

## Meeting of the Audit Committee

4.00 - 6.00 pm on Thursday, 9 June 2016  
in V404, K2 - Technopark, SE1 6LN

### Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		Chair
2.	Declarations of interest		
3.	Minutes of the previous meeting (for publication)		Chair
4.	Matters arising		Chair
5.	Data security closure report (to note)		COO
6.	International students audit report (to note)		PVC(R&EE)
	<b>External audit</b>		
7.	External audit plan, 2015/16 (to approve)		GT
8.	Indicative pensions assumptions (to note)		CFO
9.	Annual bad debt write off (to approve)		CFO
	<b>Internal audit</b>		
10.	Internal audit progress report (to discuss)		PwC
11.	Financial data continuous auditing report, period 2 (to review)		PwC
12.	Student data continuous auditing report (to review)		PwC
13.	Internal audit report: Research and Enterprise contracts (to review)		PwC
14.	Internal audit report: Management Information: Data Quality (to review)		PwC
15.	Internal audit draft plan, 2016/17 (to approve)		PwC
	<b>Risk and control</b>		

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
16.	Corporate risk register (to discuss)		CFO
	<b>Other matters</b>		
17.	Anti-fraud policy review (to approve)		CFO
18.	Anti-fraud, bribery and corruption report (to note)		CFO
19.	Speak up report (to note)		Sec
20.	TRAC(T) return to HEFCE (to ratify)		CFO
21.	Audit Committee business plan (to note)		Sec
22.	Matters to report to the Board following the meeting		Chair
23.	Any other business		Chair

**Date of next meeting** - 4.00 pm on Thursday, 22 September 2016

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

Internal Auditors

External Auditors

In attendance

**London South Bank  
University**

Minutes of a Meeting of the Audit Committee  
Held at 4pm on Thursday, 11 February 2016  
In room 1B16, Technopark, London Road, London, SE1

**Present**

Steve Balmont	Chair
Douglas Denham St Pinnock	
Mee Ling Ng	

**External Auditors**

Carol Rudge	Grant Thornton
Nick Taylor	Grant Thornton

**Internal Auditors**

Charlotte Bilsland	PricewaterhouseCoopers
Justin Martin	PricewaterhouseCoopers

**In attendance**

Prof David Phoenix	Vice Chancellor and Chief Executive
Richard Flatman	Chief Financial Officer
Craig Girvan	Head of ICT Security ( <i>for minutes 1 – 11</i> )
Paul Ivey	Pro Vice Chancellor (Research and External Engagement) ( <i>for minutes 19 – 21</i> )
Ian Mehrtens	Chief Operating Officer ( <i>for minutes 1 – 11</i> )
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Manager

**Welcome and apologies**

1. The Chair welcomed members to the meeting. The committee welcomed Carol Rudge, the new external audit partner from Grant Thornton.
2. Apologies had been received from Shachi Blakemore and Natalie Ferer.

**Declarations of Interest**

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

# London South Bank University

## Minutes of the last meeting

4. The minutes of the meeting held on 5 November 2015 were approved (paper **AC.01(16)**). The minutes were approved for publication subject to a review of the proposed redactions.

## Matters arising

5. Minute 7 of 5 November 2015 – the committee noted that the review of journals authorisation process was in progress. An update would be provided to the meeting of 9 June 2016.

## Identity and Access Management system update

6. The committee discussed an update on the progress of the identity and access management system (IAMS) project (paper **AC.02(16)**). The Chief Operating Officer reported that the system was due to go live on 25 February 2016.
7. The committee noted that the Major Projects and Investment Committee would review the post implementation review of the IBM contract, of which the IAMS project was a part.
8. The committee noted an update on data security. The Head of Information Security reported that a revised Data Security Policy was being developed. Data security training would be mandatory for all staff.

## Prevent duty compliance update

9. The Chief Operating Officer gave an update on the University's compliance with the Prevent duty under the Counter-Terrorism and Security Act 2015 (paper **AC.07(16)**).
10. A self-assessment had been submitted to HEFCE setting out how compliance with the Prevent duty. The internal auditors would review the evidence for this self-assessment. The internal audit report would be considered at the audit committee meeting of 9 June 2016.

*Ian Mehrtens and Craig Girvan left the meeting*

# London South Bank University

## Internal audit progress report

11. PWC gave a progress report on internal audit work (paper **AC.03(16)**). It was noted that the internal auditors were just over halfway through their plan for the year. The committee noted that the audits of the HR system and data quality had been deferred to quarter 3.
12. The committee discussed the areas where additional internal audit assurance could be required. The committee requested the Executive to review whether any additional work was required.

## Continuous Auditing: Student data, period 1 2015/16

13. The committee noted the continuous auditing report for student data for period 1, 2015/16 (paper **AC.04(16)**). The risk rating was low.

## Corporate Risk Register

14. The committee noted the risk register (paper **AC.05(16)**).
15. The committee requested that the format of the summary of changes sheet is revised, including key dates.
16. The committee requested an update on the Student Centre final account to the Major Projects and Investment Committee meeting of 3 March 2016.

## Audit of international students update

*Paul Ivey joined the meeting*

17. The committee noted an update on the audit of international students by Penningtons Manches (paper **AC.06(16)**). The audit was a mock audit in anticipation of an audit by the UK Visas and Immigration.
18. The first audit in October 2015 reviewed LSBU's compliance with the requirements of tier 2, 4 and 5 visas. A number of recommendations were made which were being addressed. A final audit was planned for early March.
19. The final audit report would be considered by the committee at its meeting of 9 June 2016 (**minute 29 of 5 Nov 2015 refers**). The committee requested the report to include the scope of work along with the result and findings.

# London South Bank University

*Paul Ivey left the meeting*

## **Data assurance report**

20. The committee discussed the data assurance report (paper **AC.08(16)**). The report was a result of the new Data Quality Policy and Data Quality Assurance framework.
21. A number of areas for improvement had been identified and an action plan developed.
22. The committee noted the internal auditors would be reviewing data quality as part of the internal audit programme.

## **Transparent Approach to Costing (TRAC) Return**

23. The committee discussed the TRAC return which had been submitted to HEFCE on time (paper **AC.09(16)**). The committee noted that the data had met all the validations tests. The committee noted that the return had been reviewed by Shachi Blakemore, independent governor and member of the audit committee, ahead of its submission to HEFCE.
24. The committee ratified the return and its submission.

## **Speak up report**

25. The committee noted the speak up report (paper **AC.10(16)**). No new speak up matters had been raised under the speak up policy since the last meeting.

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

26. The committee noted the anti-fraud, bribery and corruption report (paper **AC.11(16)**). No issues had arisen since the last Audit Committee meeting.

## **Finance and Management Information (FMI) professional service structure and leadership team**

27. The committee noted an update on the structure of FMI and its leadership team (paper **AC.12(16)**).
28. FMI is divided into: financial control; planning, information and reporting (including elements of the registry); fees and bursaries; procurement services; and FMI systems.

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**Audit Committee business plan**

29. The committee noted its annual business plan (paper **AC.13(16)**).

**Matters to report to the Board**

30. The committee requested that the updates on identity and access management system, Prevent duty, audit of international students and data assurance are reported to the Board meeting of 17 March 2016.

**Date of next meeting**

31. It was noted that the next meeting would be at 4pm on Thursday, 9 June 2016.

The Chair closed the meeting.

Confirmed as a true record:

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Chair

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# Committee Action Points

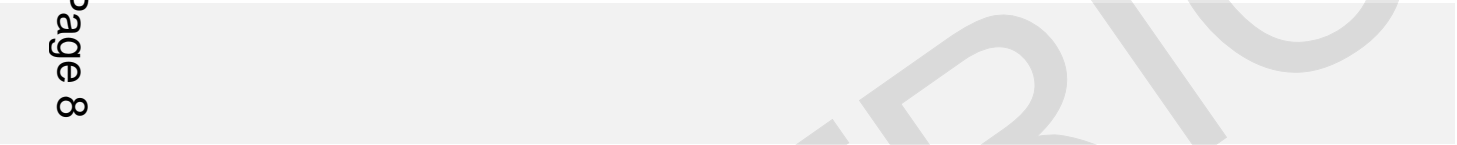
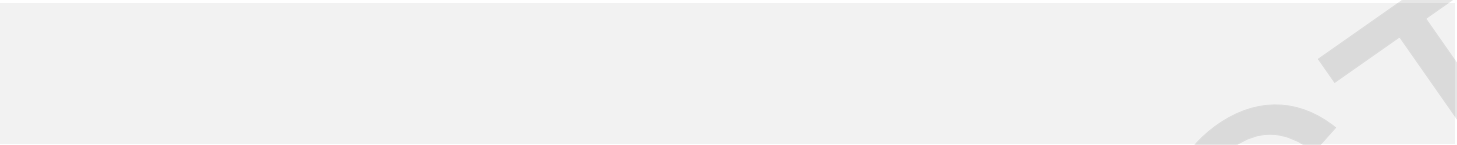
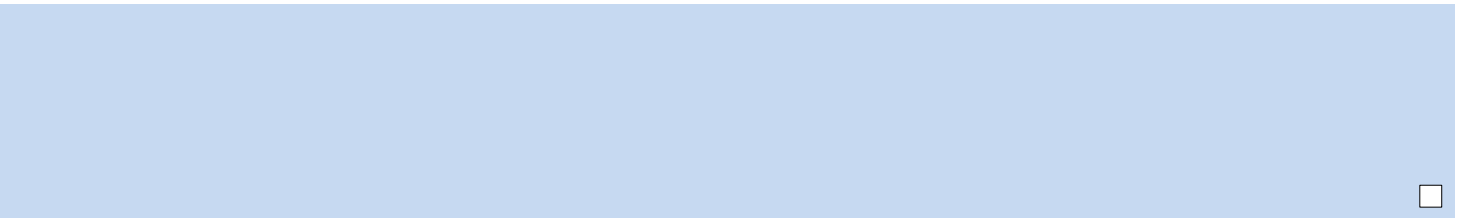
01 June 2016

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NOT FOR PUBLICATION

Committee	Date	Minute	Action	Person Res	Status	
Audit	11/02/2016	5	Review of journals authorisation - update to 9 June 2016 meeting	CFO		<input type="checkbox"/> Completed
Audit	11/02/2016	10	Prevent compliance internal auditors' report to 9 June 2016 audit committee meeting	COO	On agenda	<input type="checkbox"/> Completed
Audit	11/02/2016	12	Review whether any additional internal audit work is required in 2015/16.	CFO		<input type="checkbox"/> Completed
Audit	11/02/2016	15	Revise summary of changes sheet of risk register	CFO		<input type="checkbox"/> Completed
Audit	11/02/2016	19	Audit report on international students to committee meeting of 9 June 2016	PVC - (R&E)	On agenda	<input type="checkbox"/> Completed
Audit	11/02/2016	30	To report the following matters to the board: updates on identity and access management system, prevent duty, audit of international students and data assurance	Secretary	On Board agenda and reported through committee reports	<input type="checkbox"/> Completed

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	CONFIDENTIAL	
	PAPER NO: AC.15(16)	
Paper title:	Data Security Control – PWC Audit 2015	
Board/Committee	Audit Committee	
Date of meeting:	09/06/2016	
Author:	Craig Girvan – Head of Information Security	
Executive/Operations sponsor:	Ian Mehrtens – Chief Operating Officer	
Purpose:	Information, closure of Data Security Control with regards to Identity Access Management/IBM Security Identity Manager implementation	
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Closure of outstanding PWC audit items	
Recommendation:	Recommending that we agree to close the data security control related to the PWC audit of 2015.	
Matter previously considered by:	Audit Committee, February 2016	
Further approval required?		On:

### Executive Summary

*The gaps identified in the PWC audit of 2015 related to Data Security have been closed with the phased implementation of IBM Security Identity Manager. There is no longer a major security risk to the university related to our on boarding/decommissioning process, nor is there a major gap between the principle systems of HR and ICT. With that in mind, the overall risk has been reduced*

# London South Bank University

## 1. Objective

Review of the IT control recommendations has identified that the Data Security control can be closed. Where the recommendation relates to the IAM/ISIM project, the expected completion date of outstanding items was the end of April 2016 (for specific agreed actions see appendix A).

## 2. Outline

Principally the data security control related to users' access rights inheriting from the Phonebook system into Active Directory. This is no longer possible, instead the access rights are inherited from HR's Oracle database, into ISIM and from there into Active Directory. The systems and process no longer allow a user to remain active within the University authentication platform after their HR record has 'expired'.

## 3. Ongoing work

There is still work ongoing on the ISIM project related to removing unnecessary complexity from the system and remediating exceptions that were generated at the time of migration. We are currently operating in 'phase 2' of the ISIM project, whereby some systems are still accepting live data, these systems will be bypassed in the next stage of development (June 2016)

We are also continuing to work to reconcile users that were either not migrated properly, or whose records changed between the first snapshot and the migration event. At the time of writing, the total number of 'exceptions' is approximately 350, down from 1,000, we expect this work to be completed early June 2016.

## 4. HR procedure / workflow

A HR procedure has been defined and agreed, this document will be reviewed annually. (Probably more frequently given the timescales for the new iTrent implementation).

## 5. Technical Documentation

Full technical documentation for the ISIM project is still outstanding, we have budgeted for 10 days of time between the LSBU project team and the IBM consultants to put this in place, and we are currently expecting this piece of work to complete in June 2016.

## 6. Additional work

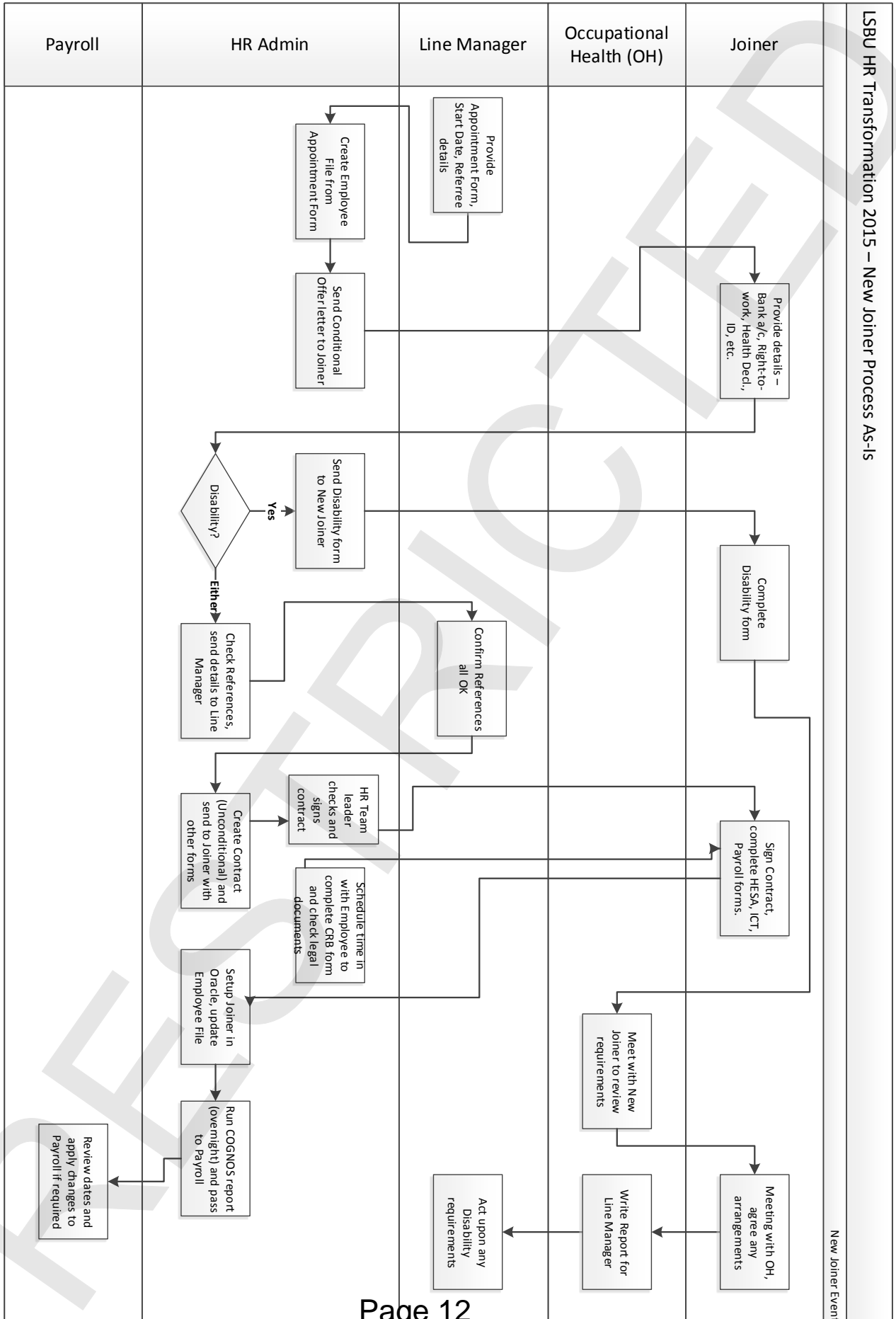
In addition to this work, we are running a proof of concept system to give visibility into over-privileged accounts on the network, specifically aimed at showing where people have too much access to sensitive areas like HR and Finance. We are also taking steps to reduce physical zones in which this data is accessible and adding stricter security controls to machines that make requests for this data. Both capabilities should be delivered in Q3 2016.

