traditional access routes.</p> <p><b>Effect:</b>                      Progression rate fails to increase.                      Hefce could view institution as high risk.                      Data could have negative impact in any REF type teaching review processes.                      Considerable lost income to institution from Y2 &amp; Y3 potential enrolments.</p>	<p>3 2</p> <p><b>High</b></p>	<p>Study Support &amp; Skills Sessions provided by the Library &amp;LRC</p> <hr/> <p>Student Welfare advice and support provided by Student Life Centre</p>	<p>3 2</p> <p><b>High</b></p>	<p>Produce report for Ops Board reviewing success of Summer School Intervention</p> <hr/> <p><b>Person Responsible: Jenny Laws</b>  <b>To be implemented by: 30/11/2015</b></p> <hr/> <p>Work with Schools &amp; Student Support to establish use of Personal Tutoring system to identify students at risk of non-progression and act as foundation for intervention.</p> <p><b>Person Responsible: Shan Wareing</b>  <b>To be implemented by: 31/05/2016</b></p> <hr/> <p>Utilise Learner Analytics at Course Level to plan interventions for courses with low completion rates.</p> <p><b>Person Responsible: Lesley Roberts</b>  <b>To be implemented by: 30/04/2016</b></p>



Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
402	Income growth expected from greater research and enterprise activity does not materialise  <b>Risk Owner: Paul Ivey</b>  <b>Last Updated: 29/06/2015</b>	<p><b>Cause &amp; Effect:</b> Cause:</p> <ol style="list-style-type: none"> <li>1) A competitive &amp; challenging market environment with rising standards, as Universities seek to expand &amp; diversify income across research and enterprise, competing for the similar opportunities and funders.</li> <li>2) Recent history of projecting then failing to deliver increased enterprise income, and lack of proven forecasting systems.</li> <li>3) The aggressive and complex turnaround required to reverse a weakening LSBU income trend carries intrinsic high risk.</li> <li>4) dependence on HSC CPPD income (which forms around half of enterprise income.)</li> <li>4) New structures (academic &amp; professional function) fail to entice and encourage academic participation in activity.</li> <li>5) Limitations of academic capacity and capability are slow to be rectified.</li> <li>6) Internal competition for staff time from a range of newly invigorated LSBU activities over and above teaching.</li> <li>7) TNE partnerships are not approved, or break down when contacts relocate.</li> </ol> <p>Effect:</p> <ol style="list-style-type: none"> <li>1) Income growth expectations of</li> </ol>	3 2 <b>High</b>	<p>R&amp;E activity Pipeline Reports (Financial &amp; Narrative) will be provided to each Operations Board Meeting to aid constant scrutiny and review of progress against 5 year income targets.</p> <hr/> <p>Enterprise Business Plan &amp; strategy submitted for approval annually to SBUEL Board (which has 2 Non-Executive Directors) for monitoring &amp; quarterly updates provided at LSBU Board meetings.</p>	3 1 <b>Medium</b>	<p>Establish two-tier robust forecasting and reporting systems for R&amp;E covering in-budget year and longer time horizon, working with Finance, Schools and REI staff.</p> <p><b>Person Responsible: Gurpreet Jagpal</b> <b>To be implemented by: 31/07/2015</b></p> <hr/> <p>Formal academic R&amp;E engagement plan, with sub-sections by Schools and Enterprise Institute. Include establishment of baseline measures including academic activity and LSBU ability to service identified leads and opportunities. Work with Organisational Development as required.</p> <p><b>Person Responsible: Gurpreet Jagpal</b> <b>To be implemented by: 30/09/2015</b></p> <hr/> <p>Develop formal process by which the KPI and PI that drive R&amp;E performance are reviewed routinely by the institution. Establish baseline performance for 2014-15 and implement up to date capture processes from the new financial year.</p> <p><b>Person Responsible: Gurpreet Jagpal</b> <b>To be implemented by: 31/07/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
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the Corporate Strategy unrealised.

- 2) Undiversified enterprise portfolio with the dependency on HSC and CPD overall.
- 3) Reduced income is accompanied by lower financial contribution, as an increased proportion of delivery is sourced outside core academic staff.
- 4) Increased dependency on generating enterprise opportunities via Knowledge Transfer outreach as opposed to an academic-led stream, results in higher opex costs.
- 5) The holistic benefits for teaching and the student experience from increased external engagement, and in particular from the new types of income projected i.e. applied research, consultancy, KE as opposed to CPD are reduced.
- 6) Pressure on research funding opportunities not only reduces income but the proportion of staff resource diverted to winning new funding is significantly increased.
- 7) Reduced research income adversely affects the research environment, publication rates, evidence of impact, student completions, & ultimately LSBU REF 2020 rating.
- 8) Inability to align academic resource with identified market opportunities.
- 9) TNE enterprise expectations unrealised.

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
457	Anticipated international student revenue unrealised  <b>Risk Owner: Paul Ivey</b>  <b>Last Updated: 04/09/2015</b>	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b> UK government process / policy changes. Restriction on current highly trusted sponsor status. Issues connected with english language test evidence. Anticipated TNE growth does not materialise.</p> <p><b>Effect:</b> LSBU unable to organise visas for students who wish to study here. International students diverted to other markets. Expected income from overseas students unrealised. Conversion impact of LSBU TNE students doesn't materialise.</p>	2 2 <b>Medium</b>	Regular reporting of Visa refusal rates to Director of Internationalisation by Immigration Team.	2 2 <b>Medium</b>	