### Appendix A

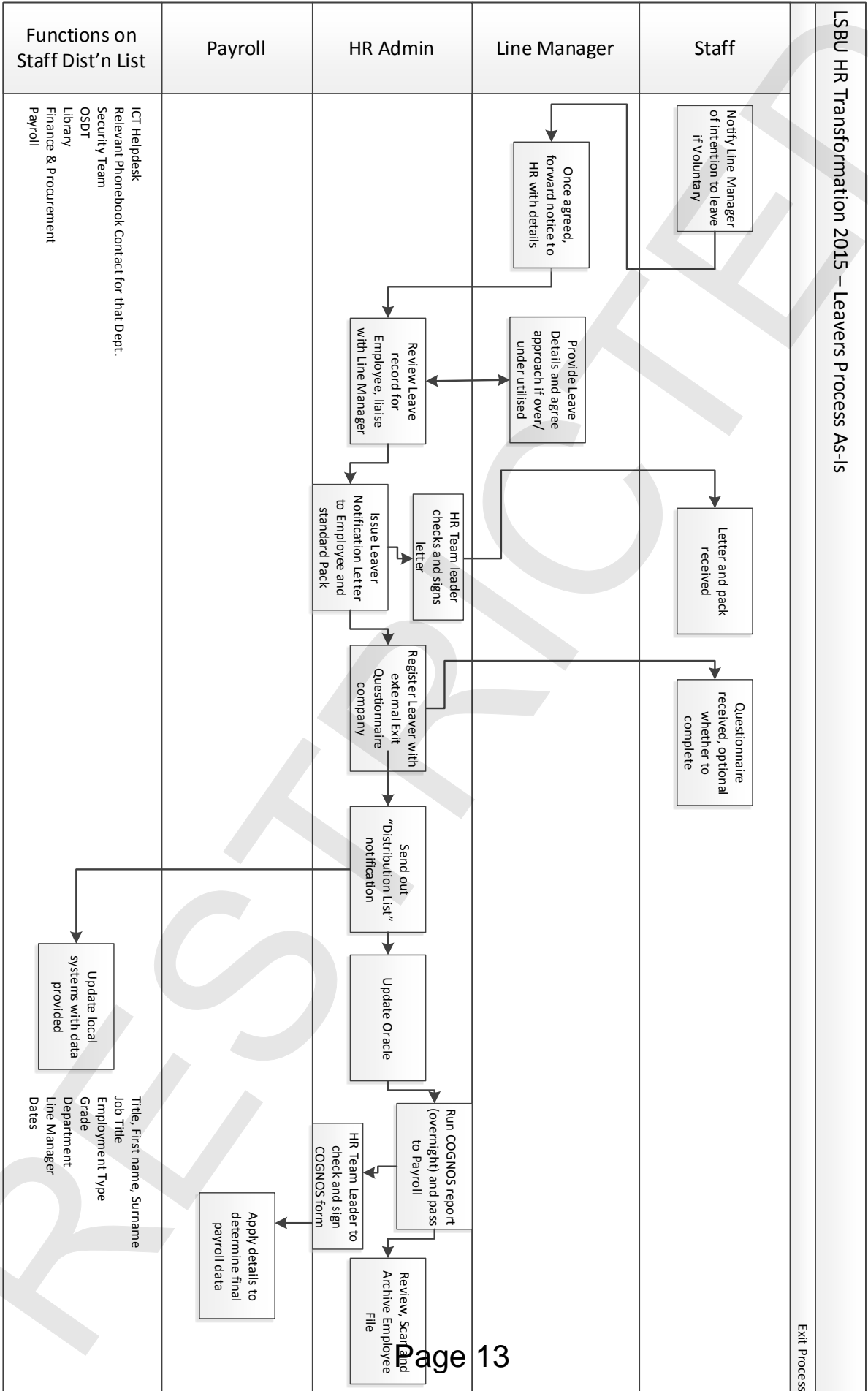
Agreed Action	Closure action
<p>We are currently working to consolidate worker information in HR System. Leaver and Joiner processes will be reviewed as part of this work.</p>	<p>This work has been completed, processes have been reviewed as part of the ISIM project and will be further refined as part of the iTrent project. These processes are currently in an interim state and will be finalised as part of the iTrent project. The procedure documents will be reviewed annually. (See Appendix B and C)</p>
<p>We plan on holding a workshop to agree an interface between HR System and Identity/Access Management toolset. Subsequent system implementations will deliver process automation.</p>	<p>This work has been completed, IT systems are no longer authoritative within our process, and they will only take feeds from the HR Oracle Database for staff (and CAMs for students). (See Appendix D)</p>
<p>We will ensure agreed processes are documented in a procedure note which will be reviewed on an annual basis and will include the areas highlighted above.</p>	<p>As above, this is in place for HR processes, it will be reviewed annually. However with the iTrent implementation, it's likely that the process will be reviewed again as part of that implementation.</p>

# London South Bank University

## Appendix B: HR Joiner Procedure

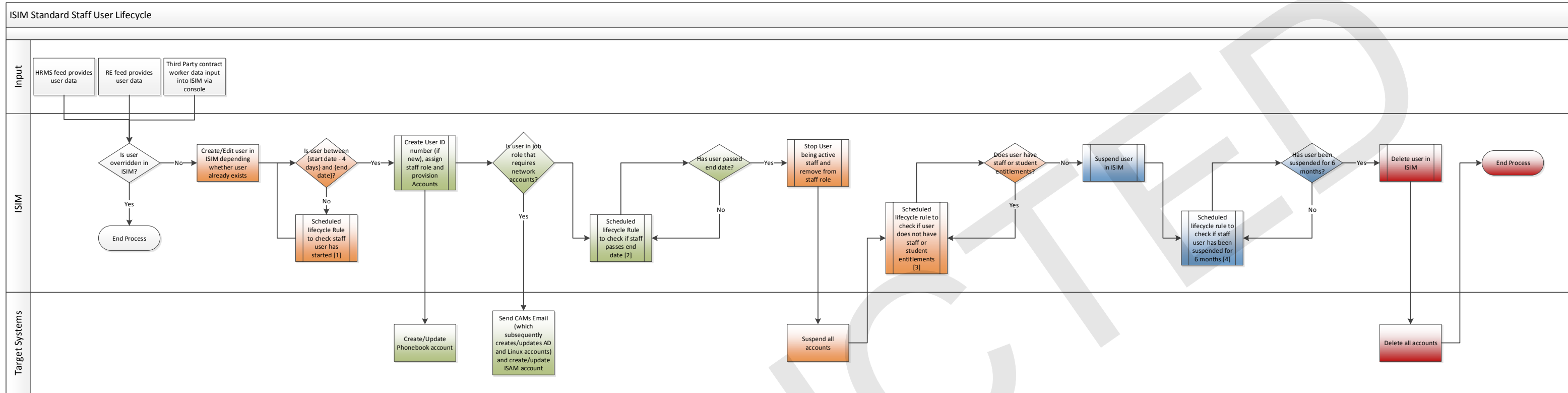


## Appendix C: HR Leaver Process



# London South Bank University

## Appendix D: ISIM Staff lifecycle



**Assumptions**  
User has correct data combination to be classed as a "staff user"

- Life Cycle Rules**
- [1] Lifecycle rule name: "setStaffEntitlementLifecycleRule"  
Schedule: Hourly from 10:15 to 18:15, then every 3 hours overnight
  - [2] Lifecycle rule name: "removeStaffEntitlementLifecycleRule"  
Schedule: Twice a day at 6:00 and 18:00
  - [3] Lifecycle rule name: "suspendExpiredLSBUUserLifecycleRule"  
Schedule: Twice a day at 6:30 and 18:30

**NOTES:**  
Overridden users do not follow the standard lifecycle for a user.  
If a change is made in input systems, the process restarts with the user and accounts being edited rather than created.

**Key**

- User being input in ISIM from feed may or may not match a user currently in ISIM
- User is active in ISIM without being an active staff and has no active accounts
- User is an active staff and has active staff accounts
- User is suspended in ISIM
- User is deleted from ISIM and all their accounts are deleted



**London South Bank**  
University

	CONFIDENTIAL
	PAPER NO: AC.16(16)
Paper title:	Penningtons Manches Assessment Report March 2016 – UKVI Compliance
Board/Committee	Audit Committee
Date of meeting:	Thursday 9 June 2016
Author:	Penningtons Manches LLP
Executive/Operations sponsor:	Paul Ivey
Purpose:	Information
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Strategy 2015-2020 Access to Opportunity Internationalisation
Recommendation:	Whilst there are still some areas which need to be addressed, the UKVI should be satisfied as to LSBU's general compliance given the implementation of the majority of recommendations made in the previous Penningtons report from November 2015.

### Executive Summary

The audit report concluded that the UKVI should be satisfied with LSBU's general compliance. However, there are still some areas which need to be addressed:

- Review agreements relating to short Study Abroad programmes
- Review course start and end dates used on the CAS to ensure they match published dates on website
- Communicate UKVI requirements to all staff
- Enrolment processes need to be reviewed to ensure we are checking the immigration status of **all** our students before enrolling them
- Placements – the temporary system is only for the current small group of students on placement. This will increase in the run up to September 2016
- Attendance – electronic monitoring system of PhD and dissertations needs to commence

Failure to rectify these issues could mean that they are highlighted by UVKI in the event of an audit.

Compliance with UKVI regulations should be audited on a regular basis. It is important that the regular audit schedule includes this but that it is conducted with the same rigour and detail as Penningtons Manches.

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**PENNINGTONS  
MANCHES**

**ASSESSMENT REPORT**

**Company Name:** London South Bank University (LSBU)

**Address:** ARC, Technopark, 90 London Road, London, SE1 6LN

**Company representatives spoken to at assessment:**

Jennifer Parsons – Director of Internationalisation - Key Contact

Neil Gillett – Immigration and International Student Advice Manager

Helen Langford – HR Business Partner

**Penningtons Manches LLP representative conducting assessment:**

Hazar El-Chamaa – Senior Associate

Penny Evans - Senior Associate

**Date of visit:** 9 March 2016

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This report has been prepared from an inspection of information, documents made available, and verbal information provided before, during and after the follow up visit to London South Bank University ("LSBU") on 9 March 2016. It is not intended to be, nor is it, a comprehensive audit of compliance with immigration law generally. It represents our assessment of the University's compliance efforts with its obligations under its two sponsor licences for Tier 4 and Tier 2 /5 as at the dates of the visit.

Please note that no detailed examination has been undertaken of documentation to check on whether they meet the Home Office guidelines as this does not form part of the assessment. Our review was in relation to UKVI compliance within Tier 2,4, and 5.

Any reference to the Tier 2 & 5 and Tier 4 Sponsor Guidances relate to version 11/15.

Please note that the information contained in this report is privileged and confidential.

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### **Executive summary**

Penningtons Manches' immigration team conducted a full audit of LSBU's sponsor compliance on 5 and 6 October 2015, the purpose of this visit was to carry out a check on the various areas of compliance under Tier 2, 4 and 5 following our earlier report. In this report we have listed each area that we reviewed, and have highlighted any issues that still need to be addressed and any further issues found. We have made recommendations, where necessary, in relation to each of these areas. Our October report contained general recommendations which we have not restated here to avoid repetition.

Whilst there are still some areas which need to be addressed which are detailed below, we have concluded that given the implementation of the majority of recommendations made in our previous report the UKVI should be satisfied as to LSBU's general compliance.

We understand that as a result of the measures undertaken by LSBU to make sure it is compliant with the sponsor licence duties including the duty to only recruit students that both intend and are able to study in the UK, the number of CAS assigned to Tier 4 students had decreased. This has had the positive effect of reducing LSBU's refusal rate to below 5%. If these measures had not been undertaken it is estimated that LSBU's refusal rate would have stood at 15.9% based on the data up to September 2015. As this would have been above the 10% threshold there would have been a real risk of LSBU's licence being revoked. Since September 2015 the refusal rate has stood at 3.5% again an excellent achievement, had LSBU assigned CAS to the students that it had rejected and if these were refused by UKVI the refusal rate would have stood at 8.8% which is considered high.

Below is a summary of the key areas highlighted in the report which still need to be addressed. For details of all recommendations and best practice advice please read the full report.

#### **Areas which require immediate attention**

- Review agreements relating to Short Study Abroad programmes in light of recommendations.
- Check ATAS certificates are obtained if needed following the change of title of PhD courses.
- Obtain confirmation of English language level achieved following completion of pre-session course.
- Review course start and end dates and ensure that those provided on the CAS issued to the students match the actual course dates.
- Notifications of any errors on visa conditions to be made to UKVI via the SMS.

- To improve data relied on by Student Engagement Team so that it can be relied on as being accurate in their review of the students' attendance records.
- To communicate to Tier 4 students and academics the importance of providing accurate attendance data.
- Attendance monitoring of research based courses to be reviewed in light of recommendation.
- To review authorised absence policy in relation to Tier 4 students to make sure it is measured and can be applied consistently and within what is permitted by UKVI.
- Improve online process and system used for record keeping so that documents are more readily available. The process is still time consuming.
- HR need to ensure that all staff have the right to work, at all times, and that prevention of illegal working checks are always undertaken before employment commences.
- HR needs to ensure that Tier 2 and Tier 5 staff files are in order, with the correct documentation on file and the files can be easily located.
- Signed forms from employers should be obtained to confirm what their responsibilities are while the students are on the work placement.
- Ensure evidence of 3C leave is on file and new right to work checks are undertaken if the migrant is re-hired.
- Ensure all relevant pages of the passport are copied and placed on file.

For further details in relation to these points and other concerns raised, please read the full report.

**London South Bank**  
University

	CONFIDENTIAL
	PAPER NO:AC.17(16)
Paper title:	External Audit Plan
Board/Committee	Audit Committee
Date of meeting:	9 June 2016
Author:	Natalie Ferer – Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Controller
Purpose:	To approve the audit plan for the year ending 31 <sup>st</sup> July 2016
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial Control and Sustainability
Recommendation:	It is recommended that the committee consider and approve the attached audit plan

Matter previously considered by:	Audit committee	Annually
Further approval required?	n/a	On:



# The Audit Plan for London South Bank University

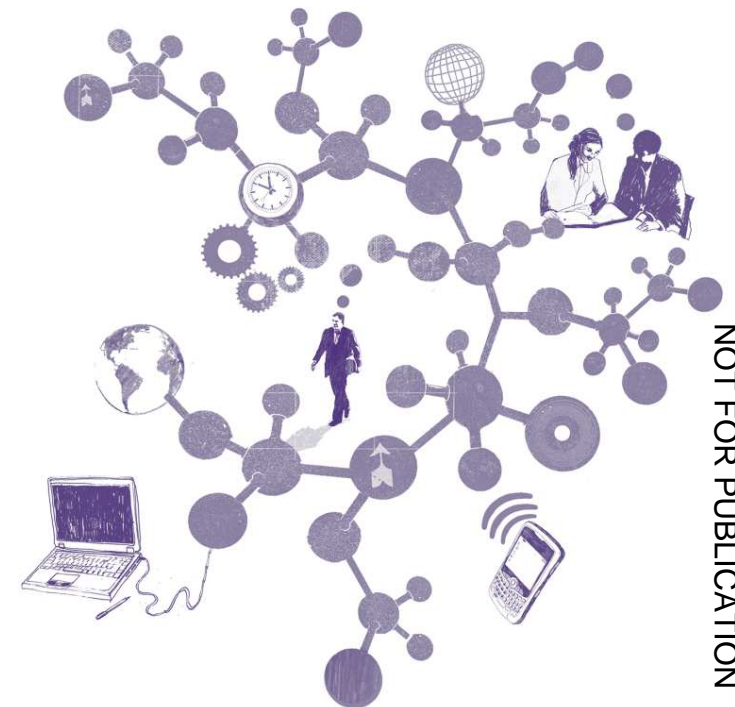
Year ending 31 July 2016

May 2016

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May 2016

Dear Sirs

**Audit Plan for London South Bank University and its subsidiary for the Year ending 31 July 2016**

We are pleased to be engaged to perform the audit of London South Bank University and its subsidiary for the Year ending 31 July 2016.

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.

This Audit Plan highlights the key elements of our proposed audit strategy for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management and the Audit Committee. The Audit Findings report will be issued prior to approval of the financial statements and will present our significant findings and other matters arising from the audit. We will communicate any significant adverse or unexpected findings affecting the audit on a timely basis, either informally or through an interim memorandum.

We look forward to working with you during the course of the audit.

Yours faithfully

For and on behalf of Grant Thornton UK LLP

Carol Rudge

**Chartered Accountants**  
Member firm within Grant Thornton International Ltd  
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A list of members is available from our registered office.  
Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

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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. Developments relevant to your business and the audit

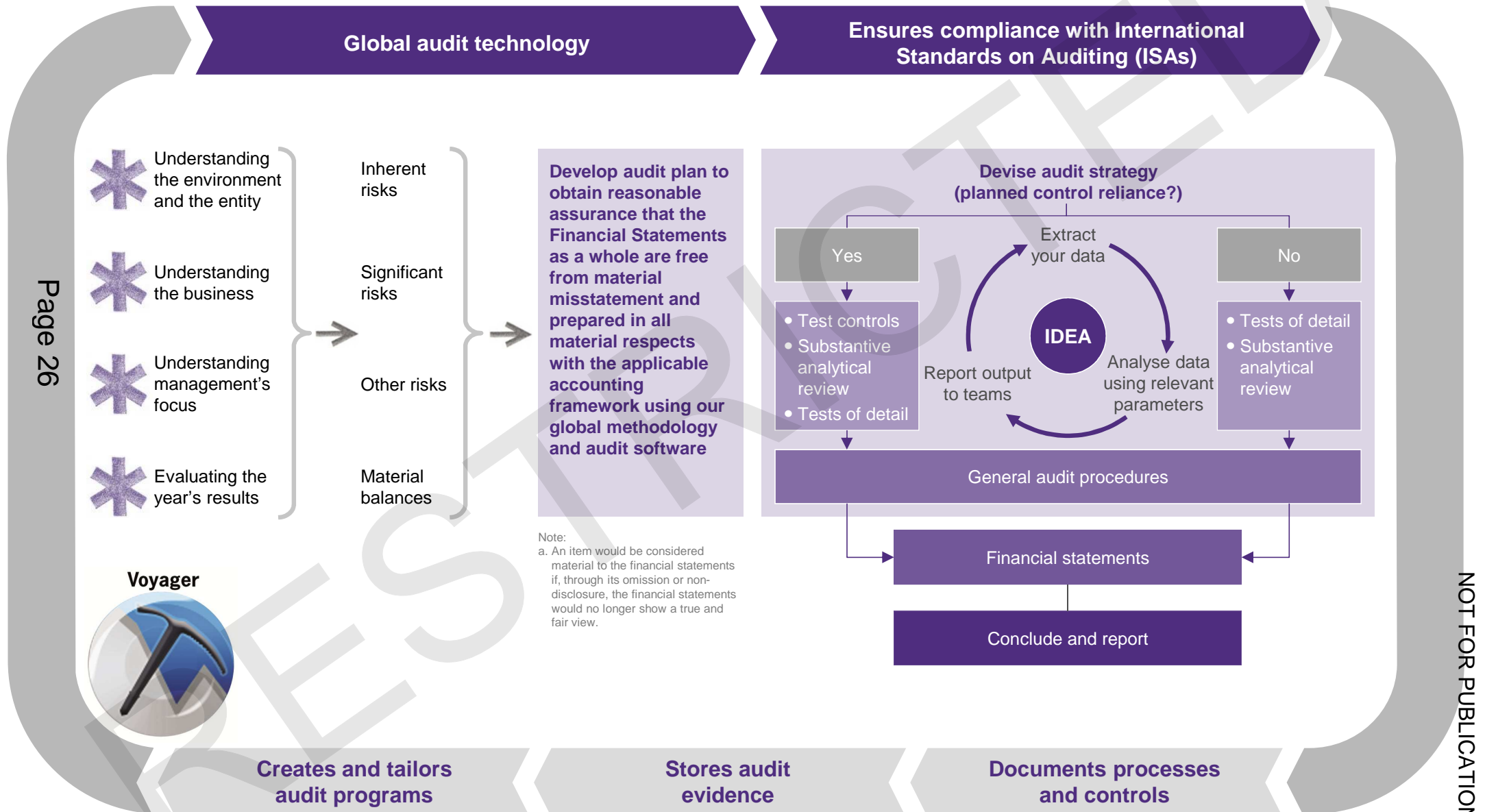
The key financial reporting developments applicable to the entities reporting under UK GAAP are the introduction of FRS 102: *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, which take effect for periods commencing on or after 1 January 2015, and are therefore applicable for the entities that previously reported under UK GAAP.

FRS 102 represents a new accounting standard which supersedes the existing FRS framework, and is largely in line with IFRS. The key differences between Old UK GAAP and FRS 102 which could be applicable to the University are set out below, however this list is not exhaustive and management must undertake their own impact assessment as part of the accounts preparation process for the year.

Area of difference	Old UK GAAP	FRS 102
Financial instruments	<ul style="list-style-type: none"> <li>Initial recognition is usually at transaction value, i.e. cost</li> <li>Derivatives not usually recognised on balance sheet</li> <li>No concept of embedded derivatives</li> </ul>	<ul style="list-style-type: none"> <li>'Basic' financial instruments such as bank loans are measured at cost or amortised cost using effective interest rate method</li> <li>Equity instruments with a reliably measurable fair value are measured at fair value through profit or loss</li> <li>'Complex' financial instruments such as derivatives are measured at fair value through profit or loss. Many of these instruments would not have been recognised on the balance sheet under current UK GAAP, but simply disclosed</li> <li>Hedge accounting is permitted under FRS 102 but only for certain specified types of hedges</li> </ul>
Classification of leases	<ul style="list-style-type: none"> <li>Based on transfer of substantially all of risks and rewards of ownership. If present value of minimum lease payments is 90% or more of the fair value, normally classify as finance lease</li> </ul>	<ul style="list-style-type: none"> <li>FRS 102 classifies leases into finance leases and operating leases based on whether the lessee or the lessor holds the risks and rewards of ownership</li> <li>FRS 102 does not include the '90% test' so the classification of some leases may change</li> </ul>
Income recognition	<ul style="list-style-type: none"> <li>Recognition criteria – entitlement, certainty, measurement</li> <li>Endowments recognised in reserves</li> <li>Bursaries and scholarships usually treated as expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Recognition criteria – entitlement, probability, measurement</li> <li>Endowments recognised in donation income line</li> <li>Consider nature of bursaries and scholarships</li> </ul>
Accounting for grant income	<ul style="list-style-type: none"> <li>Capital grants are deferred on the balance sheet</li> <li>Amortised over the useful economic life of the asset</li> </ul>	<ul style="list-style-type: none"> <li>Distinction between government and non-government grants</li> <li>Policy choice for government grants (accruals vs performance)</li> <li>Non-government grants recognised under performance model</li> </ul>
Holiday pay accrual	<ul style="list-style-type: none"> <li>No specific requirement to accrue for employee holiday accruals</li> </ul>	<ul style="list-style-type: none"> <li>FRS 102 requires that at each year end an accrual for any unutilised staff holiday entitlements should be recognised</li> </ul>
Pension schemes	<ul style="list-style-type: none"> <li>Defined benefit pension schemes interest income calculated using the expected return on assets</li> </ul>	<ul style="list-style-type: none"> <li>FRS 102 requires the interest income on defined benefit pension schemes to be calculated using the discount rate applied to the pension liabilities. This is likely to result in an increase in the net finance charge</li> <li>The University is required to recognise a contractual obligation in relation to multi-employer pension schemes, such as USS</li> </ul>

The introduction of FRS 102 requires a restatement of comparatives. We will audit the transitional adjustments to confirm that FRS 102 has been correctly accounted for.

## 2. Our audit approach



### 3. Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1.	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<ul style="list-style-type: none"> <li>• An item may be considered to be material by nature where it may affect:               <ul style="list-style-type: none"> <li>– trends</li> <li>– compliance with loan covenants; or</li> <li>– instances when greater precision is required (e.g. directors' emoluments)</li> </ul> </li> </ul>
2.	<p><b>Calculation and determination</b></p> <p>We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the business, including consideration of factors such as funder expectations, industry developments, financial stability and reporting requirements for the financial statements.</p>	<ul style="list-style-type: none"> <li>• We determine planning materiality in order to:               <ul style="list-style-type: none"> <li>– estimate the tolerable level of misstatement in the financial statements;</li> <li>– assist in establishing the scope of our audit engagement and audit tests;</li> <li>– calculate sample sizes; and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul> </li> <li>• We propose to calculate our final financial statement materiality based on gross revenue at 31 July 2016. This is in line with the prior year.</li> </ul>
3.	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<ul style="list-style-type: none"> <li>• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality</li> </ul>

"Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. "

(ISA (UK and Ireland) 320)

## 4. Significant risks identified

“Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.” (ISA 315) The risks identified below are applicable to all group companies set out in the 'scope of group audit' section.

Significant risk	Description	Audit procedures
<b>The income cycle includes fraudulent transactions</b>	Under ISA 240 "The Auditors' Responsibilities Relating to Fraud" there is a presumed risk that income may be misstated due to the improper recognition of income.	We will review and test revenue recognition policies and perform detailed sample testing on material income streams.
<b>Management over-ride of controls</b>	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>To ensure that we gain reasonable assurance that management over-ride of controls has not resulted in a material misstatement or fraudulent activities within the financial statements, the work we will perform in this area will include:</p> <ul style="list-style-type: none"> <li>• Reviewing accounting estimates, judgements and decisions made by management, including those relating to FRS 102 pension actuarial assumptions, bad debt provisions and other provisions</li> <li>• Reviewing controls in place over the accounting system and other key IT software applications</li> <li>• Testing a sample of journal entries which will be determined through the use of our data interrogation software (IDEA) which enables our audit team to focus on higher risk journal postings</li> <li>• Identifying the related parties of the University and reviewing the procedures in place to ensure that any related party transactions are approved, captured and correctly presented within the financial statements</li> <li>• Reviewing any unusual and significant transactions.</li> </ul>
<b>FRS 102 compliance</b>	<p>For periods commencing on or after 1 January 2015, new accounting standards come into effect for entities previously reporting under UK GAAP.</p> <p>Management are required to assess the impact of the changes under FRS 102, to select appropriate accounting policies and make required adjustments in the preparation of the financial statements.</p>	<ul style="list-style-type: none"> <li>• We will continue to review management's impact assessment to ensure all changes have been identified and that management have selected appropriate accounting policies.</li> <li>• We will review the financial statements to ensure these changes have been correctly accounted for in accordance with those policies.</li> <li>• We will review the presentation and disclosures in the financial statements to ensure compliance with the new standards.</li> </ul>

## 5. Other risks identified

“The auditor should evaluate the design and determine the implementation of the entity’s controls, including relevant control activities, over those risks for which, in the auditor’s judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures.” (ISA 315)

Other risks	Description	Planned audit procedures
<p><b>Tuition and Fee Revenues (including education contracts)</b></p> <p>Income (14/15): £99,338k</p> <p>Page 29</p>	<p><b>Recorded tuition and fee revenues not valid</b></p> <p><b>Allowance for doubtful debts not adequate</b></p> <p><b>Recorded debtors not valid</b></p> <p>The correct recognition of all income remains a key area of focus for the University</p>	<p>Our work in this area will include:</p> <ul style="list-style-type: none"> <li>• Performing substantive analytical procedures to gain assurance over the existence of the income stream</li> <li>• Testing a sample of students to supporting student record documentation to ensure the validity and correct calculation of the fee income recognised</li> <li>• Reconciling student data between the student database and the accounting system on a transactional level</li> <li>• Verifying a sample of education contract transactions to confirm the existence and amount of the income, that it relates to the period and has been correctly accrued or deferred as appropriate at the balance sheet date</li> <li>• Reviewing the recoverability of debtors in respect of tuition fees, student accommodation fees and other sales ledger debtors and consider the adequacy of bad debt provisions</li> <li>• Comparing aged balances with prior years aged balances</li> <li>• Calculating aging as a percentage of total fees debtors and if unusual percentages or relationships are noted, investigate and determine if an adjustment is necessary</li> </ul>
<p><b>Funding Council grants</b></p> <p>Income (14/15): £17,584k</p>	<p><b>Recorded revenue and debtors not valid</b></p> <p>The correct recognition of all income remains a key area of focus for the University</p>	<p>Our work in this area will include:</p> <ul style="list-style-type: none"> <li>• Reviewing any correspondence with HEFCE during the year</li> <li>• Agreeing amounts recognised to remittance statements provided by HEFCE</li> <li>• Reviewing the results of any reviews undertaken by HEFCE and your internal auditors during the year</li> </ul>
<p><b>Other operating income</b></p> <p>Income (14/15): £23,540k</p>	<p><b>Recorded revenue and debtors not valid</b></p> <p>The correct recognition of all income remains a key area of focus for the University</p>	<p>Our work in this area will include:</p> <ul style="list-style-type: none"> <li>• Verifying a sample of other income transactions to confirm the existence and amount of the income, that it relates to the period and has been correctly accrued or deferred as appropriate at the balance sheet date</li> <li>• Reviewing the recoverability of debtors in respect of other operating income</li> </ul>



## 5. Other risks identified (continued)

Other risks	Description	Planned audit procedures
<p><b>Employee remuneration</b></p> <p>Staff costs (14/15): £74,293k</p>	<p><b>Employee remuneration and benefit obligations and expenses understated</b></p> <p>Staff costs represent the University's largest item of expenditure</p>	<p>Our work in this area will include:</p> <ul style="list-style-type: none"> <li>• Updating our understanding of the systems and controls in place surrounding the management of staff changes and the calculation and processing of the payroll</li> <li>• Reviewing the reconciliation of staff costs between payroll reports and the accounting ledger</li> <li>• Reviewing payroll expenses in comparison to the prior year and investigate any significant or unexpected variances</li> <li>• Applying our data interrogation software (IDEA) to the payroll data population for the year to identify potentially unusual transactions and arrangements, such as duplicate employee names, NI numbers or bank accounts, for further investigation</li> </ul>
<p><b>Creditors and operating expenses</b></p> <p>Other operating expenses (14/15): £53,547k</p> <p>Creditors (including deferred income (14/15): £30,521k</p>	<p><b>Creditors understated or not recorded in the correct period</b></p> <p>Due to the nature of the University's activities, creditors and accruals are significant and therefore there is a risk that liabilities relating to the year could be incorrectly stated, giving rise to a material impact on the reported results.</p>	<p>Our work in this area will include:</p> <ul style="list-style-type: none"> <li>• Updating our understanding of the systems and controls in place to identify, capture and account for liabilities in the appropriate period on a timely basis</li> <li>• Searching for unrecorded liabilities by scanning the payments journals subsequent to the year end for large or unusual entries</li> <li>• Selecting creditor balances (based on large purchase activity and/or large balances) and test to supporting evidence. We will investigate reconciling items and ensure that accruals have been made for missing liabilities</li> <li>• Reviewing all significant creditors and accruals balance sheet items and compare them to the prior year and to our expectations, before investigating any significant differences</li> <li>• Reviewing expenditure streams for the year and verify significant items to supporting documentation.</li> <li>• Review the deferred income balance for appropriateness and sample test against supporting documentation.</li> </ul>



## 5. Other risks identified (continued)

Other risks	Description	Planned audit procedures
<p><b>Property, plant and equipment</b></p> <p>Net Book Value (14/15): £148,476</p>	<p><b>Revaluation measurements not correct</b></p> <p>FRS102 provides an opportunity for the University to revalue assets of its choosing on a one off basis.</p>	<p>Our work in this area will include:</p> <ul style="list-style-type: none"> <li>• Updating our understanding of the systems and controls in place surrounding the management of the revaluation process and the calculation and processing of any adjustments</li> <li>• Reviewing the competence, expertise and objectivity of any management experts used</li> <li>• Review the work carried out by the valuer including ensuring that any valuations have been undertaken in accordance with the requirements of the appropriate accounting and professional standards and that assumptions and judgements are reasonable</li> <li>• Review and challenging the information used by the valuer to ensure it is complete, robust and consistent with our understanding</li> </ul>
<p><b>Pensions</b></p> <p>Liability (14/15): £88,757k</p>	<p><b>Pension scheme assets and liabilities may be misstated.</b></p> <p>The defined benefit pension scheme deficit amounted to £88,757k at 31 July 2015. The liability this year will include the USS pension scheme.</p>	<p>The University will use the services of a professional actuary to carry out a valuation of the pension fund using assumptions agreed with management. Working with our internal actuaries we will:</p> <ul style="list-style-type: none"> <li>• Benchmark adopted pension actuarial assumptions with expectations</li> <li>• Review the underlying assumptions and calculations supporting the recognition of any net pension surplus against scheme rules and accounting requirements</li> <li>• Review the USS pension calculations and disclosures and determine the appropriateness of liability which recognises the obligation to fund past deficits</li> <li>• Review the relevant disclosures relating to staff costs and pensions within the financial statements</li> </ul>

## 6. Scope of the group audit

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Entity Name	Auditor	Audit scope	Statutory Audit
London South Bank University	GT UK		Yes
South Bank University Enterprises Limited	GT UK	Reliance	Yes

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### Audit scope

**Reliance** – the component is subject to a statutory audit by ourselves and we will take assurance from our own work

## 7. Going concern

Description	Work commentary	Assessment
Based on the 2014/15 financial statements going concern assessment, the entity is a going concern.	<ul style="list-style-type: none"> <li>• We will consider how management has obtained assurance that the London South Bank University group is a going concern for the foreseeable future and perform our own assessment of the appropriateness of the going concern assumption. These processes should assess the ability of the London South Bank University group to discharge its liabilities as they fall due for a period of at least 12 months after the date of the signing of the accounts.</li> <li>• We will review the 2016/17 forecast and forecasts 12 months from signing of the financial statements to ascertain if there is any going concern issues identified, this includes flexing the forecast to see what the results would be based on different scenarios</li> <li>• We will consider the 2016/17 forecast against actual post year end results</li> </ul>	<p style="text-align: center;">● (green)</p>

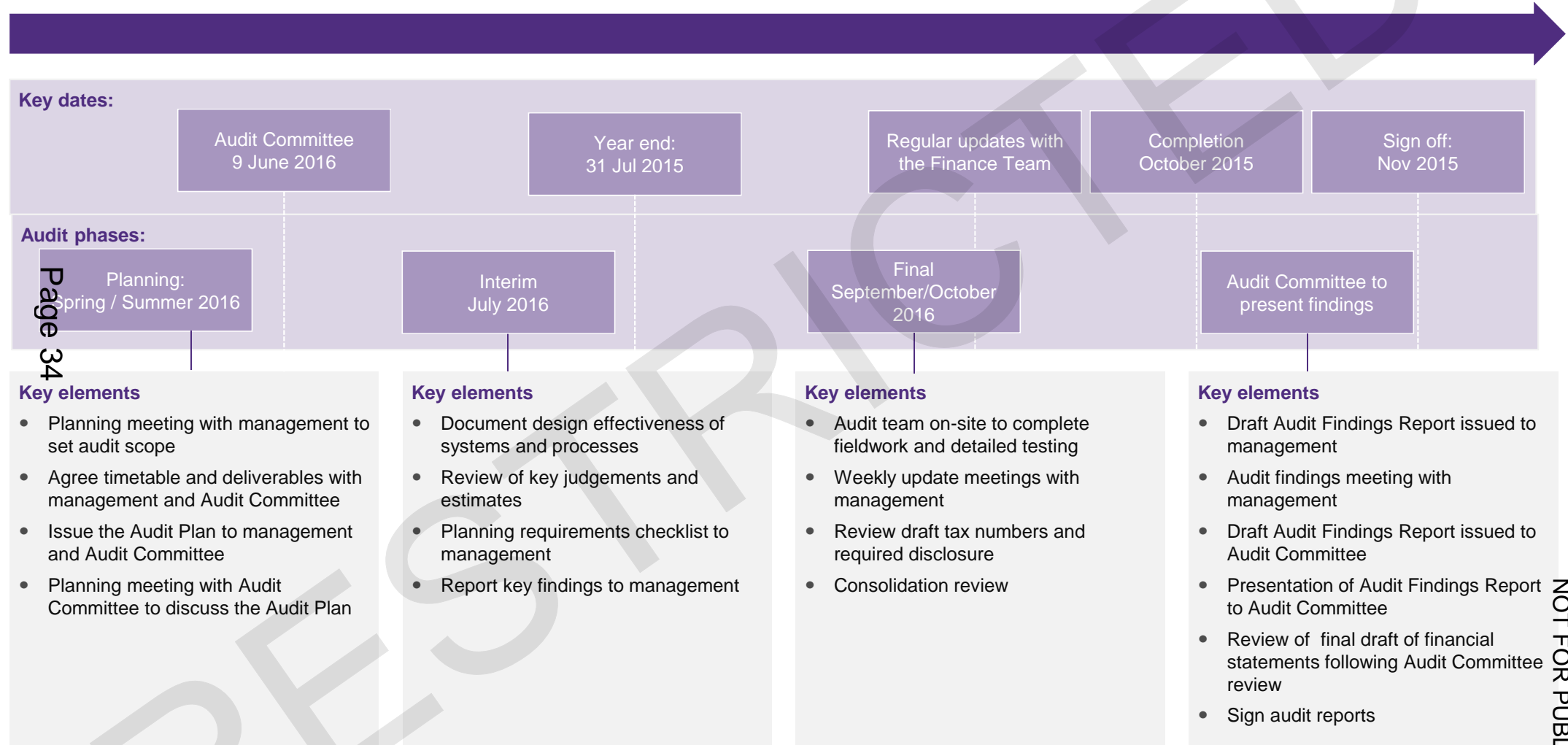
### Assessment of financial statement risk relating to going concern

- Potential break-up basis or audit qualification
- Potential emphasis of matter and/or potential insufficient disclosures
- No going concern issues identified and disclosures expected to be sufficient

"As auditors, we are required to 'obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK and Ireland) 570)

# 8. Logistics

## The audit timeline



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NOT FOR PUBLICATION

## 9. Fees and independence

### Fees

	2014/15 £	2014/15 £
London South Bank University	42,630	41,795
Taxation compliance for SBUEL	2,625	2,575
iXBRL tagging for SBUEL accounts	865	850
<b>Total fees</b>	<b>45,220</b>	<b>45,220</b>

*We propose an additional fee in the range of £8k to £12k for the FRS 102 transition review which will be completed once the University has completed its transition balance sheet. The precise fee will depend upon the scale and complexity of the review required.*

### What is included within our fees

- reliable and risk-focused audit appropriate for your University
- Attendance at all Audit Committee meetings
- Feed back on your systems and processes
- Ad-hoc telephone calls and queries for minor matters
- Technical briefings and updates
- Invitations to events hosted by Grant Thornton
- Regular contact to discuss strategy
- A review of accounting policies for appropriateness and consistency across the group

### Our fee assumptions include:

- A 2% uplift on 2014/15 base fees to take account of additional cost pressures
- Our fees are exclusive of VAT and out of pocket expenses
- Supporting schedules to all figures in the accounts are supplied by the dates agreed which are separate from this document
- The group structure has not changed.
- You will make available management and accounting staff to help us locate information and to provide explanations

### Independence

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 requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton teams providing services to London South Bank University. The non-audit fees are the tax fees as highlighted opposite

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

Our communication plan	Audit plan	Audit findings
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 Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

## 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.



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**London South Bank  
University**

	CONFIDENTIAL
	PAPER NO:AC.18(16)
Paper title:	Indicative pension assumptions
Board/Committee	Audit Committee
Date of meeting:	9 June 2016
Author:	Natalie Ferer – Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To update the committee on obtaining indicative pension assumptions.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial Sustainability
Recommendation:	That the committee notes that indicative pension assumptions will be received from the LPFA in June and notes the assumptions planned to be used when calculating the deficit in the USS scheme at the year end.

Matter previously considered by:	Audit committee	Annually
Further approval required?	n/a	On:

### Executive Summary

From 2016 the University will include in its balance sheet the value of both the USS and the LPFA pension schemes at 31/7/16.

#### LPFA Scheme:

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

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

# London South Bank

## University

### USS scheme

For the first time, in line with FRS102, the University is required to account for its share of assets and liabilities in the USS pension scheme on its balance sheet with movement in the surplus and deficit during the year being charged to the statement of consolidated income and expenditure (I&E). In addition, a prior year adjustment is required to state the value of the University's deficit in the scheme at 31/7/14 and 31/7/15.

It is intended that we calculate our share of the deficit in the USS scheme using a model published by the British Universities Finance Directors Group (BUFDG) and in doing so the University must chose the assumptions it uses when making this calculation. Our auditors have indicated that it is reasonable for us to use the same discount rate and salary increase assumptions for the USS scheme as we do for the LPFA scheme.

The table below shows the calculation of the scheme deficit at 31/7/14, 31/7/15 and an estimate at 31/7/16, using the same assumptions for discount rate and salary increases as we used for the LPFA scheme in those years and an estimate for the current financial year. The forecast is that £398k will be charged to expenditure for the current financial year, compared to £490k which would have been charged under the old accounting standard. However, the overall charge is sensitive to changes in our assumptions for salary increases and discount rates and an updated forecast will be circulated to the committee once indicative assumptions have been received for the LPFA scheme.

This summary shows the wind down profile of the provision, along with P&L movements in each period. Where any of the assumptions (contributions, discount rate, salary growth) have changed from the previous period, an additional P&L charge/(credit) will be shown in the current period. The provision to be carried forward to the next period is shown in the highlighted cell.

Year ending		Wind down of provision							Profit & Loss			
		discount rate	salary increases	Provision brought forward	Unwinding of discount factor	Deficit contributions paid	Change in expected contributions	Provision carried forward	Interest payable	Staff costs	Charge under FRS102	Charge under UK GAAP (cash contributions)
31/07/2014	LPFA rate	4.20%	4.50%	-	-	-	-	446,018	-	-	-	-
31/07/2015	LPFA rate	3.8%	4.4%	446,018	16,949	(72,089)	583,608	974,486	16,949	972,887	989,835	461,367
31/07/2016	(Estimate)	3.8%	4.4%	974,486	46,775	(38,282)	(100,701)	882,278	46,775	351,816	398,592	490,800

### Recommendation

That the committee notes that indicative pension assumptions will be received from the LPFA in June and notes the assumptions planned to be used when calculating the deficit in the USS scheme at the year end.

**London South Bank  
University**

	CONFIDENTIAL
	PAPER NO:AC.19(16)
Paper title:	Annual debt write off
Board/Committee	Audit Committee
Date of meeting:	9 June 2016
Author:	Natalie Ferer – Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To make a recommendation to the committee to write-off in accordance with agreed policy, any uncollected debts which are more than 6 years old.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial performance and sustainability
Recommendation:	That Committee approves the write-off of old debt of £625,126.