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
1	<p>Failure to position LSBU to improve reputation &amp; effectively respond to policy changes &amp; shifts in competitive landscape</p> <p><b>Risk Owner: David Phoenix</b></p> <p><b>Last Updated: 04/09/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p><b>Causes:</b></p> <ul style="list-style-type: none"> <li>- Changes to fees and funding models</li> <li>- Increased competition from Private Providers</li> <li>- Government policy changes and SNC cap removal</li> <li>- Failure to anticipate change</li> <li>- Failure to position (politically)</li> <li>- Failure to position (capacity/structure)</li> <li>- Failure to improve League Table position</li> </ul> <p><b>Effects:</b></p> <ul style="list-style-type: none"> <li>- Further loss of public funding</li> <li>- Loss of HEFCE contract numbers</li> <li>- Failure to recruit students</li> <li>- Business model becomes unsustainable</li> </ul>	<p>4 3</p> <p><b>Critical</b></p>	<p>Ketchum appointed to advise LSBU on the ongoing changes to the political environment for higher education &amp; its external communications in response to these changes.</p> <hr/> <p>Financial controls (inc. forecasting &amp; restructure) enable achievement of forward operating surplus target communicated to Hefce in July Forecast.</p> <hr/> <p>A horizon scanning report produced by the Director of Strategic Stakeholder Engagement is provided to each meeting of the Executive.</p> <hr/> <p>Maintain relationships with key politicians/influencers, boroughs and local FE</p> <hr/> <p>Annual review of corporate strategy by Executive and Board of Governors</p> <hr/> <p>Student Access &amp; Success Strategy for 14/15 through OFFA</p>	<p>4 1</p> <p><b>High</b></p>	<p>Develop a simple reputation management dashboard to summarise media coverage, social media analytics, forthcoming event activity, and a RAG rating of reputational risks for regular reporting.</p> <p><b>Person Responsible: Andrew McCracken</b></p> <p><b>To be implemented by: 31/03/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
362	<p>Low staff engagement impacts performance negatively</p> <p><b>Risk Owner: David Phoenix</b></p> <p><b>Last Updated: 02/06/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>•Bureaucracy involved in decision making at the University</li> <li>•No teamwork amongst departments at the University</li> <li>•Staff feeling that they do not receive relevant information directly linked to them and their jobs</li> <li>•Poor pay and reward packages</li> <li>•Poor diversity and inclusion practises</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>•Decreased customer (student) satisfaction</li> <li>•Overall University performance decreases</li> <li>•Low staff satisfaction results</li> <li>•Increased staff turnover</li> <li>•Quality of service delivered decreases</li> </ul>	<p>3 3</p> <p>High</p>	<p>Cascade messages from Ops Board circulated for Cascade Meetings within each School &amp; Professional Function.</p> <hr/> <p>Departmental Business Planning process</p> <hr/> <p>Direct staff feedback is encouraged through the "asktheVC@" email address and through feedback forms on intranet and 'developing our structures' microsite.</p> <hr/> <p>Scheduled Team meetings</p> <hr/> <p>Regular Business review meetings</p>	<p>3 2</p> <p>High</p>	<p>Develop an engagement strategy, building on the Leadership Climate Indicator Survey &amp; past Employee Engagement Survey results.</p> <p><b>Person Responsible: Cheryl King-McDowall</b></p> <p><b>To be implemented by: 30/09/2015</b></p> <hr/> <p>Deliver a planned programme of activities to ensure continued awareness raising and promotion of the Behavioural Framework, to embed the values in to HR documentation, and to develop baseline measures.</p> <p><b>Person Responsible: Cheryl King-McDowall</b></p> <p><b>To be implemented by: 31/07/2015</b></p> <hr/> <p>Design and circulate Staff Engagement Survey.</p> <p><b>Person Responsible: Cheryl King-McDowall</b></p> <p><b>To be implemented by: 30/01/2016</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
397	Effectiveness of delivery impaired as Institution goes through restructuring process	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b> The structural re-organisation of academic groupings from 4 faculties to 7 schools. The re-focusing of support departments into professional service clusters. - undertaken to underpin academic and business effectiveness.</p> <p><b>Effect:</b> Staff morale could be impacted negatively by process of change, and by perceived threats to job security, which impairs enthusiasm and contribution in role. High performing staff seek employment elsewhere, causing skills shortages &amp; loss to institutional knowledge base. Reduced Service levels - to staff and students - by teams trying to deliver business as usual whilst also going through the change process. Potential strike action if union engagement breaks down. Data reliability might be impaired if the translation process encounters issues such as unforeseen time or money resource implications.</p>	3 3 <b>High</b>	<p>Programme Board will meet for 12 months as the Corporate Delivery Board (CDB) – to enable Exec monitoring of current &amp; upcoming projects, and to oversee change across LSBU at a high level.</p> <hr/> <p>Central Programme Management Office (PMO) is in place to manage governance, oversight and reporting of 'monitored' and 'managed' changes, &amp; management of related risks, issues, communications, benefits, and dependencies.</p> <hr/> <p>Executive Communications Strategy designed to ensure significant consultation with internal and external stakeholders.</p> <hr/> <p>Routine monitoring of high level action tracker for institutional transition by Operations Board.</p> <hr/> <p>Staff Gateway links to web micro-site with all the "Your Career Matters" forms and guidance documents, including FAQs, and monitored yourcareermatters@ email for all queries.</p> <hr/> <p>Regular report to Operations Board on the Opportunities risks and issues in the "Creating the Schools" project.</p>	3 2 <b>High</b>	

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
2	Revenue reduction if marketing and PR activity does not achieve Home/EU recruitment targets  <b>Risk Owner: Paul Ivey</b>  <b>Last Updated: 29/09/2015</b>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Changes to UGFT fees</li> <li>- Increased competition (removal of SNC cap in 15/16)</li> <li>- Failure to develop and communicate brand &amp; Isbu graduate attributes</li> <li>- Lack of accurate real-time reporting mechanisms</li> <li>- Poor league table position</li> <li>- Portfolio or modes of delivery do not reflect market need</li> <li>- Tighter tariff policy during clearing</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Under recruitment</li> <li>- loss of income</li> <li>- Loss of HEFCE contract numbers to 14/15</li> <li>- Failure to meet related income targets</li> </ul>	4 3 <b>Critical</b>	<p>Report on student applications is presented to every monthly meeting of Operations Board &amp; reviewed by Board of Governors</p> <hr/> <p>Advance predictions of student recruitment numbers informs the Annual five year forecast submitted to Hefce each July</p> <hr/> <p>Differentiated marketing campaigns are run for FTUG, PTUG and PG students on a semesterised basis.</p>	4 2 <b>Critical</b>	

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
3	Staff pension scheme deficit increases	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Increased life expectancies</li> <li>- Reductions to long term bond yields, which drive the discount rate</li> <li>- Poor stock market performance</li> <li>- Poor performance of the LPFA fund manager relative to the market</li> <li>- TPS/USS schemes may also become subject to FRS17 accounting</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Increased I&amp;E pension cost means other resources are restricted further if a surplus is to be maintained</li> <li>- Balance sheet is weakened and may move to a net liabilities position, though pension liability is disregarded by HEFCE</li> <li>- Significant cash injections into schemes may be required in the long term</li> </ul>	3 3 <b>High</b>	<p>Switch of inflator from RPI to CPI (expected to be lower in the long term)</p> <hr/> <p>Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars</p> <hr/> <p>Annual FRS 17 valuation of pension scheme</p> <hr/> <p>Regular participation in sector review activity through attendance at LPFA HE forum, &amp; UCEA pensions group by CFO or deputy.</p> <hr/> <p>Regular Reporting to Board via CFO Report</p> <hr/> <p>DC pension scheme for SBUEL staff.</p> <hr/> <p>Tight Executive control of all staff costs through monthly scrutiny of management account and operation of recruitment freeze policy with defined exceptions.</p> <hr/> <p>New LPFA scheme terms, effective April 2014, with increased personal contributions</p> <hr/> <p>Strict control on early access to pension at redundancy/restructure</p>	3 2 <b>High</b>	



Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
6	<p>Management Information is not meaningful, unreliable, or does not triangulate for internal decision or external reporting</p> <p><b>Risk Owner: Richard Flatman</b></p> <p><b>Last Updated: 29/09/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Lack of strategic vision for ICT</li> <li>- Proliferation of technology solutions</li> <li>- Data in systems is inaccurate</li> <li>- Data in systems lacks interoperability</li> <li>- Resource constraints &amp; insufficient staff capability delay system improvement</li> <li>- Lack of data quality control and assurance mechanisms</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Insufficient evidence to support effective decision-making at all levels</li> <li>- Inability to track trends or benchmark performance</li> <li>- Internal management information insufficient to verify external reporting</li> <li>- unclear data during clearing &amp; over-recruitment penalties</li> <li>- League table position impaired by wrong data</li> <li>- Failure to satisfy requirements of Professional, Statutory and Regulatory bodies (NHS, course accreditation etc)</li> </ul>	<p>3 3</p> <p><b>High</b></p>	<p>Internal Auditors Continuous Audit programme provides regular assurance on student and finance information, including UKVI compliance.</p> <hr/> <p>Engagement between International Office, Registry &amp; School Admin teams to ensure UKVI requirement compliance, specifically regarding:</p> <ul style="list-style-type: none"> <li>- Visa applications and issue of CAS</li> <li>- English language requirements</li> <li>- Reporting of absence or withdrawal</li> </ul> <hr/> <p>Systematic data quality checks and review of key data returns prior to submission by B.I.U.</p> <hr/> <p>International Office runs annual cycle of training events with staff to ensure knowledge of &amp; compliance with UKVI processes.</p> <hr/> <p>Sporadic internal audit reports on key systems through 3 year IA cycle to systematically check data and related processes:</p> <ul style="list-style-type: none"> <li>- HR systems</li> <li>- Space management systems</li> <li>- TRAC</li> <li>- External returns</li> </ul>	<p>3 2</p> <p><b>High</b></p>	<p>Develop and implement effective training programme around Data Quality Framework, liaising with OSDT initiatives as relevant.</p> <p><b>Person Responsible: Ravi Mistry</b></p> <p><b>To be implemented by: 30/10/2015</b></p> <hr/> <p>Implement the agreed Data Quality assurance process through establishing the data assurance group and arranging regular meetings for the Data Managers' Group and Data Stewards' Group.</p> <p><b>Person Responsible: Grace McCalla</b></p> <p><b>To be implemented by: 30/10/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
14	Loss of NHS contract income	<p><b>Cause &amp; Effect:</b> Cause: NHS financial challenges/ structural change is resulting in a total review of educational comissioning by Health Education England with an expected overall reduction in available funding. In addition late decision making over community programmes. Plus London Educational Contracts (pre-registration) are running on an extension, all to be renewed by April 2016 with likely re-tendering. Recruitment to contracted programmes is buoyant. Risk is of reduction in NHS contracted pre-registration numbers as a result of re-tendering exercise coupled with reduction in overall funding across the NHS. Effect: Reduction in income Reduced staff numbers Negative impact on reputation</p>	3 3 <b>High</b>	<p>Named Customer Manager roles with NHS Trusts, CCGs and HEE.</p> <hr/> <p>Monitor quality of courses (QCPM and NMC) annually in autumn (QCPM) and winter (NMC)</p> <hr/> <p>Support with numeracy and literacy test preparation Develop BSc Health and Social Care by September 2015 for applicants not meeting course tariffs requirements and to support PGDip recruitment.</p> <hr/> <p>Regular contact with HEE DEQs, None Medical Deans and commissioning contract managers.</p>	3 2 <b>High</b>	<p>Continue contract discussions with HEE/ LETB's. Attempt to extend contracts or revert to National Framework <b>Person Responsible: Warren Turner</b> <b>To be implemented by: 31/03/2016</b></p> <hr/> <p>Ensure a quality campus in each HEE/ LETB area. Plan for renewal of Havering lease in 2018 or alternative site. Continue discussions with NHS partners in NE London (BHR, NELFT and Barts) together with Queen Mary School of Medicine and Dentistry re potential for revitalising the Harold Wood site for the future. <b>Person Responsible: Warren Turner</b> <b>To be implemented by: 31/03/2016</b></p> <hr/> <p>Grow into new markets for medical and private sector CPPD provision <b>Person Responsible: Warren Turner</b> <b>To be implemented by: 30/06/2016</b></p> <hr/> <p>Develop opportunities for further International 'in-country' activity in Malaysia, Singapore, Hong Kong, India and Saudi. <b>Person Responsible: Mary Lovegrove</b> <b>To be implemented by: 30/06/2016</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
						<p>Increase uptake in band 1-4 activity Support Trusts in seeking external (non NHS) funding</p> <p><b>Person Responsible: Sheelagh Mealing</b></p> <p><b>To be implemented by: 30/06/2016</b></p> <hr/> <p>Improve NSS participation &amp; scores Develop action plans for Departments and School from results of 2014 NSS</p> <p><b>Person Responsible: Sue Mullaney</b></p> <p><b>To be implemented by: 31/08/2016</b></p>
37	<p>Capital investment ambitions of forward estate strategy undermine financial sustainability</p> <p><b>Risk Owner: Richard Flatman</b></p> <p><b>Last Updated: 04/09/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Poor project controls</li> <li>- Lack of capacity to manage/deliver projects</li> <li>- Reduction in agreed/assumed capital funding</li> <li>- Reduction in other government funding</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Adverse financial impact</li> <li>- Reputational damage</li> <li>- Reduced surplus</li> <li>- Planned improvement to student experience not delivered</li> <li>- Inability to attract new students</li> </ul>	<p>3 3</p> <p><b>High</b></p>	<p>Management Accounts, with a CAPEX report section, are provided to each meeting of the P&amp;R Committee, and the Board receives business cases in relation to all planned capital expenditure &gt; £1million.</p> <hr/> <p>Full Business Cases prepared; using guidance and process approved by Executive - including clarity on cost and funding, for each element of Estates Strategy, and approved by Board of Governors where cost = &gt;£1M.</p> <p>ncluding all capital spend. Guidance developed as part of new process.</p> <hr/> <p>Clear requirement (including authority levels) for all major (&gt;£1m) capital expenditure to have Board approval</p>	<p>3 1</p> <p><b>Medium</b></p>	<p>Complete report on the final Student Centre negotiations. Update: the 12 month defects liability period concluded &amp; working through the final defect list. POE was due by Feb 14.</p> <p><b>Person Responsible: Ian Mehrtens</b></p> <p><b>To be implemented by: 30/04/2013</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
				<p>Property Committee is a sub-committee of the Board of Governors and has a remit to review all property related capital decisions.</p> <hr/> <p>Capex reporting routines established and embedded into regular updated financial forecasts &amp; management accounts and regular Board reports.</p> <hr/> <p>LSBU Project methodology &amp; Estates &amp; Facilities Dept project controls, including Governance arrangements applied to all Capex projects.</p>		
305	Student & corporate data not accessed and stored securely or appropriately	<p><b>Cause &amp; Effect:</b> Cause: Loss or inappropriate access to data, or breach of digital security; either en masse (e.g. address harvesting) or in specific cases (e.g. loss of sensitive files / data)</p> <p>Effect: Reputational damage, regulatory failure, undermining of academic credibility or compromise of competitive advantage.</p>	<p>3 2 <b>High</b></p>	Responsibility for control over data protection risks at an institutional level allocated to Director of ICT.	<p>3 2 <b>High</b></p>	<p>Deliver project to ensure mandatory training is delivered to staff via ICT log on, to include data security awareness.</p> <p><b>Person Responsible: Cheryl King-McDowall</b> <b>To be implemented by: 30/06/2015</b></p> <hr/> <p>Respond to findings of PWC 14/15 internal audit report into data security.</p> <p><b>Person Responsible: Rob McGeechan</b> <b>To be implemented by: 30/05/2015</b></p>

	PAPER NO: AC.60(15)
Paper title:	15/16 Internal Audit: Progress Report
Board/Committee	Audit Committee
Date of meeting:	5 <sup>th</sup> November 2015
Author:	PricewaterhouseCoopers
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide an update on progress against the internal audit plan for 15/16.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	
Recommendation:	The Executive recommends that Committee: Note this report into progress

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

### **Executive Summary**

The attached report provides a summary of the internal audit plan progress to date for 15/16.