Matter previously considered by:	Audit committee	Annually
Further approval required?	n/a	On:

### Executive Summary

The University has a policy of writing off old debt which is more than six years old, unless there is a reasonable expectation that the money can be recovered.

The Committee is requested to approve the write-off of tuition fee debt of £625k in line with financial regulations which require that Audit Committee approve the annual write off of debts where the total value exceeds £50,000. The debts are all more than 6 years old and have previously been provided for in full so there is nil impact on the reported financial result for the year.

The total debt relating to years 2009/10 and earlier is £1.1m. However, £341k has been invoiced in the past 5 years and we will continue to chase payment, and £153k is currently being settled by instalments.

## London South Bank

### University

Of the remaining debt of £625k, £254k has only recently been referred to our debt collection agency and it is hoped that at least some will be recovered, but if no payment arrangement has been made by the 31<sup>st</sup> July, the debt will be written off along with £371k of other old debt.

Years debt relates to	09/10	08/09	07/08	06/07 & prior	Totals
Debt as at 30/04/16	712,932	208,740	138,413	59,766	1,119,851
invoices less than 6 years old	266,767	18,237	26,757	30,214	341,976
Paying off debt by instalment	48,769	57,165	29,966	16,850	152,750
Debtors recently sent to STA	176,391	42,344	35,645	0	254,380
Other debts	221,005	90,993	46,045	12,703	370,746
<b>Total potential write off</b>	<b>397,396</b>	<b>133,337</b>	<b>81,689</b>	<b>12,703</b>	<b>625,126</b>

### Recommendation

It is recommended that the committee approve the write off of tuition fee debt of £625,126.

**London South Bank**  
University

	CONFIDENTIAL
	PAPER NO: AC.20(16)
Paper title:	Internal Audit Progress Report: May 2016
Board/Committee	Audit Committee
Date of meeting:	9 <sup>th</sup> June 2016
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Committee with a report on progress against the internal audit plan for 15/16.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	The internal audit plan relates to controls and processes that relate to the entire organisation.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> <li>• the report and its record of progress</li> </ul>

Matter previously considered by:	Operations Board	On: 24 <sup>th</sup> May
Further approval required?		

### Executive Summary

The progress report shows that 75% of the internal audit programme is complete for this year, and accompanies 4 reports to Audit Committee, 3 final, and 1 draft.

These are continuous audit reports into key financial systems and into student data, and reviews of research and enterprise contracts and of data quality.

In terms of follow up to the findings of previous audit activity, 2 have been implemented, and 5 are in progress.

The HR system pre-implementation review has now been moved into the draft audit plan for 16/17, which is also provided for review to this meeting, and replaced with work around the Prevent duty.

The Committee is requested to note:

- the report and its findings

# *London South Bank University*

## Internal Audit Progress Report 2015/16

May 2016

London South Bank  
University

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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 75% 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:

- The final report for Research and Enterprise Contracts;
- The final report for Management Information: Data Quality;
- The final report for Continuous Audit: Key Financial Systems Period Two – 2015/16;
- The final report for Continuous Audit: Student Data Period Two – 2015/16;
- Our draft 2016/17 Internal Audit Plan.

## Findings of our Follow Up Work

We have undertaken follow up work on actions with an implementation date of 30/04/2016 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 seven agreed actions have been followed up this quarter. Two of these have been implemented (29%); five are currently in progress (71%). The outstanding findings relate to the Risk Management and Change Portfolio reviews conducted as part of the 2014/15 Internal Audit programme. Progress details are summarised at Appendix 2.

## Other Matters

The fieldwork for the HR System Implementation review was planned to commence in February 2016. This has been pushed back to the 2016/17 plan due to delays implementing the new system. We will be undertaking an additional review on Prevent with the remaining audit days.

In addition to the Prevent review, there are three reviews due to commence in May and June 2016: Risk Management, Value for Money and Information Security.

Delivery of the Information Security review has been delayed due to the change to the management team within the Academic Related Resources (ARR) professional function.

As part of our regular reporting to you, we plan to keep you up to date with research carried out by PwC within the Higher Education sector. Please see Appendix 3.

## Recommendations

- That the Audit Committee **notes** the progress made against our 2015/16 Internal Audit Programme.
- That the Audit Committee **comments** on our final report for Research and Enterprise Contracts, Management Information: Data Quality, Continuous Audit: Key Financial Systems Period Two – 2015/16 and Continuous Audit: Student Data Period Two – 2015/16.
- That the Audit Committee **approves** our draft 2016/17 Internal Audit Plan.



# Reporting Activity and Progress

## Final reports issued since the previous meeting

### Research and Enterprise Contracts

The objective of this audit was to review the design of the University's new policy and procedure for enterprise income up to contract signature. Our work over research covered the University's procedures for ensuring compliance with grant terms and conditions, post-award.

We identified five *medium risk* findings:

- There is no guidance outlining roles and responsibilities for ensuring compliance with research contract terms and conditions. Responsibility for monitoring compliance sits largely with project staff and individual schools; this is not structured in a way that ensures consistent compliance monitoring across all projects and means there is limited central oversight of project progress or compliance.
- Document retention policies and procedures related to research contracts do not clearly identify which documents are required to be retained, where key documents should be held or which team is responsible for document retention.
- There is no audit trail to evidence the checks completed by Finance over the eligibility of claims. We also identified that there is no guidance outlining what checks should be completed prior to submitting claims.
- We tested a sample of 25 expenses claimed to verify whether the expense was eligible in accordance with the grant terms and conditions. In one instance (4%) the expense was allocated to the wrong project and therefore ineligible but had been approved. This misallocation was identified through a check completed by the Finance Team. This review by Finance is informal and there is no audit trail to evidence that this check has taken place for all expenses claimed.
- We tested a sample of timesheets submitted. We found that there is no control in place to review time recorded by staff and verify that it is accurate and in accordance with the grant agreement. We also identified that there is no audit trail for the informal checks completed by the Finance Team to verify that there are no duplications or clashes in timesheets.

We also reviewed the University's new policy and procedure for enterprise income, up to contract signature. We did not identify any exceptions.

### Management Information: Data Quality

The purpose of this internal audit was to review the design and effectiveness of controls in place to ensure that accurate, complete and valid management information is produced. A sample of five KPIs was selected from the monthly dashboard to verify the accuracy of information provided to senior management and Board and that data quality assertions (accuracy, validity, reliability, timeliness, relevance and completeness) are considered as part of data collection methodology.

We raised four *medium risk* findings:

- We found control design findings for three of the five KPI's tested, including:
  - There was no data available to report on the *Appraisal Completion %* KPI.
  - For the *Room Utilisation* KPI the figure reported for the 2014/15 financial year was from the 2013/14 survey. The 2015/16 survey was conducted during a reading week which shall negatively impact the KPI reported.
  - The supporting data for the *Graduate Employment* KPI omitted 23 students resulting in a 1% discrepancy between the underlying data (67.4%) and figure reported to HESA (68%).
- We completed testing on the underlying data used to report the *DHLE entry to employment or further study (EPI)* and *Graduate level employment* KPIs. We were unable to locate supporting evidence to corroborate the responses recorded for 17 of the 25 students sampled (72%).
- Data collection methodology is not captured in the data management documents reviewed: the Data Management Framework and the Data Management Policy. It is unclear from review of these two documents

how the six assertions for data quality (accuracy, validity, reliability, timeliness, relevance and completeness) are addressed.

- We considered the guidance in place for data quality and found there are a number of inconsistencies between the two guidance documents for data quality: the Data Management Framework and the Data Management Policy.

We also identified one *low* risk finding as the KPI dashboard is not kept up to date. During our fieldwork visit in February 2016, the KPI dashboard was showing figures that were up to date as of November 2015.

### Continuous Auditing: Key Financial Systems - Period Two

Performance has declined this period; the number of exceptions has increased and four control design exceptions have been raised.

Our overall summary of performance is below, the numbers in brackets indicate the number of operating effectiveness exceptions identified:

System	Trend	2015/16		2014/15			2013/14	
		P2 (01/08/2015 – 31/12/2015)	P1 (01/05/2015 – 31/07/2015)	P3 (01/01/2015 – 30/04/2015)	P2 (01/08/2014 – 31/12/2014)	P1 (01/05/2014 – 31/07/2014)	P4 2013/14 (01/02/2014 – 30/04/2014)	P3 2013/14 (01/11/2013 – 31/01/2014)
Payroll	↓	● <b>Amber (5)</b>	● Green (0)	● Green (2)	● Green (2)	● Green (1)	● Green (0)	● Amber (2)
Accounts Payable	↔	● <b>Green (0)</b>	● Green (2)	● Green (1)	● Amber (1)	● Green (0)	● Green (0)	● Amber (2)
Accounts Receivable	↔	● <b>Green (3)</b>	● Green (1)	● Green (1)	● Green (1)	● Green (0)	● Green (0)	● Green (0)
Cash	↔	● <b>Green (1)</b>	● Green (0)	● Amber (0)	● Amber (0)	● Green (0)	● Green (0)	● Green (0)
General Ledger	↔	● <b>Green (1)</b>	● Green (1)	● Green (1)	● Green (0)	● Green (0)	● Green (1)	● Green (0)

#### Payroll

- 10/25 new starter forms had not been authorised prior to the employee start date.
- 9/25 leavers tested did not have an employee leaver form.
- 1/25 employee leaver forms were not provided to the payroll team in a timely manner.
- 1/20 reconciliations had not been dated upon authorisation so we could not confirm whether the review was completed in a timely manner.
- 1/25 expense payments tested, totalling £83.14, did not have supporting documentation.
- In addition, due to the issues we encountered locating supporting evidence for our payroll samples, we raised one control design exception regarding the backlog of filing in payroll. .

#### Accounts Receivable

- 1/20 outstanding debts, totalling £3,600, had not been chased.
- 2/25 overdue fees, totalling £21,280, had not been chased in accordance with the debt chasing procedure. Although we reviewed evidence that reminders had been sent, for both debts there was no correspondence with the students for nearly 2 years before the debt was escalated to the debt collection agency.
- 1/2 reconciliations were not reviewed in a timely manner. The October 2015 reconciliation, prepared on 02/11/2015, was not reviewed until 18/12/2015.
- In addition, one control design exception has been raised as there is currently no timeline outlining when corporate and student debts should be referred to the debt collection agency.

*Cash*

- We identified that an individual who no longer works at University still had access rights to the QLX system.
- We noted that a monthly reconciliation of debtors between Agresso, QLX and KX does not take place. This is because the systems interface automatically, therefore a reconciliation is not considered necessary. This control shall not be tested going forwards.

*General Ledger*

- 2/25 journals had not been authorised.
- The Terms of Reference stipulates that Management Accounts are produced on a monthly basis. We noted that management accounts are not prepared for the month of August. This has not been raised as an exception.
- In addition we have also raised two control design exceptions. These are as follow:
  - All journals are approved retrospectively in batches as opposed to being authorised prior to being posted on the system.
  - There is no defined threshold in place to determine a significant variances against budget in management accounts.

*Continuous Auditing: Student Data Period Two*

Overall there has been a deterioration in performance during this period due to an increase in the number of operating effectiveness and control design exceptions identified.

The table below summarises the overall performance rating for student data this period. This is based on the number and severity of findings noted each period. We classified the overall area as *low risk*.

Control	Trend	2015/16 – P2		2015/16 – P1	
		Effectiveness	Design	Effectiveness	Design
S1	↔	6	-	6	-
S2	↓	2	-	-	-
S3	N/A <sup>(1)</sup>	-	-	-	-
S4	↓	5	-	-	-
S5	↑	3	-	7	1
S6	↑	-	-	4	-
S7	↓	2	-	1	-
S8	↓	5	-	-	-
S9	↔	-	-	-	-
S10	↓	1	-	-	-
S11	↑	-	-	1	-
S12	N/A <sup>(1)</sup>	-	-	-	-
<b>Total</b>	↓	<b>23</b>	-	<b>18</b>	<b>1</b>

(1) We did not include any testing of Tier 4 controls this period as the University has commissioned a separate audit of this area.

The table below summarises the results from our data assurance testing:

Test	Test Detail	Trend	2015/16		2014/15	
			P2 (01/08/2015 – 31/10/2015)	P2 (01/11/2015 – 31/03/2016)	P2 (01/11/2014 – 31/03/2015)	P1 (01/08/2014 – 31/10/2014)
1	We checked that for all instances where a student is in the QLS extract, the student is also enrolled on one of these 5 modules.	↔	-	-	-	1
2	We checked that for all instances where a student is enrolled on a module they are also in the extract taken from QLS.	↓	31	12	19	76
3	We checked that, for all larger modules, there are sub-groupings and that the modules and their sub-groupings contain the same students.	↓	73	33	58	176
4	We checked that, for each course, the students affiliated with the timetable are listed in the QLS extract.	↑	5	8	47	3
5	We checked that, for each course, the students listed in the QLS extract are linked to the course timetable.	↔	2	2	46	1
6	We checked that, for each course, the students not recorded as fully enrolled in the course timetable are not in the QLS extract.	↔	-	-	30	2
<b>Total</b>		↓	<b>111</b>	<b>55</b>	<b>200</b>	<b>259</b>

# 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>											
15 (15)	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 (10)	21/01/2016	08/02/2016	17/02/2016	11/05/2016	Medium	5	-	-	4	1	
<b>Continuous Auditing: Student Data - August 2015 to October 2015</b>											
15 (15)	13/11/2015	16/11/2015	27/11/2015	18/01/2016	N/A	-	-	-	-	-	
<b>HR System Implementation – Deferred to 2016/17</b>											
2 (2)	06/01/2016	-	-	-	N/A	-	-	-	-	-	
<b>Research and Enterprise Contracts</b>											
10 (10)	22/01/2016	25/01/2016	09/02/2016	15/04/2016	Medium	5	-	-	5	-	
<b>Quarter 3: February 2015 – April 2015</b>											
<b>Continuous Auditing: Key Financial Systems - August 2015 to December 2015</b>											
15 (16)	17/12/2015	19/01/2016	05/04/2016	11/05/2016	N/A	-	-	-	-	-	
<b>Continuous Auditing : Student Data - November 2015 to March 2016</b>											
15 (15)	14/04/2016	18/04/2016	29/04/2016	01/06/2016	N/A	-	-	-	-	-	
<b>Quarter 4: May 2015 – July 2015</b>											
<b>Risk Management</b>											
5 (1)	09/05/2016	11/07/2016									
<b>Value for Money</b>											
5 (0)	09/05/2016										
<b>Prevent (Additional Review)</b>											
10 (1)	09/05/2016	16/05/2016									
<b>Information Security</b>											
10 (1)											
<b>Other</b>											
15 (11)	Planning, contract management, reporting, value for money and follow up										
<b>Total</b>	<b>122 (92)</b>										

# Appendix 2 – Follow Up

## Implemented

Review	Agreed action	Risk rating	Original due date	Status
Risk Management	<p><b>Risk review</b></p> <p>3.3 Our new process for business planning will ensure that risks are captured as part of this process.</p>	<p>●</p> <p><b>Low</b></p>	Immediately	<p><b>Implemented.</b></p> <p>The Local Delivery Plan (LDP) template for 2016/17 includes a section on challenges / emerging risks, and the Planning &amp; Budgeting pack contains guidance on how the operational risk registers should be linked to the actions within the LDPs.</p>
Data Security	<p><b>Starters, Movers, Leavers</b></p> <p>i. We are currently working to consolidate worker information in HR System. Leaver and Joiner processes will be reviewed as part of this work.</p> <p>ii. We plan on holding a workshop to agree an interface between HR System and Identity/Access Management toolset.</p> <p>iii. Subsequent system implementations will deliver process automation.</p> <p>iv. We will ensure agreed processes are documented in a procedure note which will be reviewed on an annual basis and will include the areas highlighted above.</p>	<p>●</p> <p><b>High</b></p>	31/12/2015	<p><b>i. Implemented.</b> The new IAMs system has enabled consolidation of information in the HR system.</p> <p><b>ii. Implemented.</b> A workflow for HR information to enter the IAMs system and be distributed to the downstream applications has been agreed.</p> <p><b>iii. Implemented.</b> The new IAMs system has delivered process automation.</p> <p><b>iv. Implemented.</b> The IT Security Policy has been finalised and the Account Management Policy (covering the creation, modification and removal of access) has been prepared.</p>

## In progress

Review	Agreed Action	Risk Rating	Original due date	Revised due date	Status
Risk Management	<p><b>Organisational Risk Registers</b></p> <p>2.3 Deliver training to all risk owners on the updated 4-Risk system.</p>	<p>●</p> <p><b>Medium</b></p>	31/12/2015	31/07/2016	<p><b>Partially Implemented.</b></p> <p>Risk management sessions have now been delivered to management teams in 3 Schools, and 5 Professional Functions. The remaining areas will have sessions delivered prior to the end of the academic year.</p>
Change Portfolio	<p><b>Portfolio Scope and Remit</b></p> <p>The role of portfolio management is clear – to provide oversight and support to development (or transformational) projects. Roles and accountabilities will not be developed further at this level. Activity is focussed on:</p> <ul style="list-style-type: none"> <li>Establishing a best-in-class project management approach, detailing roles, accountabilities and controls on development projects across LSBU – building on the best practice approach recently introduced in ICT and existing practice across the university</li> <li>Benefits approach, stakeholder engagement process, and resource management approach (detailed against relevant findings, further in this document)</li> <li>Implementation of a 12-month project review process, including lessons learnt process. This is planned for projects delivered within the Change Programme, and will be detailed, with clear roles, responsibilities and outputs, in the LSBU project management approach.</li> </ul>	<p>●</p> <p><b>Medium</b></p>	30/11/2015	31/07/2016	<p><b>Partially Implemented.</b></p> <ul style="list-style-type: none"> <li>An adapted project management methodology for business change projects is still in development. This is expected to be completed by the end of the Academic year.</li> <li>12-month reviews of closed projects are still planned, however none have been conducted since the Audit report was issued.</li> </ul>



<p>Change Portfolio</p>	<p><b>Benefits Management</b></p> <p>Guidance for identifying project benefits: Alongside the implementation of the LSBU project management approach, a strategy and guidance for the definition, identification and specification of benefits is in development. This will support the creation and approval of business cases for investment.</p> <p>Reporting: benefits monitoring has now been built into monthly project reports, and an online reporting process is in development.</p> <p>Project closedown reports: benefits realisation: Within the 12-month project review process (noted against the previous finding), all identified benefits will be assessed to ensure they have been delivered or are on track. Guidance and oversight will ensure a consistent approach across LSBU projects.</p>	<p>●</p> <p><b>Medium</b></p>	<p>30/11/2015</p>	<p>31/07/2016</p>	<p>Guidance on benefits has not been completed. This shall be developed following the development of the project management methodology and business case approach.</p> <p>The online reporting system has now been implemented.</p>
<p>Change Portfolio</p>	<p><b>Stakeholder Engagement During Project Approval Process</b></p> <p>Effective stakeholder management will be built into the LSBU project management approach.</p> <p>Initial engagement will be ensured through planned development of the business case process: a 'greenlight' stage is being proposed to Executive in October 2015, which ensures that opportunities identified and shared with all relevant stakeholders before business cases are developed. Business owners, stakeholders and support groups will then be involved throughout development. This will also support the pipeline approach, tracking prospects (opportunities) and projects, recently instituted in key teams including ICT and Research &amp; Enterprise.</p>	<p>●</p> <p><b>Medium</b></p>	<p>30/11/2015</p>	<p>31/07/2016</p>	<p>The Investment Appraisal Process is being re-developed at the moment by the Executive, and the intent is to strengthen the stakeholder engagement process, but the Business Case process still being used in the current process contains an engagement section.</p> <p>The ICT department has been restructured to improve service delivery, and the engagement team, within the Innovation and Transformation section, lead on matters of stakeholder engagement for all IT projects and initiatives.</p>



<p>Change Portfolio</p>	<p>Business cases for technical projects now reflect business-as-usual and additional resources required, identifying true project costs and enabling a full cost-benefit analysis. Alongside the development of benefits identification, this approach will be built into the business case process for development projects across LSBU.</p>	<p>● <b>Medium</b></p>	<p>30/11/2015</p>	<p>31/07/2016</p>	<p>This is covered by the revised Investment Appraisal Process, which is currently in the process of review/approval.</p>
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RESTRICTED

# 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/).

## *What should the Higher Education sector be doing about global mobility issues?*

We recently filmed the first in a series of short videos that we'll be doing on issues affecting the Higher Education sector. Ian Looker, PwC UK Education Lead, was joined by Marie Green and John White, both of whom are specialists in the area of global mobility.

Many universities find themselves operating in an increasingly global and competitive landscape. Nowadays, about three times as many degrees are issued by the E7 countries than the G7 and many students cite international experience as a key factor in deciding where they take their degree.

As well as attracting students, universities need to consider other revenue streams from the international market such as joint collaborations or strategic sharing of knowledge. But this brings with it increasing number of employees spending time working internationally and subsequent mobility challenges that can damage an institution's reputation if unaddressed. Including: regulatory, immigration, tax, social security and payroll risks.

The videos can be found here:

<http://pwc.blogs.com/london/2016/02/what-should-the-higher-education-sector-be-doing-about-global-mobility.html>

## *Managing risk in HE: HE sector risk profile 2016*

The education sector continues to experience an increasing level of change, with significant challenges around continued student demand uncertainty, significant investment and change programmes, and the emerging developments from the HE Green Paper. Effective risk management and governing body level reporting is more important than ever to provide assurance to the governing body over the changing risk profile.

This paper seeks to present the findings of our benchmarking study of 44 institutions (2015: 40) in terms of what their significant risks were and how those risks were being managed. It also highlights developments and trends in risk management practice across the sector and what we can learn from developments in the commercial sector and beyond. Our full report is presented on the following pages.



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

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

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**London South Bank  
University**

	CONFIDENTIAL
	PAPER NO: AC.21(16)
Paper title:	Continuous Audit Report into Key Financial Systems; November 2015 – March 2016
Board/Committee	Audit Committee
Date of meeting:	9 <sup>th</sup> June 2016
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Committee with the results of the review into Key Financial Systems
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial Control and Performance
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> <li>• the report and its findings</li> </ul>

Matter previously considered by:	Operations Board	On: 24 <sup>th</sup> May
Further approval required?		

### Executive Summary

The Continuous Audit report for Key Financial Systems took place in January and related to the period 1st August 2015 – 31st December 2015.

The report found a slight deterioration in the payroll area, with the team unable to produce some properly authorised forms for to system entry and pay initiation. This related to issues with filing systems and detailed findings and management responses are on pages 4 and 6. There were a couple of other recommendations covered on page 15.

The Committee is requested to note:

- the report and its findings

*Internal Audit  
Report 2015/16*

Continuous Auditing: Key  
Financial Systems

*Period 2 (1<sup>st</sup> August 2015 – 31<sup>st</sup> December 2015)*

April 2016

London South Bank  
University

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## Distribution List

For action:	Natalie Ferer (Financial Controller)
For information:	Richard Flatman (Chief Financial Officer)
	John Baker (Corporate & Business Planning Manager)
	Audit Committee

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.

# 1. Executive summary

## Background and approach:

The purpose of our Continuous Auditing programme is to test key controls on an on-going basis to assess whether they are operating effectively and to flag areas and/or report transactions that appear to circumvent controls. The systems included within the scope of our work in 2015/16 are:

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


























We have outlined the controls we will be testing in Appendix 2. These have been identified through our annual audit planning process and meetings with management to update our understanding of the control framework in place. We will continue to refresh this knowledge throughout the year to ensure we focus upon the key risks facing London South Bank University (LSBU).

Our detailed findings are set out in Section 2 of this report. A summary of our findings and the matters arising in the course of our work this period is set out below.

## System summaries

Our summary below is determined with reference to the extent or monetary impact of the exceptions we identified in the course of our work (our rating criteria are set out at Appendix 1).

Note: our ratings are based on the number and severity of findings noted for controls tested as part of the programme. This does not consider control design issues – these are individually risk rated.

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



## *Findings and recommendations*

### *Payroll*

- 10/25 new starter forms had not been authorised prior to the employee start date.
- 9/25 leavers tested did not have an employee leaver form.
- 1/25 employee leaver forms were not provided to the payroll team in a timely manner.
- 1/20 reconciliations had not been dated upon authorisation so we could not confirm whether the review was completed in a timely manner.
- 1/25 expense payments tested, totalling £83.14, did not have supporting documentation.
- In addition, due to the issues we encountered locating supporting evidence for our payroll samples, we have raised one control design exception regarding the backlog of filing in payroll.

### *Accounts Payable*

No exceptions noted.

### *Accounts Receivable*

- 1/20 outstanding debts, totalling £3,600, had not been chased.
- 2/25 overdue fees, totalling £21,280, had not been chased in accordance with the debt chasing procedure. Although we reviewed evidence that reminders had been sent, for both debts there was no correspondence with the students for nearly 2 years before the debt was escalated to the debt collection agency.
- 1/2 reconciliations were not reviewed in a timely manner. The October 2015 reconciliation, prepared on 02/11/2015, was not reviewed until 18/12/2015.
- In addition, one control design exception has been raised as there is currently no timeline outlining when corporate and student debts should be referred to the debt collection agency.

### *Cash*

- We identified that an individual who no longer works at University still had access rights to the QLX system.
- We noted that a monthly reconciliation of debtors between Agresso, QLX and KX does not take place. This is because the systems interface automatically, therefore a reconciliation is not considered necessary. This control shall not be tested going forwards.

### *General Ledger*

- 2/25 journals had not been authorised.
- The Terms of Reference stipulates that Management Accounts are produced on a monthly basis. We noted that management accounts are not prepared for the month of August. This has not been raised as an exception.
- In addition we have also raised two control design exceptions. These are as follow:
  - All journals are approved retrospectively in batches as opposed to being authorised prior to being posted on the system.
  - There is no defined threshold in place to determine a significant variances against budget in management accounts.

## 2. Detailed findings

### Payroll

Key control	Exceptions * P2 2015/16	Details on exceptions	Exceptions P1 2015/16	Exceptions P3 2014/15	Exceptions P2 2014/15
P1 Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.	●	<p>10/25 new starter forms had not been authorised prior to the employee start date.</p> <p><i>A control design exception has also been raised.</i></p> <p><b>Management response:</b></p> <p>These were all workers paid on timesheets and were paid correctly. The HR processes for weekly workers are carried out by the employing department rather than HR and HR are not always notified of employee details until after they have started.</p> <p>From March 2016 the new identity management system will necessitate departments informing HR before work starts.</p> <p><b>Responsibility for action:</b></p> <p>Joanne Monk, Deputy Director of Human Resources</p>	●	●	●
P2 Leaver forms are received from Human Resources upon notification of resignation or redundancy.	●	<p>9/25 leavers tested did not have an employee leaver form.</p> <p>1/25 employee leaver forms were not provided to the payroll team in a timely manner.</p> <p><i>A control design exception has also been raised.</i></p> <p><b>Management response:</b></p> <p>There was a record of 6 of the 9 leaver forms being sent to payroll but at the time of the audit these could not be found. HR could not locate the remaining 3. From January 2016, Payroll note and chase where a leaver</p>	●	●	●

form is not received and will do filing in a timely manner to reduce the risk of documents being lost or misfiled.

For the 1/25 employee, the employee did not complete the 'information for payroll' form so HR were unable to send either a starter or leaver form to payroll until February.

**Responsibility for action:**

Felicity Brightwell, Acting Payroll Manager

P3	The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.	●	●	●	●
P4	Exception reports are produced and reviewed as part of month-end procedures, before the payment run is authorised.**	●	●	●	●
P5	Variation forms, with supporting documentation, are received prior to any changes being made to standing data.	●	●	●	●
P6	Access to the Payroll system is restricted to appropriate personnel.	●	●	●	●
P7	Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	●	●	●	●

<p>P8 Monthly reconciliations are performed between the General Ledger and the Payroll system. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.</p>		<p>1/20 reconciliations had not been dated when it was authorised so we could not confirm whether the review was completed in a timely manner.</p> <p><b>Management response:</b></p> <p>Going forward the Financial Controller will review a check list of all month end processes, including signing and dating reconciliations.</p> <p><b>Responsibility for action:</b></p> <p>Natalie Ferer – Financial Controller</p>			
<p>P9 Expenses are supported by appropriately authorised claim forms.</p>		<p>1/25 expense payments did not have supporting documentation.</p> <p><i>A control design exception has also been raised.</i></p> <p><b>Management response:</b></p> <p>Supporting documentation for the expense claim could not be found. Payroll documentation should be filed in a timely manner to reduce the risk that we are unable to locate documents.</p> <p><b>Responsibility for action:</b></p> <p>Felicity Brightwell, Acting Payroll Manager</p>			


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

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

**P1 - Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.**

**P2 - Leaver forms are received from Human Resources upon notification of resignation or redundancy.**

**P9 - Expenses are supported by appropriately authorised claim forms.**

<i>Finding</i>		
In our testing of starters, leavers and expenses we identified a number of exceptions whereby supporting evidence could not be located. The cause of this is the backlog in filing within the payroll department.		
<i>Risk</i>		
There is a risk that changes required in payroll are lost or not processed in a timely manner. This could result in LSBU making overpayments to staff.		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
<b>Medium Risk</b> 	We will ensure that filing in the department is up to date by the end of June 2016.  We anticipate that the volume of paper to be filed shall reduce with the implementation of the new HR system which will eliminate paper correspondence for starters, leavers, variations, timesheets and expenses.	Felicity Brightwell (Acting Payroll Manager)
		<i>Target date:</i>
		30/06/2016
		<i>Reference number: P1</i>

## Accounts Payable

Key control	Exceptions P2 2015/16	Details on exceptions	Exceptions P1 2015/16	Exceptions P3 2014/15	Exceptions P2 2014/15
AP1 Authorised documentation must be received prior to the creating a new or amending a supplier record.	●		●	●	●
AP2 Invoices are approved for payment by an appropriately authorised individual.	●		●	●	●
AP3 Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.	●		●	●	●
AP4 BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	●		●	●	●
AP5 Amounts due to suppliers for goods and services are over paid	●		●	●	●
AP6 Daily reconciliations are performed between the general ledger and the creditors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.	●		●	●	●

## Accounts Receivable

Key control	Exceptions P2 2015/16	Details on exceptions	Exceptions P1 2015/16	Exceptions P3 2014/15	Exceptions P2 2014/15
AR1 Credit checks are performed on new customer accounts upon request, prior to the issue of sales invoices.	●		●	●	●
AR2 Invoices are properly authorised on Agresso in line with the authorised signatory register.	●		●	●	●
AR3 Reminder letters are sent to corporate debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	●	<p>1/20 outstanding debts had not been chased.</p> <p><b>Management response:</b> One of the invoices on the account was in dispute and while this was investigated no reminder letters were sent. Going forward reminder letters will still be sent if an invoice is in dispute.</p> <p><b>Responsibility for action:</b> Julian Rigby, Head of Financial Processing</p>	●	●	●
AR4 Reminder letters are sent to individuals in respect of overdue fees on a monthly basis in line with policy.	●	<p>2/25 overdue fees had not been chased in accordance with the debt chasing procedure.</p> <p><b>Management response:</b> This debt had subsequently been referred to our debt collection agency, but was not chased in line with procedure before this took place. We will now conduct a monthly review with the team to ensure all debts are chased in line with procedures</p> <p><b>Responsibility for action:</b> Julian Rigby, Head of Financial Processing</p>	●	●	●


AR5	Debts are written off only following appropriate review and authorisation.	●	●	●	●
AR6	Monthly reconciliations are performed between the debtors balance on the General Ledger and QLX.	●	●	●	●
AR7	Monthly reconciliations are performed between the debtors balance per QLX to QLS.	●	●	●	●
AR8	Monthly reconciliations are performed between the General Ledger and the debtors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.	●	●	●	●

The October 2015 reconciliation was not reviewed until 18/12/2015.  
**Management response:**  
 The reconciliation was prepared following the October month end but not authorised until December. Going forward the Financial Controller will review a check list of all the month end processes, including authorisation of reconciliations.  
**Responsibility for action:**  
 Natalie Ferer, Financial Controller



**AR3 – Reminder letters are sent to corporate debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.**

**AR4 - Reminder letters are sent to individuals in respect of overdue fees on a monthly basis in line with policy.**

<i>Finding</i>		
<b>Current process:</b>		
<p>Reminder letters are currently sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt. For student fees, reminder letters are sent on a monthly basis.</p> <p>There is currently no timescale outlining when debt should be referred to the debt collectors. For example, we identified two student debts, totalling £21,280, whereby there was no correspondence with the student for two years before being escalated to the debt collection agency in July 2014.</p>		
<b>Identified improvement:</b>		
<p>The procedures could be improved by including when both corporate and student debts should be referred to the debt collection agency.</p>		
<i>Risk</i>		
<p>There is a risk that debts are not being collected on a timely basis and income is not being maximised.</p> <p>There is also a risk that staff time is not being utilised effectively due to the resource commitment of chasing long-outstanding debts.</p>		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
<p><b>Low Risk</b></p> <p></p>	<p>The timescale for debts to be escalated to debt collectors (e.g 120 days) will be agreed and added to the debt collection procedure.</p>	<p>Julian Rigby, Head of Financial Processing</p>
	<p>We will also review and update the procedure to clarify the process of sending statements and reminder letters and referring debts to our debt collection agency.</p>	<p><i>Target date:</i></p> <p>31/07/2016</p>
		<p><i>Reference number:</i> AR3</p>

## Cash

Key control	Exceptions P2 2015/16	Details on exceptions	Exceptions P1 2015/16	Exceptions P3 2014/15	Exceptions P2 2014/15
C1 Cash takings in respect of tuition fees and student residences as recorded on QLX are reconciled to cash balances held on a daily basis and discrepancies investigated.	●		●	●	●
C2 Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	●		●	●	●
C3 Cash receipts per Agresso are reconciled to QLX and KX on a monthly basis.	●		●	●	●
C4 Cash receipting responsibility within the QLX system is restricted to appropriate individuals.  Cash receipting within the KX system are restricted to appropriate individuals.	●	<p>We identified that an individual who no longer works at University still had access rights to the QLX system.</p> <p><b>Management response:</b> The current process is for HR to provide a list of leavers but this did not identify all leavers in the month tested. Going forward Finance will check access to receipting on QLX and inform registry if access needs to be removed.</p> <p><b>Responsibility for action:</b> Julian Rigby, Head of Financial Processing</p>	●	●	●

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C5 Reconciliations are performed on a monthly basis between Agresso and the Bank Statement. These are performed by Treasury Team and reviewed on a timely basis (by the Financial Accountant), with supporting documentation and reconciling items are investigated on a timely basis.

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RESTRICTED


## General Ledger

Key control	Exceptions P1 2015/16	Details on exceptions	Exceptions P3 2014/15	Exceptions P2 2014/15	Exceptions P1 2014/15
GL1 Journals must be authorised, with supporting documentation, prior to being posted on the system.	●	2/25 journals had not been authorised. <b>Management response:</b> These two journals were posted after the Financial Controller had performed her monthly review. From February 2016 the review and authorisation of journals will take place after the period has closed to ensure that the review process is complete. <b>Responsibility for action:</b> Natalie Ferer, Financial Controller <i>A control design exception has also been raised.</i>	●	●	●
GL2 On a monthly basis management accounts are prepared and significant variances against budget are investigated.	●	<i>A control design exception has been raised.</i>	●	●	●
GL3 Suspense accounts are cleared or reconciled on a quarterly basis.	●		●	●	●
GL4 Balance sheet control accounts are cleared or reconciled on a quarterly basis.	●		●	●	●
GL5 Access to the general ledger is restricted to appropriate personnel.	●		●	●	●
GL6 No single individual has access to make changes to both the QLX and QLS systems.	●		●	●	●

**GL1 – Journals must be authorised, with supporting documentation, prior to being posted on the system.**

<i>Finding</i>		
All journals are approved retrospectively in batches as opposed to being authorised prior to being posted on the system.		
<i>Risk</i>		
Invalid, incomplete or inaccurate journals may not be posted in the system. Fraudulent entries may not be detected.		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
<b>Medium Risk</b> 	Due to the nature of these ad hoc journals, we do not want to delay the month end and production of management accounts by introducing an authorisation process prior to posting. We will review the reason for these journals with the aim of reducing the number of ad hoc journals that need to be processed and so reviewed each month.	Natalie Ferer, Financial Controller
		<i>Target date:</i> 31/07/2016
		<i>Reference number:</i> GL1

**GL2 – On a monthly basis management accounts are prepared and significant variances against budget are investigated.**

<i>Findings</i>		
There is no defined threshold for what constitutes a 'significant' variance against budget.		
<i>Risk</i>		
There may be an inconsistent approach to investigating variances month on month. Significant or unusual variances may not be investigated.		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
<b>Advisory</b> 	We will introduce a threshold for investigating variances against budget, this will be: <ul style="list-style-type: none"> <li>• ≥ 10% variance between actuals and the budget or forecast where the total variance greater than £10,000</li> <li>• ≥ £100,000 variance between actuals and the budget or forecast</li> </ul> With these thresholds applying at account code level.	Ralph Sanders, Financial Planning Manager
		<i>Target date:</i> 31/07/2016
		<i>Reference number:</i> GL2

# Appendix 1. Assessment Criteria

## System summary ratings

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

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

## Control design improvement classifications

The finding ratings in respect of any control design improvements identified in the course of our work are determined with reference to the following criteria.

Rating	Assessment rationale
<p>●</p> <p><b>Critical</b></p>	<p><b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</p> <p><b>Critical</b> monetary or financial statement impact of £5m; or</p> <p><b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</p> <p><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.</p>
<p>●</p> <p><b>High</b></p>	<p><b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</p> <p><b>Significant</b> monetary or financial statement impact of £2m; or</p> <p><b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</p> <p><b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavorable national media coverage.</p>
<p>●</p> <p><b>Medium</b></p>	<p><b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</p> <p><b>Moderate</b> monetary or financial statement impact of £1m; or</p> <p><b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</p> <p><b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavorable media coverage.</p>
<p>●</p> <p><b>Low</b></p>	<p><b>Minor</b> impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</p> <p><b>Minor</b> monetary or financial statement impact £500k; or</p> <p><b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</p> <p><b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavorable media coverage restricted to the local press.</p>
<p>●</p> <p><b>Advisory</b></p>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

## Appendix 2. Terms of Reference

### Terms of reference – Continuous Auditing: Key Financial Systems 2015/16

**To: Richard Flatman – Chief Financial Officer**

**From: Justin Martin – Head of Internal Audit**

This review is being undertaken as part of the 2015/2016 internal audit plan approved by the Audit Committee.

### Background

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

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

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

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

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
30	<b>x</b>	x	x	x	x

**x** = area of primary focus

x = possible area of secondary focus

### Scope

The financial processes, key control objectives and key risks within the scope of our work are detailed below.