15% of the 15/16 plan is now complete, in line with the plan for the year.

75% of actions from previous reports falling due at this point had been implemented, with the other in progress.

The appendices provide recent PWC articles regarding University Business Models, and Prevent readiness.

# *London South Bank University*

## Internal Audit Progress Report 2015/16

October 2015

London South Bank  
University

# ***Table of Contents***

<b><i>Overview</i></b>	<b><i>4</i></b>
<b><i>Appendix 1 – Plan Progress</i></b>	<b><i>5</i></b>
<b><i>Appendix 2 – Follow Up</i></b>	<b><i>6</i></b>
<b><i>Appendix 3 – Recent PwC publications</i></b>	<b><i>8</i></b>
<b><i>Appendix 4 – Prevent duty for HE &amp; FE – is your organisation prepared?</i></b>	<b><i>9</i></b>

This report has been prepared by PwC in accordance with our contract dated 15/05/2015.

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

# Overview

## Progress Summary

We have completed 15% of our internal audit programme for 2015/16, which is in line with the agreed profile for our work. An outturn statement detailing assignments undertaken and actual activity for 2015/16 is shown in Appendix 1.

For this Audit Committee, we present:

- Our final 2014/15 Annual Internal Audit Opinion.

## Findings of our Follow Up Work

We have undertaken follow up work on actions with an implementation date of 30/09/2015 or sooner. We have discussed with management the progress made in implementing actions falling due in this period. Where the finding had a priority of low or advisory, we have accepted management's assurances of their implementation; otherwise, we have sought evidence to support their response.

A total of four agreed actions have been followed up this quarter. Three of these have been implemented (75%); one is currently in progress (25%). This relates to a finding from our 2013/14 review of Office of the Independent Adjudicator (OIA). Progress details are summarised at Appendix 2.

## Other Matters

We have begun scoping for the following reviews: Management Information – Data Quality; Continuous Auditing: Student Data - August 2015 to October 2015; HR System Implementation; and, Research and Enterprise Contracts.

On the 3<sup>rd</sup> of November, PwC is hosting a higher education seminar on 'Responding to Crises and Safeguarding Reputation'. We have invited representatives from the University to attend this event.

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. Our Higher Education Centre of Excellence and the PwC's Public Sector Research Centre (PSRC) produce a range of research and are the leading centres for insights, opinion and research on good practice in the higher education sector. We have included a summary of key publications at Appendix 3. We are happy to provide electronic or hard copy versions of these documents at your request.

We have also included our latest thought leadership piece on Prevent, 'Prevent Duty for HE and FE – is your organisation prepared?' in Appendix 4.

## Recommendations

- That the Audit Committee **notes** the progress made against our 2015/16 Internal Audit Programme.
- That the Audit Committee **notes** the final 2014/15 Annual Internal Audit Opinion.



# Appendix 1 – Plan Progress

Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
<b>Quarter 1: August 2015 – October 2015</b>											
<b>Continuous Auditing: Key Financial Systems - May 2015 to July 2015</b>											
14 (14)	06/08/2014	17/08/2015	21/08/2015	08/09/2015	N/A	-	-	-	-	-	
<b>Quarter 2: November 2015 – January 2016</b>											
<b>Management Information: Data Quality</b>											
10 (0)											
<b>Continuous Auditing: Student Data - August 2015 to October 2015</b>											
15 (1)											
<b>HR System Implementation</b>											
10 (0)											
<b>Research and Enterprise Contracts</b>											
10 (0)											
<b>Quarter 3: February 2015 – April 2015</b>											
<b>Continuous Auditing: Key Financial Systems - August 2015 to December 2015</b>											
15 (0)											
<b>Continuous Auditing : Student Data - November 2015 to March 2016</b>											
15 (0)											
<b>Quarter 4: May 2015 – July 2015</b>											
<b>Risk Management</b>											
5 (0)											
<b>Value for Money</b>											
5 (0)											
<b>Information Security</b>											
10 (0)											
<b>Other</b>											
15 (4) Planning, contract management, reporting, value for money and follow up											
<b>Total 125 (19)</b>											

# Appendix 2 – Follow Up

## Implemented

Review	Agreed action	Risk rating	Status	Original due date
OIA – 2013//14	<p><b>Policies and procedures</b></p> <p>The University is already working with faculties to iron out inconsistencies of approach. This will be further facilitated through the Student Records Development Team, who will ensure a follow-up review of process at the end of semester 1, to monitor progress and further eliminate inconsistency.</p>	● <b>Advisory</b>	The new process has been implemented. All of the information required by the OIA from schools is co-ordinated by the Student Administration team. This is signed off by the Dean before going back to the university Legal team who respond to the OIA on behalf of the University.	28/02/2014 31/10/2014 30/04/2015 30/09/2015
OIA – 2013//14	<p><b>Complaints</b></p> <p>In relation to the handling of student complaints, the executive’s aim is to achieve informal resolution at Stage 1 by the Pro Dean of the relevant faculty. This means the complaint is resolved in a timely way, allowing the student to prioritise their studies and avoids entrenchment in the later stages of the formal process.</p> <p>The following actions will be taken to mitigate the risks identified:</p> <p>A. The complaints procedure requires the complaint to be handled by a senior manager within the relevant faculty. The complaints team will provide a refresher session for the four Pro Deans responsible for student complaints (plus their nominees) to cover best practice.</p> <p>B. Under the complaints procedure, it is best practice for decisions affecting students to be made at the level of Pro Dean or above. The refresher session will address this point.</p> <p>C. The complaints team will review the time limits and deadlines in the complaints procedure and make a recommendation to Academic Board as to whether they are fit for purpose or otherwise.</p> <p>The intention of the complaints procedure is that the handling of the case is led by the Pro Dean of the relevant faculty. The refresher session will address how Pro Deans and their senior colleagues may review and report on progress of cases, including keeping the student informed.</p>	● <b>Advisory</b>	<p>The management structures within Academic areas have been re-appointed following the structural transition from Faculties to Schools. The Pro Dean roles have been disestablished, and the new School Executive Administration teams has been established.</p> <p>A new complaints procedure has been produced. Training on the new procedure has been given to the conciliators to ensure that they are fully cognisant of current procedures and time frames in regard to student complaints.</p>	31/10/2014 31/12/2014 30/04/2015 30/09/2015

Data Security – 2014/15	<b>Training</b> We will produce awareness material with a program of mandatory awareness training to follow.	● <b>Medium</b>	Awareness materials have been produced. Mandatory awareness training is taking place on 26/10/2015.	30/09/2015
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### In progress

<i>Review</i>	<i>Agreed Action</i>	<i>Risk Rating</i>	<i>Status</i>	<i>Original due date</i>	<i>Revised due date</i>
OIA – 2013//14	<b><u>Appeals</u></b> We are moving the system to an electronic workflow process which will be piloted during 2013/14 and fully implemented for the next main appeals cycle.	● <b>Advisory</b>	An electronic workflow system, casework, was commissioned to manage the appeals process. This was initially due to be delivered in summer 2014. The suppliers failed to meet this deadline and when it became apparent that they would miss delivery again for summer 2015 LSBU abandoned the development. The system is now being developed internally within the ICT department with an expected delivery date of May 2016 in order to meet the 15/16 Appeals cycle.	31/08/2014 30/09/2015	31/05/2016

# Appendix 3 – Recent PwC publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PwC PSRC produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

We are happy to provide full electronic or hard copy versions of these documents at your request.

All publications can be read in full at [www.psrc.pwc.com/](http://www.psrc.pwc.com/).

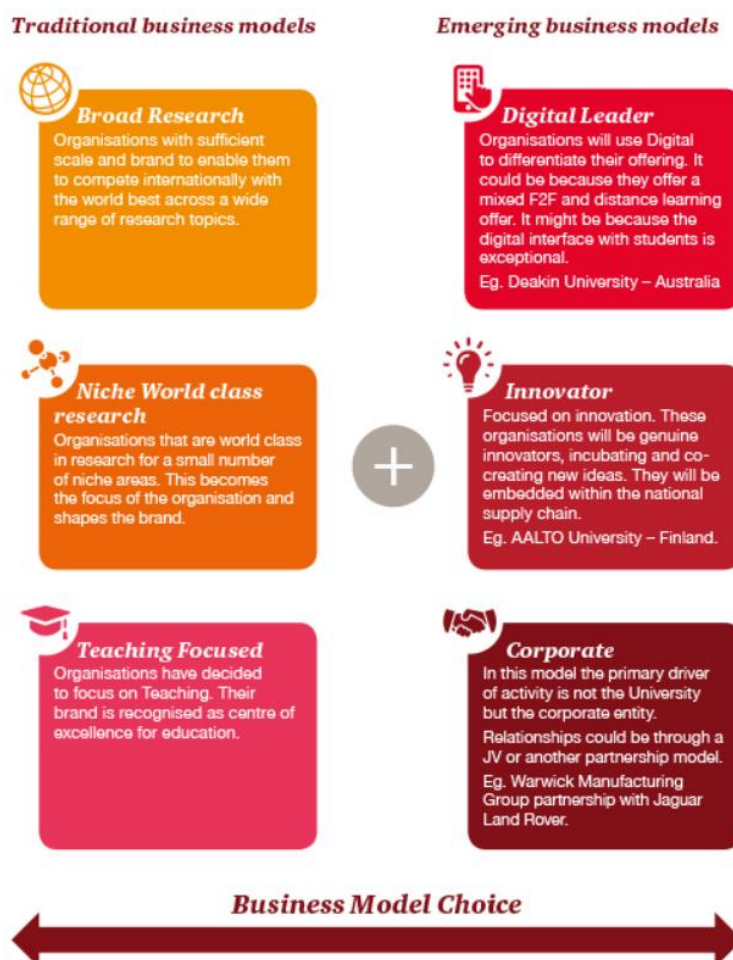
## The 2018 university - business model evolution

We believe that in the future there will be much greater stratification in the HE market. In order to be successful in this new environment, universities will need to make choices about the most appropriate business model to deliver their strategic goals.

The existing choice about the balance between research and teaching will remain but it will be necessary to clearly identify what you are or will be famous for. These choices need to be based on the strengths of the organisation, the opportunities available to it and its realistic ambitions to pursue them.

This article explains how choosing an appropriate business model and translating the strategy plan into a robust operating model is key for success in the HE market.

<http://www.pwc.co.uk/industries/government-public-sector/education/2018-university/business-model-evolution.html>



# Appendix 4: Prevent duty for HE and FE – is your organisation prepared?



## What do you need to know

The government is committed to fighting the spread of extremist views and ideologies and the Counter-Terrorism and Security Act 2015 imposes a Prevent duty on specific authorities which includes 'Relevant Higher Education Bodies' or RHEBs. The government has specifically targeted RHEBs because of the freedom of speech and openness to debate that they represent. This poses a particular challenge to the enforcement of the guidelines as the institutions must monitor their students whilst maintaining academic rigour and the impartiality of their governance. The duty is designed to be lightweight and assumes an existing competence in dealing with extremism. The guidelines are not prescriptive in that the legislation leaves the detail of policies to the institution with compliance defined by the policies being properly followed and applied.



## Key Points

- Full review of existing policies relating to extremism
- Staff to require Prevent training
- Review of IT policies and possible system changes
- Risk assessments for individual speaking events
- Collaboration between senior management of institutions and BIS Prevent Coordinators
- Possible review of contracts and policies with external bodies
- Grey legal area between freedom of speech and terrorism



## How PwC can help?

- One to One advice and guidance with your Responsible Officer
- Independent review of your "readiness" plan to identify gap analysis
- Presentations to your Board/Audit Committee/ Executive Team on the implications of the reform



## Partnership working

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## Challenges facing organisations and potential impact on non compliance

Proposed change	Strength	Weaknesses	Potential impact
Full review of existing policies relating to extremism	Creates a framework for monitoring the current duty.	How do institutions tackle 'non-violent extremism'?	Likely to create additional administrative burdens and legal challenges
Staff to require Prevent training	Extends knowledge and compliance of new policies across all staff.	How should staff intervene and police situations?	Likely to be time consuming and expensive in the first instance.
Review of IT policies and possible system changes	Includes IT under the remit of the existing duty.	If IT systems are adequate then only a mention of the Prevent duty in policies required.	Not clear if this will require structural IT changes.
Risk assessments for individual speaking events	Brings an element of accountability behind inviting external speakers.	Could leave institutions open to criticism if the assessment is ignored or judged to be inadequate.	Potential to decrease academic rigour of debate as institutions decide not to invite speakers.
Collaboration between senior management of RHEBs and BIS Prevent Coordinators	Designed to increase the exchange of ideas and update on compliance.	Potential to make institutions the 'mouthpiece of government'.	Could greatly increase administrative burdens.
Possible review of contracts and policies with external bodies	Will extend the Prevent focus to extremism off-campus.	Not clear how legally responsible the institutions are for extremism in affiliated bodies.	Possibility that it could sour partnerships.
Grey legal area between freedom of speech and terrorism	Gives a large amount of potential reasoning in denying extremist speakers.	No clear division between commercial, charity, public and criminal law.	Will put FE institutions under pressure to avoid legal confrontations or debates.

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	CONFIDENTIAL
	PAPER NO: AC.61(15)
Paper title:	External Audit Tender Plan
Board/Committee	Audit Committee
Date of meeting:	5 <sup>th</sup> November 2015
Author:	Natalie Ferer
Executive/Operations sponsor:	Richard Flatman
Purpose:	To gain approval to extend the external audit contract with Grant Thornton Decision / <del>Discussion</del> / <del>Information</del>
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Statutory Financial Reporting
Recommendation:	It is recommended that the Audit Committee extend the external audit contract with Grant Thornton for a period of 12 months to 31 <sup>st</sup> July 2016.

Matter previously considered by:	None	n/a
Further approval required?	None	n/a

### **Executive Summary**

The University appointed Grant Thornton as its external auditors for a period of 5 years in 2011. The end date of the contract is 31/7/16 but the programme of work for the next year-end audit cycle will extend past 31/7/16 to the date the accounts are signed in November 2016, so the audit of the accounts for the year ended 31/7/15 is the final year of the 5 year contract. The current contract gives two options to extend for a further 12 months.