Financial process	Key control objectives	Key risks
Payroll and staff expenses	<p>Accurate payments are made to valid employees of the organisation.</p> <p>Accurate payments are made in respect of valid expenses claims.</p>	<p>Fictitious employees are established on the payroll and/or employees are established on the payroll incorrectly (e.g. incorrect pay scale).</p> <p>Payments are made in error to employees who have left the organisation and / or inaccurate final salary payments are made.</p> <p>Overtime or other timesheet based records are inaccurate leading to salary over / under payments.</p>

		<p>Invalid changes are made to employee salary and bank details leading to incorrect salary payments being made.</p> <p>Information transferred from the payroll system to the main accounting system is not complete and accurate.</p> <p>Expenses are incurred and reimbursed that are not allowable.</p>
Accounts payable	<p>Expenditure commitments are made with prior budgetary approval.</p> <p>Payments are made only following the satisfactory receipt of goods or services.</p> <p>Payments are made only to valid suppliers.</p>	<p>Payments are made for goods and services which have not been ordered, received or are inadequate.</p> <p>Invalid suppliers or supplier standing data is maintained leading to inaccurate or fraudulent payments.</p> <p>Information transferred from the accounts payable system to the main accounting system is not complete and accurate.</p> <p>Amounts due to suppliers for goods and services are overpaid.</p>
Accounts receivable	<p>Fee income is collected on a timely basis.</p> <p>Goods or services are delivered only to credit worthy customers.</p> <p>Debts due are collected promptly.</p>	<p>Agreements are entered in to with customers prior to the performance of credit checks or credit limits are exceeded. This may mean debts are not recoverable.</p> <p>Overdue debtor balances are not identified and balances are not actively chased to ensure timely collection of debts and maximisation of income.</p> <p>Information transferred from the accounts receivable system to the main accounting system is not complete and accurate.</p>
Cash	<p>Cash ledger balances are accurate and complete.</p> <p>Cash is not lost or misappropriated.</p>	<p>Information transferred from the accounts receivable system and student record system to the main accounting system is not complete and accurate.</p> <p>Discrepancies between the ledger and till or float records are not promptly identified and investigated. This could mean cash balances are incomplete and / or inaccurate.</p>
General Ledger	<p>Ledger balances are valid and accurate.</p>	<p>Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made.</p> <p>Suspense accounts and balance sheet control accounts are not cleared on a timely basis.</p> <p>Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information.</p>

### **Limitations of scope**

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



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

### **Audit approach**

We will undertake our testing twice a year, covering the following periods during 2015/16:

- Phase 1: May 2015 – July 2015
- Phase 2: August 2015 – December 2015

### **Internal audit team**

<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Subject Matter Expert	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com
Charlotte Bilsland	Engagement Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Lucy Gresswell	Engagement Supervisor	lucy.j.gresswell@uk.pwc.com
Janak Savjani	Continuous Auditing Technician	janak.j.savjani @uk.pwc.com

### **Key contacts – London South Bank University**

<b>Name</b>	<b>Title</b>	<b>Contact details</b>	<b>Responsibilities</b>
Richard Flatman	Chief Financial Officer (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Review draft report Review and approve final report
Natalie Ferer	Financial Controller	0207 815 6316 ferern@lsbu.ac.uk	Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan
Joanne Monk	Deputy Director of Human Resources	j.monk@lsbu.ac.uk	Audit contact
Jenny Laws	Deputy Registrar (Student Management Information Team Leader)	lawsjr@lsbu.ac.uk	Audit contact
Ralph Sanders	Financial Planning Manager	sanderr4@lsbu.ac.uk	Audit contact
Brian Wiltshire	Payments Manager	wiltshbl@lsbu.ac.uk	Audit contact
Penny Green	Head of Procurement	greenp7@lsbu.ac.uk	Audit contact

Julian Rigby	Head of Financial Processing	rigbyj@lsbu.ac.uk	Audit contact
Ravi Mistry	Financial Systems Manager	mistryrm@lsbu.ac.uk	Audit contact
Denise Sullivan	Payroll Manager	d.sullivan@lsbu.ac.uk	Audit contact
Ephraim Maimbo	Financial Accountant	maimboe@lsbu.ac.uk	Audit contact
Felicity Brightwell	Acting Payroll Manager	clarkef4@lsbu.ac.uk	Audit contact
Andrew Ratajczak	Manager; Fees, Bursaries and Central Enrolment	ratajca@lsbu.ac.uk	Audit contact

### *Timetable*

	<b>Phase 1</b>	<b>Phase 2</b>
Fieldwork start	17/08/2015	18/01/2016
Fieldwork completed	21/08/2015	29/01/2016
Draft report to client	28/08/2015	12/02/2016
Response from client	10/09/2015	26/02/2016
Final report to client	14/09/2015	04/03/2016

Agreed timescales are subject to the following assumptions:

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

## ***Appendix 3. Limitations and responsibilities***

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

We have undertaken the review of Continuous Auditing, subject to the limitations outlined below.

#### ***Internal control***

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

#### ***Future periods***

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

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

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

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

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we 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.

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



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

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**London South Bank  
University**

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Date of meeting:	9 <sup>th</sup> June 2016
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Committee with the results of the Continuous Audit report into Student data.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Students are at the heart of the institution, and feature within nearly all the goals of the Strategy. Reliable student data is vital in enabling evidence based decisions that support progress towards the outcomes of the strategy.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> <li>the report and its findings</li> </ul>

Matter previously considered by:		
Further approval required?		

### Executive Summary

The report relates to the testing which took place in April 2016, for the period November 2015 – March 2016.

The report rating is low risk, and there were improvements in 3 controls tested, but deterioration in 6 areas, with no change in the others. (International students were again excluded from this report as a separate audit had been completed)

The detailed findings are in section 2 on pages 4-6 of the report.

The Committee is requested to note:

- the report and its findings

*Internal Audit  
Report 2015/2016*

*Continuous Auditing: Student  
Data*

*Period two (1<sup>st</sup> November 2015 – 31<sup>st</sup> March 2016)*

May 2016

London South Bank  
University

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## Distribution List

For action:	Ralph Sanders (Director of Planning, Information & Reporting )
	Dave Lewis (Software Development Team Leader)
	Sheila Patel (Applications Support and Maintenance Team Leader)
	Lisa Upton (Senior Assistant Registrar)
	Nuria Prades (Senior International Officer – UK and non-EU Europe)
	Neil Gillett (Immigration and International Student Advice Manager)
For information:	Richard Flatman (Chief Financial Officer)
	John Baker (Corporate and Business Planning Manager)
	Jenny Laws (Head of Registry)
	Jamie Jones (Head of Student Administration)
	Andrew Ratajczak (Manager: Fees, Bursaries and Central Enrolment)
	Natalie Ferer (Financial Controller)
	Audit Committee

This report has been prepared by PwC in accordance with our contract dated 21/07/2010.

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. 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.

# 1. Executive summary

## Background and approach

The Higher Education Funding Council for England's (HEFCE) Memorandum of Assurance and Accountability (MAA) states that the Audit Committee is required to produce an annual report for the governing body and the accountable officer. This report must include the Audit Committee's opinion on the adequacy and effectiveness of the University's arrangements for management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loans Company (SLC), HEFCE and other bodies. Whilst there is no requirement for our internal audit programme to provide a conclusion over data quality, our 2015/16 internal audit programme has been designed to support the Audit Committee in forming its conclusion.

Our Student Data Continuous Audit programme tests key controls associated with data quality on an on-going basis to assess whether they are operating effectively and to flag areas and/or report transactions that appear to circumvent controls. We have outlined the specific controls we have tested in Appendix 2. These have been identified through our annual audit planning process and meetings with management. We will continue to refresh this knowledge throughout the year to ensure we focus upon the key risks facing London South Bank University (LSBU).

## System summary

The table below summarises the overall performance rating for student data. This is based on the number and severity of findings noted each period. Our rating criteria are set out at Appendix 1.

System Classification	
Low Risk	
●	

## Number of exceptions

Control	P2 15/16 Effectiveness	P2 15/16 Design	P1 15/16 Effectiveness	P1 15/16 Design	Trend
S1	6	-	6	-	↔
S2	2	-	-	-	↓
S3	-	-	-	-	N/A <sup>(1)</sup>
S4	5	-	-	-	↓
S5	3	-	7	1	↑
S6	-	-	4	-	↑
S7	2	-	1	-	↓
S8	5	-	-	-	↓
S9	-	-	-	-	↔
S10	1	-	-	-	↓
S11	-	-	1	-	↑
S12	-	-	-	-	N/A <sup>(1)</sup>
<b>Total</b>	<b>24</b>	<b>-</b>	<b>19</b>	<b>1</b>	↓

- (1) We did not include any testing of Tier 4 controls this period as the University has commissioned a separate audit of this area.

As part of our work, we also used computer assisted audit techniques (CAATS) to perform data mining procedures over a sample of courses and modules to confirm that student timetabling data is correct and to highlight any potential exceptions to management. Our findings are summarised in Section 4.



## 2. Detailed findings

	Key control	Exceptions* P2 – 2015/16	Details on exceptions	Management comment
S1	Following a student record being created in QLS at the application stage, appropriate checkpoints are performed prior to fully enrolled ('EFE') status.	6	<p><b>Non-international students</b></p> <ul style="list-style-type: none"> <li>In 6/25 cases, evidence could not be provided to confirm a criminal conviction check had taken place.</li> </ul> <p><b>International students</b></p> <ul style="list-style-type: none"> <li>UKVI controls were not tested in this period.</li> </ul>	<p><b>Management response:</b> We will look at the feasibility of gathering this information as part of the enrolment process for those applicants who are not asked this question through the standard admissions process. <b>Owner:</b> Jenny Laws (Head of Registry)</p>
S2	On enrolment a full ID check is performed and all required paperwork is obtained, reviewed and retained.	2	<ul style="list-style-type: none"> <li>In 1/25 only one form of ID had been checked for the student.</li> <li>In 1/25 instances we could not verify the second form of ID.</li> </ul> <p>Note: 5/25 students sampled where visiting LSBU on an Insight day.</p>	<p><b>Management response:</b> This will be reiterated in training to ensure that the correct procedure is applied. <b>Owner:</b> Jenny Laws (Head of Registry)</p>
S3	Supporting documentation is obtained and retained to ensure Tier 4 requirements are met.	-	<ul style="list-style-type: none"> <li>UKVI controls were not tested in this period.</li> </ul>	
S4	Attendance reports are generated by schools to identify periods of non-attendance and are investigated.	5	<ul style="list-style-type: none"> <li>In 3/25 cases evidence could not be provided to confirm that the student was contacted after periods of non-attendance.</li> <li>In 2/25 cases the student was not contacted in a timely manner.</li> </ul>	<p><b>Management response:</b> Student Attendance monitoring processes are under review. A new engagement model is under development for implementation in 2016/17. <b>Owner:</b> Jenny Laws (Head of Registry)</p>
S5	Supporting evidence is obtained prior to processing any course changes or withdrawals.	3	<ul style="list-style-type: none"> <li>In 3/25 cases, a change in course form could not be provided.</li> </ul>	<p><b>Management response:</b> Training and advice has been given to Student Administration and the log will be updated for the new academic year. Two of the three exceptions were for PhDs, for which we have implemented a complete change of curriculum, this has generated a lot of</p>

				movement of records for legitimate reasons. The other record was a CPD health record, the processes for these records have been greatly improved recently and are under review. <b>Owner:</b> Jenny Laws (Head of Registry)
S6	Supporting documentation is retained for all change of circumstances. Changes of circumstances are processed on a timely basis.  This testing is restricted to the testing of withdrawals.	0	-	-
S7	Exception reports are run to identify changes made to student module data and are investigated.	2	<ul style="list-style-type: none"> <li>1/2 exception reports were not produced (December 2015).</li> <li>In 1/2 cases (February 2016) the exception report had been produced but was not discussed in the meeting.</li> </ul>	<b>Management response:</b> The reports are being run less frequently due to the burden of the process - they will in future be run a semester basis and followed up where errors are identified to enable effort to be targeting where it is needed.  <b>Owner:</b> Jenny Laws (Head of Registry)
S8	Evidence is retained to support any changes.	5	<ul style="list-style-type: none"> <li>In 3/25 instances, the item had not been investigated.</li> <li>In 2/25 instances, the module data had not been amended on the system at the time of testing. Subsequently, the module data for these two items has now been amended on the system.</li> </ul>	<b>Management response:</b> See comments for S7.  <b>Owner:</b> Jenny Laws (Head of Registry)
S9	Non-conformance reports (NCRs) are generated and investigated.	0	-	-

S10	All new users of the QLS system must complete an authorisation form which is authorised by their line manager and IT prior to system access.	1	<ul style="list-style-type: none"> <li>In 1/20 instances, the new user form had not been authorised by the line manager.</li> </ul>	<p><b>Management response:</b></p> <p>We have reiterated to Registry staff that forms must be correctly repeated and filed before accounts are created.</p> <p>We have a plan to replace the current system with an electronic system.</p> <p><b>Owner:</b> Jenny Laws (Head of Registry)</p>
S11	Leavers are removed from the system on a timely basis.	0	-	-
S12	<p>Exception reports are run to monitor:</p> <ul style="list-style-type: none"> <li>Students do not enrol</li> <li>Withdrawals, interruptions and instances where a student finishes earlier than expected</li> <li>Significant changes of circumstances occur</li> <li>Visa expiry dates are upcoming</li> </ul>	-	<ul style="list-style-type: none"> <li>UKVI controls were not tested in the period.</li> </ul>	

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

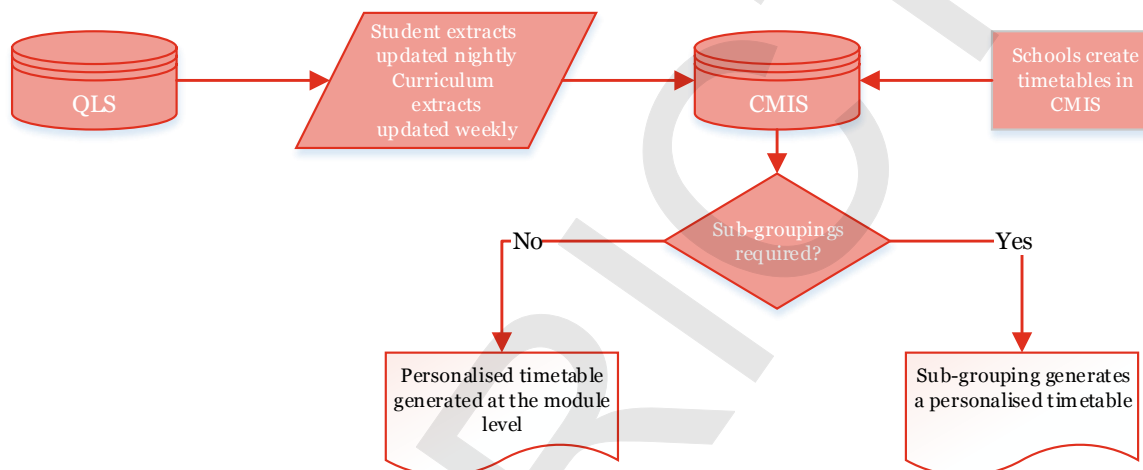
## 2. CAATs results

### Background

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

The timeliness of the availability of the timetable is a key issue for LSBU to ensure that the student has the correct timetable from the start of their course. It is also easier to resolve errors identified at the beginning of term than those unaddressed later in the year.

A summary of the process is outlined below:



Management have highlighted that in some instances students do not have access to personalised timetables. This appears to be due to incorrect sub-groupings being logged on the system. We used data mining procedures to interrogate a sample of courses and modules to confirm that student timetabling data is correct and highlight any potential exceptions to management. This period we tested the following courses and modules:

- Courses: 3975 Adult Nursing, 670 Business Administration, 4 Law, 1086 Psychology, and 101 Architecture.
- Modules: BAF\_5\_FOF Fundamentals of Finance, DSS\_4\_ICT Introduction to Criminological Theory, HAP\_6\_002 Leadership, management and supervision, LAW\_4\_PEL Public and EU Law, and PSY\_4\_EPA Exploring Psychological Approaches.

### Tests performed

We performed the following tests:

Test	Description
1	We checked that for all instances where a student is in the QLS extract, the student is also enrolled on one of these 5 modules.
2	We checked that for all instances where a student is enrolled on a module they are also in the extract taken from QLS.

3	We checked that, for all larger modules, there are sub-groupings and that the modules and their sub-groupings contain the same students.
4	We checked that, for each course, the students affiliated with the timetable are listed in the QLS extract.
5	We checked that, for each course, the students listed in the QLS extract are linked to the course timetable.
6	We checked that, for each course, the students not recorded as fully enrolled in the course timetable are not in the QLS extract.

The timeliness of the availability of the timetable is a key issue for LSBU to ensure that the student has the correct timetable from the start of their course. It is also easier to resolve errors identified at the beginning of term than those unaddressed later in the year. Our samples relate to the current academic year (2015/16) only.

## Results

### Tests 1 and 2

For tests 1 and 2 we performed an analysis of all data held on QLS and CMIS. This analysis was based on a QLS extract provided by the Academic Registrars Team and the module data from CMIS provided by the Software Development Team. We would expect all students who are listed in the QLS extract to be in the module enrolments from CMIS and that all students who are listed in the module enrolments from CMIS will be listed in the QLS extract, as QLS provides this data to CMIS.

- Our analysis of this data identified 31 students over the 5 modules, who are enrolled on a module but are not in the QLS extract of students enrolled for these modules.

MODULE	Number of students
BAF_5_FOF	3
DSS_4_ICT	2
HAP_6_002	8
LAW_4_PEL	15
PSY_4_EPA	3

### Test 3

We checked that, for all larger modules, there are sub-groupings and that the modules and their sub-groupings contain the same students. We found:

- 5 students enrolled on the HAP\_6\_002 module are not in the sub-groupings for the module.
- 13 students enrolled on the LAW\_4\_PEL module are not in the sub-groupings for the module.
- 1 student enrolled on the BAF\_5\_FOF module is not included in the QLS extract or the sub-groupings for the module.
- 2 students enrolled on the DSS\_4\_ICT module are not included in the QLS extract or the sub-groupings for the module.
- 10 students enrolled on the LAW\_4\_PEL module are not included in the QLS extract or the sub-groupings for the module.
- 1 student enrolled on the PSY\_4\_EPA module is not included in the QLS extract or the sub-groupings for the module.
- 6 students are in the sub-groupings for BAF\_5\_FOF but are not enrolled for the module.
- 10 students are in the sub-groupings for DSS\_4\_ICT but are not enrolled for the module.
- 12 students are in the sub-groupings for HAP\_6\_002 but are not enrolled for the module.
- 9 students are in the sub-groupings for LAW\_4\_PEL but are not enrolled for the module.

**Test 4, 5, 6**

We would expect all students affiliated with one of the course timetables to be listed in the extract from QLS. We would expect all students listed in the QLS extract for the five courses to be assigned to a course timetable but we would not expect students who are not fully enrolled on a course to be included in the QLS extract of fully enrolled students.

**Test 4:**

- 2 students are listed as fully enrolled on the course timetable for Adult Nursing (3975) but are not included in the QLS extract.
- 2 students are listed as fully enrolled in the course timetable for Law (4) but do not appear in the QLS extract for this course.
- 1 student is listed as fully enrolled on the course timetable for Architecture (101) but are not included in the QLS extract.
- No exceptions were noted for Business Admin (670) or Psychology (1086).

**Test 5:**

- 2 students are listed in the QLS extract for Business Admin (670) but is not listed as fully enrolled on the course time table.
- No exceptions were noted for Psychology (1086), Architecture (101), Law (4) or Adult Nursing (3975).

**Test 6:**

- No exceptions were noted for Psychology (1086), Architecture (101), Business Admin (670), Law (4) or Adult Nursing (3975).

We have provided a detailed breakdown of all exceptions to management for investigation.

**Management response**

A new centralized timetabling team has been set up in the Estates and Academic Environment Professional Service Group. This team are working with ICT to implement new functionality in timetabling system that aims to improve key aspects of timetabling including the delivery of personal timetables.

**Owner:** Lisa Upton, Senior Assistant Registrar

# Appendix 1. Assessment Criteria

## System summary ratings

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

Rating	Assessment rationale
<b>Red</b>	<ul style="list-style-type: none"> <li>● A high proportion of exceptions identified across a number of the control activities included within the scope of our work (<math>\geq 75\%</math>); or</li> <li>Control failures which, individually or in aggregate, have resulted in the significant misstatement of the University's financial records.</li> </ul>
<b>Amber</b>	<ul style="list-style-type: none"> <li>● Some exceptions identified in the course of our work, but these are limited to either a single control or a small number of controls (<math>&gt;20\%</math> but <math>&lt;75\%</math>); or</li> <li>Control failures which, individually or in aggregate, have resulted in the misstatement of the organisations financial records, but this misstatement is not significant to the University</li> </ul>
<b>Green</b>	<ul style="list-style-type: none"> <li>● Limited exceptions identified in the course of our work (<math>\leq 20\%</math>); or</li> <li>Control failures which, individually or in aggregate, do not appear to have resulted in the misstatement of the organisations financial records.</li> </ul>

## Control design improvement classifications

The finding ratings in respect of any control design improvements identified in the course of our work are determined with reference to the following criteria.