The performance of the auditors is reported to Audit Committee annually and the 2015 assessment is contained in a separate paper brought to this meeting. No significant issues have been reported for the audit of the year ending 31/7/15 nor in the previous four years.

It is therefore recommended that the University renews the contract with Grant Thornton for a further 12 months with another review after the 2016 audit. The key benefits of extending the contract at this stage would be to allow Grant Thornton to continue supporting the University in its transition to FRS102, as well as ensuring continuity of auditors for the next year. The alternative would be to go out to tender in early 2016 in order that new auditors are in place for the year ending 31<sup>st</sup> July 2016.

As the current contract includes two options to extend, the maximum end date is 31/7/18, meaning that the University will need to go out to tender by early 2018 at the latest.

It is expected that fees paid to Grant Thornton for the following 12 months will be £65k (£55k for year-end tax and audit work and £10k for FRS102 support). Expenditure is within budget and as such requires the authorisation of the delegated budget holder which in this case is the Chief Financial Officer.

### **Recommendation**

The meeting is requested to approve the extension of the external audit contract for a period of 12 months.

	PAPER NO: AC.62(15)	
Board/Committee:	Audit Committee	
Date:	5 November 2015	
Paper title:	Value for money (VFM)	
Authors:	Penny Green, Head of Procurement	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Purpose:	To update the committee on value for money activities	
Aspect of the Corporate Plan to which this will help deliver?	Financial Sustainability	
Recommendation by the Executive:	<p>This report sets out the measures taken by the University to meet its duty of care to ensure that spend of public funds demonstrates good value for money. This is a duty and condition of grant in the memorandum between the Department for Business, Innovation, &amp; Skills and HEFCE and is delegated to LSBU through our memorandum of assurance and accountability with HEFCE.</p> <p>The Executive recommends that the Audit Committee note this report and the conclusion that LSBU has delivered value for money during the period under review.</p>	
Matter previously considered by:	Audit Committee	Annually
Further approval required?	Not Applicable	

## 1. Executive summary

The Executive is confident, based on the content of this report that LSBU has delivered Value for Money (VFM) across the broad range of its spend and activities for 2014/15.

## 2. Introduction

The University's Corporate Strategy 2015-2020 highlights the rapid movements in Higher Education and the need to continue to innovate to keep pace.

*"Students do not want to simply sit in a lecture theatre and they will, quite rightly, continue to demand more for their money and they will expect that their investment in education will enhance their future career prospects. It is clear that the institutions who strive to successfully meet and manage these expectations are the ones who will prosper."* Corporate Strategy 2015-2020

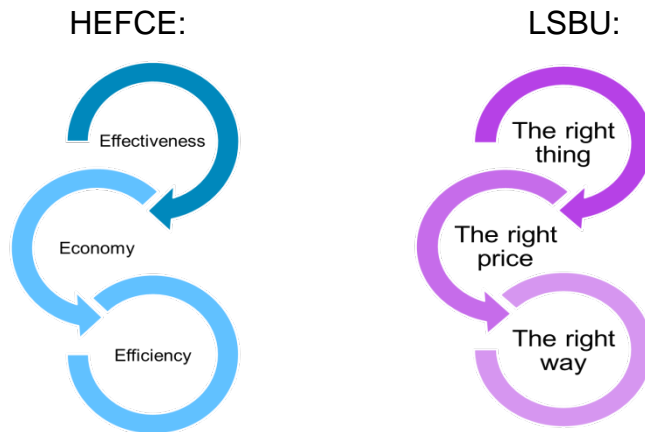
Value for Money continues to be increasingly important in how the University operates, to ensure that we deliver value for money to all stakeholders - doing the right things the right way at the right price.

The outcomes delivered by effective use of scarce resources will be equally as important as expenditure levels; and will ultimately affect students' perception of the University.

## 3. What is Value for Money (VFM)

Value for money is defined by HEFCE as effectiveness, economy, and efficiency. The LSBU Value for Money Working Group agreed an easy to understand LSBU definition.

- Effectiveness – The extent to which corporate objectives are met (doing the right thing).
- Economy – Appropriately minimising the cost of an activity (the right price)
- Efficiency – Performing tasks well (the right way)



Value for money is not about cuts. It is about making sure that the University’s resources are used in the right way to generate outcomes that align with the University’s corporate objectives, and that any expenditure or time spent on an activity is appropriate to the outcome.

Value for money is the combination of doing the right thing, at the right price, the right way. Disproportionate emphasis on one of the three aspects, could impact on overall value for money. For example, negotiating low prices for printed material may not represent value for money if ‘print per page’ unit rate savings are offset by:

- the internal cost of staff time spent waiting and collecting the printed material
- students not wanting print outs, preferring accessing material online
- excessive volumes printed resulting in high waste levels.

#### 4. VFM Activities in 2014/15

This report focuses on the initiatives which are in place to promote and ensure Value for Money, and on VFM achievements in year.

##### 4.1 Procurement Strategic Plan 2015-2020

A new Procurement Strategic Plan was approved by the Vice Chancellor, with outcomes and objectives aligned to the key themes in the Corporate Strategy 2015-2020. Key outcomes to be targeted over the next five years are to:

- Embed student needs and values
- Empower staff
- Be agile, innovative, efficient and commercial

These outcomes also directly align with the three key aspects of value for money (the right thing, the right way, at the right price). The Procurement

Strategic Plan is now published on the [University's external Procurement web pages](#). Please see Appendix A for Procurement Strategic Plan 2015-2020.

#### 4.2 Cashable Economy Savings

Cashable savings identified in 14/15 totalled £1.062 million over their respective contract terms. Please see Appendix B for a summary of cashable savings identified in year. We are continuing to measure some of the achievements for 14/15 - these will be reported next year. Cashable savings are assessed on the basis of a saving identified against budget allocated for the contract, savings against previous contract value or schedules of rates.

We are a member of the London Universities Purchasing Consortia (LUPC), who estimate the savings we make by using collaborative agreements. For 13/14, LUPC estimate that we saved £1.2million by using consortia frameworks. This figure is not included in the £1.062 reported above, as elements of the LUPC figure double account savings identified in the £1.062. Figures for 14/15 have not yet been received and will be reported next year.

#### 4.3 Non Cashable Efficiency Savings

We have continued to reduce or transfer any non-value adding activity, removing any unnecessary steps to free up University resources to focus on core activities. The University continues to use an electronic procure to pay system, with orders placed either electronically through the University's finance system, or via purchasing card.

The University continues to use collaborative consortia contracts where possible. UUK set the sector a collaboration target of 30% by 2016. LSBU's starting baseline was 12% in 12/13. The current estimate for 14/15 is 31%. This means that we have met the sector target, however some of the collaborative arrangements in scope for 14/15 included projects which are due to expire. The Procurement team will continue to target collaborative initiatives to maintain the percentage levels achieved.

#### 4.4 Raising VFM Awareness

The Head of Procurement has presented at all New Manager Inductions in 14/15, to ensure new managers are aware of the principles of VFM and how they can be applied to their roles.

The Head of Procurement followed the Director of Planning, Information and Reporting's presentation on planning cycles, budget management, and risk management. The two presentations became coordinated as the events progressed, to outline how budgets were arrived at, and how

managers could then apply the principles of VFM to optimise those budgets to meet Corporate objectives (irrespective of who is ultimately the budget holder for the discreet spend areas).

Feedback was captured on inductions held from December onwards. On a scale of Good, OK, or Not Quite, the VFM presentation was rated as good by 88% of attendees (23), and OK by 12% attendees (3). See Appendix C.

#### 4.5 Processes and Re-structures to Optimise VFM

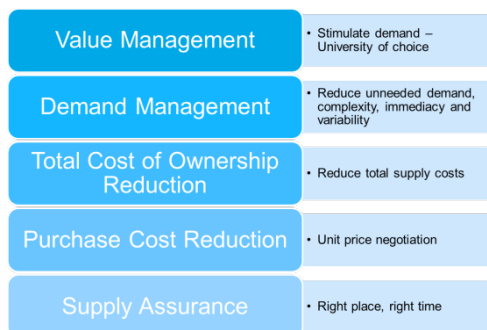
Various initiatives were reviewed across the university in 14/15 to optimise VFM.

- The investment appraisal process has been reviewed and new processes and templates are pending approval. Anticipated benefits of the process are:
  - Address unforeseen impact & support issues
  - Enable fuller consideration of change issues
  - Ensure fit with corporate priority
  - Mitigate against staff disappointment at business case knock back
  - Early procurement awareness and impact on VFM
  - Enhanced tracking of benefits realisation
- The University joined the Institute of Customer Service in July 2014 to improve key customer service and professionalism across all areas. By 2020, we aim to be recognised as a sector leader in responding to students about improvements to their experience. Customer service aligns intrinsically to the right thing and right way aspects of VFM, as developing customer focussed strategies leads to a customer-centred culture, effective people performance and effective use of technology and processes. We made significant progress in 14/15:
  - We established a benchmark and baseline data on our customer performance against the most successful brands in UK (John Lewis, Waitrose, Marks Spencer).
  - We confirmed that some of our student services such the Library and Learning Resources provide world class service by ICS standards.
  - We also created a culture of continuous improvement by putting rolling action plans in place and encouraged our staff and students to have a say in the delivery and development of university services.
- The University procured benchmarking services from Tribal, comparing LSBU on a number of variables to a group of London competitors and a wider group. The scope of the benchmarking included:
  - Teaching

- Research and Enterprise
- Associated Activities
- Capital and Financing
- Support areas

These benchmarking results informed the budget cycle for 15/16.

- Procurement Services expanded to include both Strategic and Operational Procurement Services. There are now 14 members of the Procurement team, with tactical ICT, travel and schools buying within our remit. This restructure was a result of the change from faculties to schools. Staff and positions were transferred into Procurement to enable best practice Procurement to be more effectively embedded at both a Strategic and Operational level.
- Procurement developed a bespoke tool to align Procurement initiatives with the five different stages of Procurement maturity: supply assurance, purchase cost reduction, total cost of ownership, demand management and value management. These have been RAG rated by category and subcategory for the 14/15 baseline and for identifying targeted years for improvement initiatives.



- Procurement developed a bespoke Supplier Relationship Management (SRM) model, segmenting the University’s categories of spend and related suppliers by spend and potential impact on student satisfaction (through either non supply of service or innovation potential). Procurement procedures for different initiatives will be aligned to this LSBU SRM model to ensure relationships and resource effort is proportionate and appropriate. Initiatives aligned in 14/15 include:
  - Contract Management (engagement type and reporting requirements by SRM type)
  - Employability (drivers for engagement by SRM type)
  - Financial Sustainability checks (high impact suppliers reviewed for potential risk)

#### 4.7 Internal Audit Conclusions on VFM

The HEFCE Accountability and Audit Code of Practice makes reference to the duty of care institutions have to ensure the proper use of public funds

and the achievement of value for money. Accordingly, the internal audit approach considers value for money as an integral objective of the University's systems of internal control.

In the current year the work of the internal auditors has considered value for money across a range of areas.

The overall conclusion of the internal auditors continues to be positive in respect of VFM. Their annual audit opinion confirms that LSBU has adequate and effective arrangements to address the risk that management's objectives are not achieved in respect of VFM.

## **5. Future Plans for Delivering VFM**

Delivering VFM is an ongoing process. Below are the key VFM initiatives planned for 15/16:

### **5.1 Optimising VFM Workshops**

Procurement will roll out workshops with different stakeholder groups across the University to identify opportunities for optimising VFM. This will be incorporated into category action plans over the 5 year strategic period.

### **5.2 Customer Service**

We are now ready to move to the next stage of development to embed a customer service ethos in everything we do and achieve ICS accreditation by 2017.

### **5.3 Engaging the Supply Base in Employability**

Work is underway with Student Services to finalise the approach most likely to have the biggest impact on our employability statistics. Pilots are underway (through both tender and contract management engagement), and will continue to be rolled out in line with the employability team's capacity levels and targeted outcomes.

### **5.4 Contract Management**

The take up of the new contract management procedures, including use of templates and the contract management system, will continue to be reviewed in 15/16. The Contract Management procedures in Financial Regulations, level of devolvement, level of Procurement support and ongoing training will also be reviewed, to ensure the quality of contract management is reviewed and maintained, particularly for high risk contracts.



### 5.5 Category Management and Knowledge Transfer

Category Management at LSBU will continue to be developed to ensure that appropriate stakeholder management and supplier relationship management practices are in place. Category related knowledge transfer initiatives will also be implemented, including appropriate levels of training of non-procurement staff.

### 5.6 Ethical Procurement

We will seek to mitigate reputational risk by developing an action plan to embed CSR and other ethical procurement initiatives into the University's supply chain arrangements.

### 5.7 Reporting Scope

The format of VFM reporting will continue to be reviewed to capture University-wide VFM initiatives and achievements.

## **6. Conclusion**

Based on the content of this report, we are confident that we have delivered VFM across the broad range of University spend and activity for the year under review.

## Procurement Services Strategic Plan 2015-2020

November 2014  
Penny Green  
Head of Procurement

This strategy is to be read in conjunction with the Corporate Strategy, which it links into. Please contact the Head of Procurement for further information.

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*We want to be a recognised Centre of Excellence and a visible contributor to LSBU's success*

### Procurement at LSBU:

- Influence £50m opex a year + 2020 £110m capital investment plan
- Small team of strategic professionals with ability to mandate
- Award winning step change in 2012, moving to strategic category management

### Procurement as a Profession:

- Value Beyond Savings focus by CIPS (innovation, risk, CSR and service).
- CIPS value enabler model – cost reduction and business growth through supply competitive advantage.