Rating	Assessment rationale
<b>Critical</b>	<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>	<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> <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 unfavorable national media coverage.</li> </ul>
<b>Medium</b>	<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 unfavorable media coverage.</li> </ul>
<b>Low</b>	<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 £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 unfavorable media coverage restricted to the local press.</li> </ul>
<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.



## Appendix 2. Terms of Reference

# London South Bank University

### Terms of reference – Continuous Auditing 2015/16: Student Data

**To: Richard Flatman – Chief Financial Officer**

**From: Justin Martin – Head of Internal Audit**

This review is being undertaken as part of the 2015/16 internal audit plan approved by the Audit Committee.

#### Background

The Higher Education Funding Council for England's (HEFCE) Memorandum of Assurance and Accountability (MAA) states that the Audit Committee is required to produce an annual report for the governing body and the accountable officer. This report must include the committee's opinion on the adequacy and effectiveness of the University's arrangements for management and quality assurance of data submitted to the Higher Education Statistics Agency (HESA), the Student Loans Company, HEFCE and other bodies. Whilst there is no requirement for our internal audit programme to provide a conclusion over data quality, our internal audit programme for 2015/16 has been designed to support the Audit Committee in forming its conclusion.

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

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

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

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

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

**x** = area of primary focus

x = possible area of secondary focus



## Scope

The financial processes, key control objectives and key risks within the scope of our work are detailed below.

Financial process	Key control objectives	Key risks
Student Systems	Complete and accurate records of students and their activity are maintained.	<p>Application and enrolment data may be inaccurate. This could also result in fees not being correct resulting in students being over or undercharged and an associated impact on income.</p> <p>UKVI requirements are not complied with. This could result in London South Bank University losing their license to operate affecting fee income and leading to reputational damage.</p> <p>Student attendance records are incorrect undermining the reliability of management information.</p> <p>Course changes are not identified on a timely basis which could affect fee income, as well as student data quality.</p> <p>Reporting of changes in circumstances to the SLC are not reported and processed accurately, completely and on a timely basis. This could mean student data is inaccurate.</p> <p>Student module data is inaccurate or incomplete, undermining the reliability of data.</p> <p>Users have unauthorised access and can make inappropriate amendments to student records which could compromise the validity, accuracy and completeness of student data.</p> <p>Inadequate management information over Tier 4 students could mean that the university is not compliant with requirements.</p>

## Limitations of scope

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

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

Our scope does not currently include any testing of controls surrounding marks. This is because London South Bank University is currently reviewing their processes and controls surrounding marking. This will be included in Phase 2 when the process has been finalised.

**Our work for period 2 will not include UKVI controls; the University has procured the services of an external firm to perform an audit which covers this period so it will not be tested this period.**

## Time table

We will undertake our testing twice in the year, covering the following periods during 2015/16:

Phase	Period tested	Fieldwork start	Fieldwork completed	Draft Report	Response from client	Final report
1	01/08/2015 – 31/10/2015	16/11/2015	27/11/2015	11/12/2015	23/12/2015	06/01/2016
2	01/11/2015 – 31/03/2016	18/04/2016	29/04/2016	13/05/2016	27/05/2016	03/06/2016

Agreed timescales are subject to the following assumptions:

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

### **Internal audit team**

<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
Charlotte Bilsland	Audit Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Lucy Gresswell	Audit Supervisor	07718 098 321 lucy.j.gresswell@uk.pwc.com
Alkay Masuwa	Data Assurance Manager	07737 274 209 alkay.masuwa@uk.pwc.com
Janak Savjani	Continuous Auditing Technician	janak.j.savjani@uk.pwc.com
Friederike Murach-Ward	Data Assurance Associate	friederike.e.murach-ward@uk.pwc.com

### **Key contacts – London South Bank University**

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

# Appendix 1: Key controls schedule

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

Our testing will be applicable to all students, with the exception of Tier 4 controls.

Key risk	Key control	Frequency of control	Approximate sample size* <small>* For ad hoc controls, this will depend on the number of transactions in the testing period</small>	Testing approach	Ref
<b>Enrolment</b>					
Application and enrolment data may be inaccurate. This could also result in fees not being correct resulting in students owing over or undercharged and an associated impact on income.	Following a student record being created in QLS at the application stage, appropriate checkpoints are performed prior to fully enrolled ('EFE') status. <b>Key contact:</b> Lisa Upton (non-international students) and Nuria Prades (international students)	Multiple times daily	25 international students 25 non-international students	We will obtain a listing from management of students who have applied to London South Bank University and check that the following checks have been performed prior to EFE status: <ul style="list-style-type: none"> <li>Criminal conviction check (self-declaration by students)</li> <li>Entry criteria have been met</li> </ul> We will select an additional sample of 25 international students and confirm the following checks have been performed where applicable: <ul style="list-style-type: none"> <li>The passport photo page has been retained for non-EU applicants</li> <li>The London South Bank University immigration form has been completed and retained (for non-EU applicants UK based only)</li> <li>Copies of previous UK visas (for non-EU applicants UK based only)</li> </ul>	S1
	On enrolment a full ID check is performed and all required paperwork is obtained, reviewed and retained. <b>Key contact:</b> Lisa Upton	Multiple times daily	25	We will obtain a listing from management of students who have enrolled during 2015/16. We will select a sample and for each student we will confirm that: <ul style="list-style-type: none"> <li>An enrolment form has been completed and that this confirms an ID check has been performed.</li> </ul>	S2

**Note: we will confirm whether 2 forms of ID and a copy of the passport has been retained for international students as part of S3.**

<p>UKVI requirements are not complied with. This could result in London South Bank University losing their license to operate affecting fee income and leading to reputational damage.</p>	<p>Supporting documentation is obtained and retained to ensure Tier 4 requirements are met. <b>Key contact:</b> Neil Gillett and Nuria Prades</p>	<p>Multiple times daily</p>	<p>25</p>	<p>We will obtain a listing from management of Tier 4 students who have enrolled and select a sample to confirm that the following evidence has been retained on their student record:</p> <ul style="list-style-type: none"> <li>• Evidence that the student meets English language requirements;</li> <li>• A copy of the prospective students passport showing all personal identity details, including the front page of the passport and if applicable, leave stamps, or immigration status document including their period of immigration permission to enter;</li> <li>• Evidence that a second form of ID has been reviewed;</li> <li>• Evidence that financial documents have been checked to ensure they meet requirements of Tier 4;</li> <li>• The student’s Confirmation of Acceptance to Study (CAS) has been recorded on the student record system;</li> <li>• London South Bank University communicated to the student what documents were needed for visa application before enrolment;</li> <li>• Where the student’s course requires an ATAS clearance certificate, a copy of the certificate or electronic approval notice from the Foreign and Commonwealth Office has been retained;</li> <li>• A TB test has been requested where applicable;</li> </ul>	<p>S3</p>
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				<ul style="list-style-type: none"> <li>An Immigration History form has been completed; and</li> <li>A history of past addresses is recorded on the system.</li> </ul>	
<b>Accuracy of student record data</b>					
<p>Student attendance records are incorrect undermining the reliability of management information.</p>	<p>Attendance reports are generated by schools to identify periods of non-attendance and are investigated.</p> <p><b>Key contact:</b></p> <p>Jamie Jones, Head of Student Administration <i>Business school</i></p> <p>Tom Marley and Nicola Hallas <i>Health and Social Care</i></p> <p>Anisa Salim and Cathy Rowe <i>School of Arts and Creative Industries; School of Social Sciences and Law; Psychology</i></p> <p>Sharon Holmes and Nicola Hallas <i>School of Architecture and Built Environment; School of Applied Sciences (not Psychology students); School of Engineering</i></p> <p>Tania Perez and Jamie Jones</p>	Ad hoc	4	<p>We will select the most recent attendance report generated by the school and confirm that these have been:</p> <ul style="list-style-type: none"> <li>Produced</li> <li>Actions have been taken to investigate periods of non-attendance in accordance.</li> </ul>	S4
<p>Course changes are not identified on a timely basis this could affect fee income.</p>	<p>Supporting evidence is obtained prior to processing any course changes or withdrawals.</p> <p><b>Key contact:</b> Andrew Ratajczak</p>	Multiple times daily	25	<p>We will obtain a report from management of all course changes within the testing period. We will select a sample of students and for each student we will confirm:</p> <ul style="list-style-type: none"> <li>A form has been completed which supports the change;</li> <li>The form has been authorised by the</li> </ul>	S5

				<ul style="list-style-type: none"> <li>student and the School;</li> <li>The course changes log has been updated and agrees to QLS;</li> <li>The change was only action on QLS after the form was authorised by the student and faculty and after the course change log was completed;</li> </ul> <p><i>*This will include ETROC and EFAFU codes only.</i></p>	
Reporting of changes in circumstances to the SLC are not reported and processed accurately, completely and on a timely basis. This could mean student data is inaccurate.	Supporting documentation is retained for all change of circumstances. Changes of circumstances are processed on a timely basis. <b>This testing is restricted to the testing of withdrawals.</b> <b>Key contact:</b> Andrew Ratajczak	Ad hoc	5 - 25	<p>We will obtain a listing of all students who have withdrawn in the period and select a sample to test that:</p> <ul style="list-style-type: none"> <li>There is a letter or form from the student requesting withdrawal;</li> <li>That the date the change was applied to the system on a timely basis.</li> </ul>	S6
Student module data is inaccurate or incomplete, undermining the reliability of data.	Exception reports are run to identify changes made to student module data and are investigated. <b>Key contact:</b> Lisa Upton	Monthly	2	<p>We will select a sample of months and confirm that:</p> <ul style="list-style-type: none"> <li>An exception report has been generated;</li> <li>The exception report has been discussed at periodic meetings;</li> <li>Actions have been taken to interrogate and resolve exceptions.</li> </ul>	S7
	Evidence is retained to support any changes. <b>Key contact:</b> Lisa Upton	Ad hoc	5 - 25	<p>Using the most recent exception report, we will select a sample of changes to module data and test to confirm that these have been processed correctly and agree to supporting evidence.</p>	S8
	Non-conformance reports (NCRs) are generated and investigated. <b>Key contact:</b> Lisa Upton	Ad hoc	5 - 25	<p>We will select a sample of months to confirm that NCRs have been generated in this period.</p> <p>We will select a sample of NCRs (based on total number produced in the testing period) and select a sample to confirm that the NCR has been filled out completely and</p>	S9

accurately, including action plans to address non-conformance.

**System Access**

<p>Users have unauthorised access and can make inappropriate amendments to student records which could compromise the validity, accuracy and completeness of student data.</p>	<p>All new users of the QLS system must complete an authorisation form which is authorised by their line manager and IT prior to system access. <b>Key contact:</b> Lisa Upton</p>	<p>Ad hoc</p>	<p>5 -25</p>	<p>We will obtain a listing of all new users set up on QLS in the testing period and select a sample of users to test that:</p> <ul style="list-style-type: none"> <li>• An authorisation form was completed;</li> <li>• The form has been authorised by their line manager and IT;</li> <li>• The form is dated before their system set up date.</li> </ul>	<p>S10</p>
	<p>Leavers are removed from the system on a timely basis. <b>Key contact:</b> Lisa Upton</p>	<p>Ad hoc</p>	<p>5 -25</p>	<p>We will obtain a listing of all leavers during the testing period and select a sample of users to test that their account has been de-activated.</p>	<p>S11</p>

**Management Information**

<p>Inadequate management information over Tier 4 students could mean that the university is not compliant with requirements.</p>	<p>Exception reports are run to monitor:</p> <ul style="list-style-type: none"> <li>• Students do not enrol;</li> <li>• Withdrawals, interruptions and instances where a student finishes earlier than expected;</li> <li>• Significant changes of circumstances occur; and</li> <li>• Visa expiry dates are upcoming.</li> </ul>	<ul style="list-style-type: none"> <li>• Termly;</li> <li>• Weekly</li> <li>• Weekly</li> <li>• Monthly</li> </ul>	<ul style="list-style-type: none"> <li>• 1</li> <li>• 5</li> <li>• 5</li> <li>• 2</li> </ul>	<p>We will select a sample of reports to confirm these are produced and that actions are taken to investigate and resolve exceptions.</p>	<p>S12</p>
	<p><b>Key contact:</b> Neil Gillett and Nuria Prades</p>				

## ***Appendix 2: Computer Assisted Audit Techniques (CAATs)***

### *Scope*

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

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

- Courses: 3975 Adult Nursing, 670 Business Administration, 4 Law, 1086 Psychology, and 101 Architecture.
- Modules: BAF\_5\_FOF Fundamentals of Finance, DSS\_4\_ICT Introduction to Criminological Theory, HAP\_6\_002 Leadership, management and supervision, LAW\_4\_PEL Public and EU Law, and PSY\_4\_EPA Exploring Psychological Approaches.

### *Approach*

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

### *Output*

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

### *Deliverables request*

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



## ***Appendix 3. Limitations and responsibilities***

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

We have undertaken the review of Continuous Auditing: Student Data, subject to the limitations outlined below.

#### ***Internal control***

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

#### ***Future periods***

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

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

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

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

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we 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.

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



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

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

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**London South Bank**  
University

	CONFIDENTIAL
	PAPER NO: AC.23(16)
Paper title:	Internal Audit Report - Research & Enterprise
Board/Committee	Audit Committee
Date of meeting:	9 <sup>th</sup> June 2016
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Committee with the results of the review into Research & Enterprise Systems
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	This report is linked most closely to goal 4 of the Real World Impact outcome section of the strategy, for research and enterprise. Effective contract management and central support are key to realising these strategic ambitions.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> <li>• the report and its findings</li> </ul>

Matter previously considered by:	Operations Board	On: 24 <sup>th</sup> May
Further approval required?		

### Executive Summary

The report into research and enterprise contracts process has an overall report classification of medium risk, and has 5 key findings.

These include action around updating the research handbook regarding the monitoring of contract compliance, records retention, finance checks, expenditure records & timesheet controls. (*Findings on pages 5 -9*).

The Committee is requested to note:

- the report and its findings

*Internal Audit  
Report 2015/16*  
Research and Enterprise  
Contracts

April 2016

London South Bank  
University

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## Distribution List

For action:	Paul Ivey (PVC, Research and External Engagement) Yvonne Mavin (Head of Compliance and Systems) Sarah Plant (Head of Research Services)
For information:	Audit Committee Richard Flatman (Chief Financial Officer) John Baker (Corporate and Business Planning Manager)

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.

# 1. Executive summary

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
Medium Risk 	N/a – we have not reviewed this area before.						
		<b>Control design</b>	0	0	5	0	0
		<b>Operating effectiveness</b>	0	0	0	0	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>

## Summary of findings

### Background

Higher Education Institutions (HEIs) are offered various opportunities to apply for funding from external bodies for research and enterprise projects. For each grant awarded HEIs will receive an offer letter which outlines standard conditions of the grant and eligible expenditure. Payment of the grant will be in accordance with the expenditure profile in the offer letter and only awarded if the HEI is compliant with the grant's standard conditions.

London South Bank University (the University) has recently had one of its grants audited (the ICE Research Project) by one of their funders, the European Union (EU). This highlighted issues with the financial administration and control of the project such as lack of evidence to support claims and timesheets. As a result of these findings, the University is expecting a claw back of €109,084.50.

The University has also recently implemented a new process for managing enterprise income contracts. This covers the process up to the stage of contract signature and aims to bring greater clarity to University employees over their roles and responsibilities, which departments need to be involved and which levels of contract approval are required.

The objective of this audit was to review the design of the University's new policy and procedure for enterprise income. This has covered the process up to contract signature. Our work over research has covered the University's procedures for ensuring compliance with grant terms and conditions, post-award.

### Key findings

We identified five *medium risk* findings:

- We reviewed the process to monitor compliance with research contract terms and conditions and found there is no guidance outlining roles and responsibilities for ensuring compliance with contract terms and conditions. Responsibility for monitoring compliance sits largely with project staff and individual schools; this is not structured in a way that ensures consistent compliance monitoring across all projects and means there is limited central oversight of project progress or compliance. **See finding #1.**
- We reviewed the document retention policies and procedures related to research contracts and found the current policy for document retention does not clearly identify which documents are required to be retained, where key documents should be held or which team is responsible for document retention. **See finding #2.**
- There is no audit trail to evidence the checks completed by Finance over the eligibility of claims. We also identified that there is no guidance outlining what checks should be completed prior to submitting claims. **See finding #3.**
- We tested a sample of 25 expenses claimed to verify whether the expense was eligible in accordance with the grant terms and conditions. In one instance (4%) the expense was allocated to the wrong project and therefore ineligible but had been approved. This misallocation was identified through a check completed by the Finance Team. This review by Finance is informal and there is no audit trail to evidence that this check

has taken place for all expenses claimed. **See finding #4.**

- We tested a sample of timesheets submitted. We found that there is no control in place to review time recorded by staff and verify that it is accurate and in accordance with the grant agreement. We also identified that there is no audit trail for the informal checks completed by the Finance Team to verify that there are no duplications or clashes in timesheets. **See finding #5.**

We also carried out a review of the University's new policy and procedure for enterprise income, up to contract signature. We did not identify any exceptions.

RESTRICTED

## 2. Detailed findings

### 1. Research Contracts Compliance Monitoring – Control Design

#### Findings

We reviewed the process in place to monitor compliance with terms and conditions of the contracts. We found:

- There is no guidance in the Research Handbook outlining the roles and responsibilities for monitoring compliance with research contract terms and conditions.

We also selected a sample of five research projects and tested their compliance with the contract terms and conditions. We found:

- For three of five projects tested (60%) there was limited information on project progress and compliance held at a central level. As such, we were unable to identify whether milestones and requirements had been met (e.g. production of periodic progress reports, expenditure reports etc). We noted that all three of these grants were those which were not funded by the European Commission. The two projects in our sample which were funded by the European Commission had greater oversight due to the EC project portal used by the funder.


#### Risks

If responsibilities are not defined and documented, individuals may not fully understand their roles which could mean some activities are duplicated or omitted.

If the University does not monitor compliance with research contract terms and conditions centrally then management may be unaware of instances of non-compliance. This may mean that issues only come to light when supporting evidence is required by funders or audits are conducted by external parties.


Submitting claims which are non-compliant could result in reputational damage and financial loss to the University.

#### Action plan


<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible department</i>
<b>Medium Risk</b>  	We will update the Research Handbook to include roles and responsibilities for monitoring compliance with research contract terms and conditions.	Central Research department
	We will introduce a checklist for each research project to enable central monitoring of compliance with terms and conditions and progress against key milestones and deliverables.	<i>Target date</i> 31/08/2016
	This will be completed by the Project Lead and uploaded onto Sharepoint to provide central oversight of all research contracts.	<i>Reference number</i> 1
	We will introduce a formal 'kick-off' meeting for key Central Research Services and project staff to discuss key terms and conditions, key milestones and roles and responsibilities.	