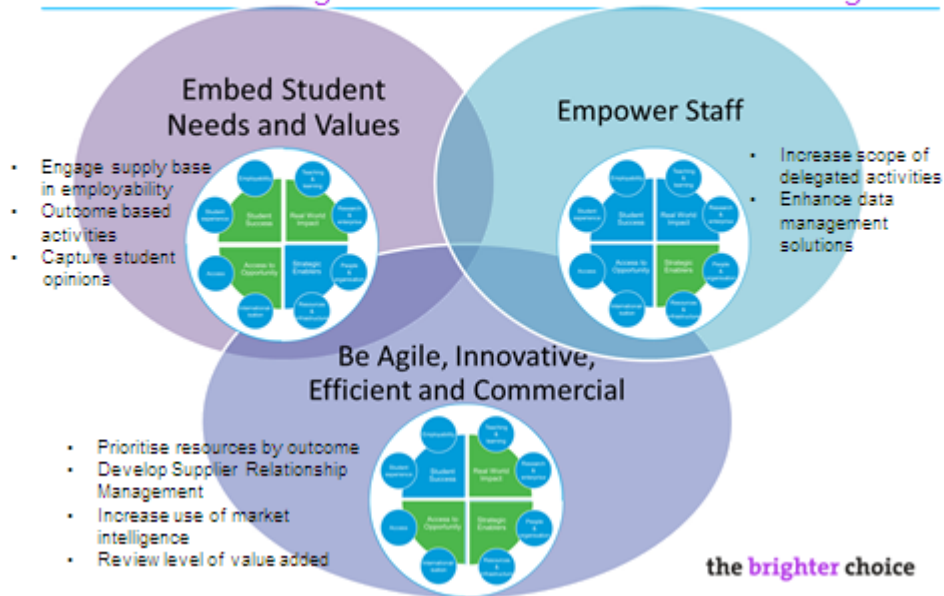
### Procurement in the Sector:

- 2011 UUK 'Efficiency and effectiveness in HE' report: Focus on Procurement's potential as a strategic asset. Improving capability, capacity and collaboration
- HEFCE new perspective on Value for Money and institutional effectiveness



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## Appendix A Con'td: Procurement Strategic Plan 2015-2020



<b>Outcome 1</b>	<p><b>Our major change plans 2015-2020</b></p> <ul style="list-style-type: none"> <li>Engage supply base in employability initiatives</li> <li>All aspects of Procurement cycle to be business outcome based</li> <li>Capture student opinions in relevant procurement activities</li> </ul>
<b>Embed student needs and values</b>	

**Our focus 2015-2020**

- Stakeholders comprehensively mapped, to engage students where they're impacted
- Early engagement of Procurement professionals to shape outcome definitions
- Support corporate image and lower potential for reputational risk, through initiatives such as ethical and sustainable solutions
- Provide high level information on where student's fees are spent

**Where we'll be by 2020**

- 60% of targeted suppliers actively involved in employability initiatives
- 80% categories with outcomes embedded in their procurement cycle activities
- 80% initiatives with high student impact to have student input

## Appendix A Cont'd: Procurement Strategic Plan 2015-2020

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### Procurement Strategic Plan 2015-2020 Key Outcomes

#### Outcome 2

##### • Empower staff

Our major change plans 2015-2020

- Increase scope of delegated procurement activities
- Enhance communication and data management solutions

Our focus 2015-2020

- Make better use of those involved in procurement activities:
  - Help develop their capabilities
  - Widen their representation in stakeholder consultations
  - Introduce common Procurement objectives for inclusion in their reviews
- Align Procurement resourcing and structures with business needs
- Improve how data is shared to enhance decision making at all levels
- Widen consultation for continuously developing our service

Where we'll be by 2020

- 100% category strategies with empowerment initiatives implemented
- 100% categories with knowledge shared through user friendly communications and data system outputs

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### Procurement Strategic Plan 2015-2020 Key Outcomes

#### Outcome 3

##### • Be agile, innovative, efficient and commercial

Our major change plans 2015-2020

- Prioritise resourcing plans by business outcome
- Develop supplier relationship management (SRM) to increase competitive advantage
- Increase market intelligence throughout cycle
- Review levels of value added in categories against CIPS value enabler model

Our focus 2015-2020

- Prioritise time with key suppliers
- Engage full supply chain to create ongoing innovative and efficient solutions
- Develop agile service model and contracts to respond quickly to changing needs
- Optimise resource time through technology, toolkits, templates, checklists
- Balance control with innovation
- Shape sector solutions and debates

Where we'll be by 2020

- 100% category strategies with SRM actively demonstrated
- 100% category strategies with market intelligence embedded
- Annual resourcing plan in place, justifying prioritisation decisions
- 100% categories meeting value enabler targets and tracking benefits including cost reduction and supply market competitive advantage




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**Appendix B: Procurement Savings Relating to Projects with Procurement Involvement**

Project / Category	Workstream	Initiative	Cashable Saving Base line	Total Cashable Savings (Contract Term)	Payback 13/14	Payback 14/15	Payback 15/16
Office Supplies	Stationery	Demand Mngt	Annual contract spend	17,000	17,000		
Office Supplies	Toners	Demand Mngt	Annual contract spend	89,000	89,000		
ICT	Edison	Contract Management	Approved Project Budget	409,000		409,000	
Utilities	Energy	TCO	CCS Reconciliation Figures	21,578	6,630	14,948	
Estates	Maintenance (Reactive and Planned)	Contract Management	Original Contract rates	500,000	166,667	166,667	166,667
ICT	Marketing CRM	Short term contract	Original contract rates	20,000			20,000
ICT	ICT devices and telecoms	Year end Demand Challenge		5,748			5,748
				<b>Value Reported</b>	<b>Payback 13/14</b>	<b>Payback 14/15</b>	<b>Payback 15/16</b>
				<b>1,062,326</b>	<b>279,297</b>	<b>590,615</b>	<b>192,415</b>

## Appendix C: New Manager Induction – VFM Presentation Feedback Results

### New Manager Induction Feedback for 14/15

Date	Good 	ok 	Not quite 	*Other	Total
01 Dec 14	10	2			12
11 Mar 15	7	1			8
10 Jun 15	6				6
	23	3	0	0	26
	88%	12%	0%	0%	

	PAPER NO:AC.63(15)
Paper title:	Anti-Fraud, Bribery and Corruption Report
Board/Committee	<b>Audit committee</b>
Date of meeting:	5 <sup>th</sup> November 2015
Author:	Natalie Ferer – Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To alert Audit Committee to any instances of fraud, bribery or corruption arising in the period since the committee last met.

<b>Executive Summary</b>	
<b>Context</b>	The Audit Committee oversee the policy on anti-fraud matters and ask to be notified of any action taken under those policies, including the Anti-Fraud and the Anti-Bribery policy.
<b>Question</b>	Has there been any instance of Fraud, Bribery or corruption since the last meeting?
<b>Conclusion &amp; Recommendation</b>	That committee notes the report.

<b>Matter previously considered by:</b>	Audit Committee	At every meeting
<b>Further approval required?</b>	None	N/A

**New matter arising since the last meeting:**

There are no matters arising since the last meeting.

	CONFIDENTIAL
	PAPER NO: AC.64(15)
Paper title:	Speak up report
Board/Committee	Audit Committee
Date of meeting:	5 November 2015
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To update the committee on: <ul style="list-style-type: none"> <li>• any speak up matters raised since the last meeting</li> <li>• implementation of the independent reporting line</li> </ul>
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	N/A - The speak up policy enables workers and students to report any concerns about malpractice, helping to create an open and ethical culture in the workplace.
Recommendation:	The committee is requested to note the report.

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

### **Executive Summary**

No speak up matters have been raised under the speak up policy since the last meeting.

The committee is requested to note the report.