## 2. Research Contract Document Retention – Control Design

<p><i>Findings</i></p> <p>We reviewed the Research Handbook and University-wide Corporate Records Retention Schedule to assess whether the University has defined policies and procedures for ensuring that key documentation for research projects had been retained and stored securely. We found:</p> <ul style="list-style-type: none"> <li>• There is no centralised policy or procedure relating to retention of documents for research projects. Current guidance in the Research Handbook does not cover specific documents which need to be retained, such as the Grant Agreement, Standard Conditions and Eligible Expenditure and copies of any variations to these.</li> <li>• Whilst there is high level guidance in the University-wide Corporate Records Retention Schedule for the length of time non-student records need to be retained, there is no research-specific guidance outlining the timescales documentation needs to be retained.</li> <li>• Project documentation is stored across four areas (physical files, Access database, Sharepoint system, shared system files). There is no documented policy which defines where, and in what format, documents should be stored.</li> <li>• Roles and responsibilities for document retention are not clearly defined in the Research Handbook.</li> </ul>		
<p><i>Risk</i></p> <p>Without a standardised research policy outlining:</p> <ul style="list-style-type: none"> <li>• The documents which need to be retained for each research project</li> <li>• The length of time key documents need to be retained</li> <li>• The location and format (electronic/ hard-copy) documentation should be stored</li> <li>• Roles and responsibilities for retaining documentation</li> </ul> <p>There is a risk that the University does not retain all key documents breaches legal requirements which could result in fines and reputational damage for the University.</p> <p>If audits are conducted by the research partner, the University may be unable to provide suitable evidence to support claims submitted. This could lead to reputational damage and financial claw back.</p>		
<p><i>Action plan</i></p>		
<p><i>Finding rating</i></p>	<p><i>Agreed action</i></p>	<p><i>Responsible department</i></p>
<p><b>Medium Risk</b></p> 	<p>The Research Handbook will be updated to include:</p> <ul style="list-style-type: none"> <li>• The documents which need to be retained for each research project;</li> <li>• The length of time key documents need to be retained;</li> <li>• The location and format (electronic/ hard-copy) documentation should be stored and;</li> <li>• Roles and responsibilities for retaining documentation.</li> </ul> <p>The updated Research Handbook will be shared with all staff involved with Research Contracts.</p>	<p>Central Research department</p> <hr/> <p><i>Target date:</i></p> <p>31/08/2016</p> <hr/> <p><i>Reference number:</i></p> <p>2</p>

### 3. Finance Checks – Control Design

<i>Finding</i>		
An eligibility check is completed by the Finance team over claims to be raised against research grants but there is no audit trail to evidence this review taking place and there is no guidance available to the Finance team outlining what checks should be completed prior to raising the claim.		
<i>Risks</i>		
Without documented guidance outlining which checks should be completed there may be inadequate or inconsistent checks completed across research project claims. This may result in claims being submitted which are inaccurate or invalid, resulting in potential financial or reputational damage for the University.		
<i>Action plan</i>		
<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible department</i>
<b>Medium Risk</b>  	The eligibility check completed by the Finance team will be formalised and documented in the Research Handbook to ensure there is a consistent and robust process for all grant claims submitted.  We will retain evidence of these checks.	Central Research department
		Finance department
		<i>Target date</i>
		31/08/2016
		<i>Reference number</i>
		3

#### 4. Research Contracts Expenditure Records – Control Design

<i>Finding</i>		
<p>We selected a sample of 25 expenses and timesheets claimed to test whether the expenditure was valid, accurate and in accordance with the Standard Conditions and Eligible Expenditure outlined in the Offer Letter. We also tested that expenses had been approved by an appropriate member of staff. We found:</p> <ul style="list-style-type: none"> <li>For one of the 25 expense items sampled, the expense was approved by an authorised member of staff but later found to be ineligible by the Finance Team. This misallocated item was identified by Finance through an informal check completed over the claim. Per discussions with the Finance department, we understand that this check is completed for all expenses at month end, however there is no audit trail of this check.</li> </ul>		
<i>Risks</i>		
<p>Inadequate or inconsistent checks over expenses may result in expenses being submitted to funders which are unsubstantiated or ineligible. This could mean the University over claims which could lead to financial claw back.</p>		
<i>Action plan</i>		
<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible department</i>
<p><b>Medium Risk</b></p> <p></p>	<p>The check completed by Finance will be formalised and documented in the Research Handbook to ensure there is a consistent process for all expenses claimed against research contracts.</p> <p>We will retain evidence of these checks.</p>	<p>Central Research department Finance department</p> <p><i>Target date</i></p> <p>31/08/2016</p> <p><i>Reference number</i></p> <p>4</p>

## 5. Research Contracts Timesheet Controls – Control Design

<i>Finding</i>		
<p>Through our testing of 25 expenses and timesheets, we reviewed the process in place for timesheets. We found:</p> <ul style="list-style-type: none"> <li>• There is no control in place for a second independent employee to review and approve timesheets submitted.</li> <li>• A requirement in many contracts is that employees do not record more than seven hours per day. We understand that Finance completes a manual check to ensure that each employee is not recording more than seven hours per day against a project, however evidence of this is not retained.</li> <li>• There is no audit trail of the reconciliation completed by Finance to ensure that there are no clashes or duplications in time recorded, for example where employees are working across multiple.</li> <li>• Finance's roles and responsibilities for reviewing timesheets are not defined in the Research Handbook.</li> </ul>		
<i>Risks</i>		
<p>Inadequate controls over timesheets could mean that the University is submitting inaccurate or invalid claims. This could mean claims are inaccurate and could lead to financial claw back.</p>		
<i>Action plan</i>		
<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible department</i>
<p><b>Medium Risk</b></p> <p>●</p>	<p>We will introduce an approval process for timesheets claimed against research projects.</p> <p>The roles and responsibilities for the Finance Team will be outlined in the Research Handbook.</p>	<p>Central Research department Finance department</p> <p><i>Target date</i></p> <hr/> <p>31/08/2016</p> <p><i>Reference number</i></p> <hr/> <p>5</p>

# Appendix 1. Basis of our classifications





## A. Individual finding ratings

Finding rating	Points	Assessment rationale
<b>Critical</b>	40 points per finding	<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>	10 points per finding	<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> <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>	3 points per finding	<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>	1 point per finding	<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>	0 points per finding	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Each individual finding is given points, based on the rating of the finding (Critical, High, Medium, Low or Advisory). The points from each finding are added together to give the overall report classification of Critical risk, High risk, Medium risk or Low risk, as shown in the table on the next page.

## Report classifications

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

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

## Appendix 2. Terms of Reference

### Terms of reference – Research and Enterprise Contracts

**To:** Paul Ivey (PVC, Research and External Engagement)

Yvonne Mavin (Head of Compliance and Systems)

Sarah Plant (Head of Research Services)

**From:** Justin Martin (Head of Internal Audit)

This review is being undertaken as part of the 2015/16 internal audit plan approved by the Audit Committee.

### Background

Higher Education Institutions (HEIs) are offered various opportunities to apply for funding from external bodies for research and enterprise projects. For each grant awarded HEIs will receive an offer letter which outlines standard conditions of the grant and eligible expenditure. Payment of the grant will be in accordance with the expenditure profile in the offer letter and only awarded if the HEI is compliant with the grant's standard conditions.

London South Bank University (the University) has recently had one of its grants audited (the ICE Research Project) by one of their funders (the European Union (EU)). This highlighted issues with the financial administration and control of the project such as lack of evidence to support claims and timesheets. As a result of these findings, the University is expecting a potential claw back of £200k.

The University has also recently implemented a new process for managing enterprise income contracts. This covers the process up to the stage of contract signature and aims to bring greater clarity to University employees over their roles and responsibilities, which departments need to be involved and which levels of contract approval are required.

The objective of this audit is to review the design of the University's new policy and procedure for enterprise income. This will cover the process up to contract signature.

Our work over research will cover the University's procedures for ensuring compliance with grant terms and conditions, post-award.

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

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

**x** = area of primary focus

x = possible area of secondary focus

### Scope

The processes, related key control objectives and key risks within the scope of our work are detailed below.

Sub-process	Key control objectives	Work to be performed
-------------	------------------------	----------------------

<b>Research</b>		
Documentation Retention	<p>The University has defined policies and procedures for ensuring that the following documentation has been retained and is stored securely:</p> <ul style="list-style-type: none"> <li>• The original Application for Funding;</li> <li>• The original Offer Letter and Standard Conditions and Eligible Expenditure;</li> <li>• Copies of any variations to the Offer Letter or Standard Conditions or Eligible Expenditure.</li> </ul> <p>There is an audit trail to confirm any changes to the process and key management decisions made. Roles and responsibilities are defined.</p>	<p>We will confirm that processes for documentation retention, compliance with terms and conditions and expenditure records are documented.</p> <p>We will test a sample of projects awarded in 2014/15 to confirm compliance with this process.</p>
Compliance with Terms and Conditions	<p>There is a defined process in place to monitor compliance with terms and conditions of the contracts.</p> <p>There is evidence to support compliance with this process.</p>	
Expenditure Records	<p>Controls are in place to ensure that expenditure incurred is valid and consistent with the Standard Conditions and Eligible Expenditure in the Offer Letter.</p> <p>There is a complete and accurate record of a incurred with supporting documentation for expenditure.</p>	
<b>Enterprise</b>		
Policy and guidance notes	<p>There is defined policy and / or guidance notes for the process of entering enterprise contracts.</p> <p>Policies and procedures include:</p> <ul style="list-style-type: none"> <li>- Defined roles and responsibilities;</li> <li>- Review, authorisation and approval requirements</li> </ul>	<p>We will confirm that there is a documented policy and/or guidance notes and review these.</p>

### **Limitations of scope**

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

#### **Enterprise**

Our work is limited to looking at the new policy and procedure for enterprise income. This will cover the process up to contract signature.

This does not include ongoing contract monitoring arrangements.



## Research

Our work over research will cover the University's procedures for ensuring compliance with grant terms and conditions, post-award. It will not include pre award decisions e.g. approval to apply for the grant.

We will test the following grants for compliance:

Project Title	Contract	Project Sponsor/Funder	Division	Value
FRISBEE - Food Refrigeration Innovations for Safety, Consumers' Benefit, Environmental Impact and Energy Optimisation along the Cold Chain in Europe	RC 6360	EC FP 7	Urban Engineering	£500,591
MANANO - Manufacturing and Applications of Nanostructured Materials (FP7-264710) (LSBU = lead. LSBU portion of budget = 621,223.20 euros)	RC 6388	European Commission- 7th Framework Programme	Engineering & Design	£1,874,296
Transition: Understanding it and making it work	RC 6394	Burdett Trust Various Funders	Children's Nursing	£296,925
Centre of Expertise in Flammable Gases	RC 6438	Sellafield Ltd	Applied Science	£500,000
Joint Bid, Lead Organisation University Warwick. Interdisciplinary Centre of Storage, Transformation and Upgrading of Thermal Energy (i-STUTE) (Centres of Excellence)	RC 6465	EPSRC (Engineering and Physical Sciences Research Council)	Urban Engineering	£1,186,503

This does not include testing outputs to confirm if they are compliant or not and is limited to testing of the controls and processes enforced by the University to confirm this.

### **Audit approach**

Our audit approach is as follows:

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

### **Internal audit team**

Name	Title	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
Charlotte Bilsland	Engagement Manager	07718 484 470 charlotte.bilsland@uk.pwc.com
Lucy Gresswell	Audit Supervisor	07718 098 321

		lucy.j.gresswell@uk.pwc.com
Tom Baker	Auditor	thomas.n.baker@uk.pwc.com

### Key contacts

Name	Title	Contact details	Responsibilities
Paul Ivey	PVC, Research and External Engagement (Audit Sponsor)	iveyp@lsbu.ac.uk	Review and approve terms of reference Review draft report
Yvonne Mavin	Head of Compliance and Systems (Audit Sponsor)	maviny@lsbu.ac.uk	Review and approve final report Hold initial scoping meeting
Sarah Plant	Head of Research Services (Audit Sponsor)	plants@lsbu.ac.uk	Review and meet to discuss issues arising and develop management responses and action plan
Richard Flatman	Executive Director of Finance (Audit Contact)	0207 815 6301 richard.flatman@lsbu.ac.uk	Receive draft and final terms of reference Receive draft report Receive final report
John Baker	Corporate and Business Planning Manager (Audit Contact)	0207 815 6003 j.baker@lsbu.ac.uk	

### Timetable

Fieldwork start	25 <sup>th</sup> January 2016
Fieldwork completed	5 <sup>th</sup> February 2016
Draft report to client	19 <sup>th</sup> February 2016
Response from client	4 <sup>th</sup> March 2016
Final report to client	11 <sup>th</sup> March 2016

Agreed timescales are subject to the following assumptions:

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

## ***Appendix 3. Limitations and responsibilities***

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

We have undertaken the review of Research and Enterprise Contracts, subject to the limitations outlined below.

#### ***Internal control***

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

#### ***Future periods***

Our assessment of controls is for the period 2015/16 only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

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

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

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we 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.

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



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

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

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**London South Bank  
University**

	CONFIDENTIAL
	PAPER NO: AC.24(16)
Paper title:	Internal Audit Report – Data Quality
Board/Committee	Audit Committee
Date of meeting:	9 <sup>th</sup> June 2016
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Committee with the results of the review into data quality
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	The data quality report relates to data that spans the entire organisation, and relates to the monitoring processes that underpin all of the goals of the strategy.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> <li>• the report and its findings</li> </ul>

Matter previously considered by:		
Further approval required?		

### Executive Summary

The survey into design and operation of controls around reporting of performance information was rated as medium risk, and found four medium risk findings, and one low risk finding.

These related to the methodology behind calculation of some data, discrepancy between actual and reported data, lack of process clarity, and timeliness of central data presentation. (*Findings on pages 5 – 10*)

The Committee is requested to note:

- the report and its findings

*Internal Audit  
Report 2015/16*

Management Information –  
Data Quality

May 2016

London South Bank  
University

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## Distribution List

For action:	Ravi Mistry (Finance & Management Information Systems Manager) Richard Duke (Head of Business Intelligence Unit)
For information:	Audit Committee Richard Flatman (Chief Financial Officer) John Baker (Corporate & Business Planning Manager)

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.

# 1. Executive summary

Report Classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
<b>Medium Risk</b>  	N/a – we have not reviewed this area before.	<b>Control design</b>	0	0	3	0	0
		<b>Operating effectiveness</b>	0	0	1	1	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>0</b>

## Summary of findings

### Background

The availability of high quality and timely management information is essential for management to make informed decisions regarding an organisation's operations. Accurate management information is integral in ensuring performance is scrutinised and appropriate decision making occurs.

In November 2010, HEFCE published 'Public information about higher education: Consultation on changes to information published by institutions'. This document set out proposals to improve the information published by all higher and further education institutions in England.

London South Bank University (the University) has recently completed an internal project which looked to improve the quality of its management information, as part of this exercise the University has:

- Aimed to improve its overall governance arrangements over data quality;
- Consolidated a listing of its main returns to HESA and HEFCE;
- Introduced a dashboard for key performance indicators (KPIs); and
- Introduced a control checklist over its key systems.

The purpose of this internal audit was to review the design and effectiveness of controls in place to ensure that accurate, complete and valid management information is produced. A sample of five KPIs was selected from the monthly dashboard to verify the accuracy of information provided to senior management and Board and that data quality assertions (accuracy, validity, reliability, timeliness, relevance and completeness) are considered as part of data collection methodology.

### Key findings

We identified four medium risk findings and one low risk findings. The *medium* risk findings are:

- We found control design findings for three of the five KPI's tested, including:
  - There was no data available to report on the *Appraisal Completion %* KPI.
  - For the *Room Utilisation* KPI the figure reported for the 2014/15 financial year was from the 2013/14 survey. The 2015/16 survey was conducted during a reading week which shall negatively impact the KPI reported.
  - The supporting data for the *Graduate Employment* KPI omitted 23 students resulting in a 1% discrepancy between the underlying data (67.4%) and figure reported to HESA (68%). **See finding #1.**
- We completed testing on the underlying data used to report the *DHLE entry to employment or further*



*study (EPI) and Graduate level employment KPIs. We were unable to locate supporting evidence to corroborate the responses recorded for 17 of the 25 students sampled (72%). See finding #2.*

- Data collection methodology is not captured in the data management documents reviewed: the Data Management Framework and the Data Management Policy. It is unclear from review of these two documents how the six assertions for data quality (accuracy, validity, reliability, timeliness, relevance and completeness) are addressed. **See finding #3.**
- We considered the guidance in place for data quality and found there are a number of inconsistencies between the two guidance documents for data quality: the Data Management Framework and the Data Management Policy. **See finding #4.**

We have raised one *low* risk finding:

- The KPI dashboard is not kept up to date. During our fieldwork visit in February 2016, the KPI dashboard was showing figures that were up to date as of November 2015. **See finding #5.**

## 2. Detailed findings

### 1. Accuracy of Management Information – Control Design

#### Findings

We selected a sample of five KPI's from LSBU's dashboard and reviewed their design to confirm data is collated in a systematic and consistent manner, we found the following:

#### Appraisal Completion %

- At the date of audit fieldwork there was no data available for this KPI. From discussion with management, we understand that this is due to issues identifying the parameters to be used in the calculation. Management are able to define the numerator in the calculation (the number of staff appraisals completed), but the basis for the denominator (the number of staff appraisals which should be completed) has not yet been finalised.

#### Teaching Room Utilisation Rate

- To determine the teaching room utilisation rate, an annual survey is commissioned by the Estates department. In 2014/15, the teaching room utilisation rate recorded in the dashboard was 19.2% and comes from a survey completed in November 2013. LSBU should be reporting the percentage from the most recently published survey, completed in November 2014, which identifies a room utilisation rate of 21%.
- The survey conducted in November 2015 (which should be reported for the 2015/16 financial year) was completed whilst a reading week was in place for a number of courses. This was due to the Estates department not being informed of the reading week when the survey was planned. It is expected that performance for the 2015/16 KPI will be negatively affected as a result.


#### Graduate Level Employment

- We recalculated the percentage of students in graduate level employment and found the underlying data did not capture 23 students due to an error in the course mapping. This meant LSBU reported in the dashboard that graduate level employment was 68%, when it should have been 67.4%.


#### Risk

If data collection methods are not designed in a systematic manner, and based on valid accurate and complete data, then performance information may be incorrect. This could lead to inappropriate decisions being made or incorrect information being made publically available.


#### Action plan

Finding rating	Agreed action	Responsible person / title
<b>Medium Risk</b> 	<b>Appraisal Completion %</b> We will agree the parameters for the Appraisal Completion % to allow reporting on the KPI. <b>Teaching Room Utilisation Rate</b> The teaching room utilisation KPI reported for 2014/15 will be updated for the November 2014 survey. Prior to the next annual survey (for the 2016/17 financial year), we will confirm the timings of reading weeks to ensure there is a consistent measurement basis. <b>Graduate Level Employment</b> We will investigate and correct the course mapping to capture all applicable students in the KPI.	Richard Duke (Head of Business Intelligence) <b>Appraisal Completion %</b> Cheryl King-McDowall (Director of Organisational Development) <b>Teaching Room Utilisation Rate</b> Andrew Wignall (Space Manager) <b>Target date:</b> 31/10/2016 <b>Reference number:</b> 1

## 2. Accuracy of Management Information – Operating Effectiveness

<i>Findings</i>		
<p>The data used for <i>DHLE entry to employment or further study (EPI)</i> and <i>Graduate level employment</i> KPIs both use statistics reported in the HESA return. We tested a sample of 25 surveys completed to verify the accuracy of KPI data.</p> <p>For 18/25 surveys sampled (72%) data could not be corroborated. This was due to difficulties accessing the original survey documentation.</p>		
<i>Risks</i>		
<p>If appropriate supporting documentation is not retained to support KPIs then we cannot confirm if this is accurate. This could undermine the reliability of KPI data.</p>		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
<p><b>Medium Risk</b></p> 	<p>We will retain and file evidence for completed student surveys.</p>	<p>Richard Duke (Head of Business Intelligence) Nick Turk (Head of Employability)</p> <p><i>Target date:</i></p> <hr/> <p>31/09/2016</p> <p><i>Reference number:</i></p> <hr/> <p>2</p>

### 3. Data Collection Methodology – Control Design

<i>Findings</i>		
<p>LSBU have a Data Management Framework in place which expresses the need for data to achieve the standard data quality assertions (accuracy, validity, reliability, timeliness, relevance and completeness).</p> <p>Processes and controls in place to achieve these six assertions were not adequately defined in the Data Management Framework.</p>		
<i>Risks</i>		
<p>Without defined guidance on how to achieve data quality, employees may not understand how to fully ensure data quality. This could undermine the reliability of data if these processes are not robust.</p>		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
<p><b>Medium Risk</b></p> <p></p>	<p>We will capture data collection methodology in the Data Management Framework.</p>	<p>Richard Duke (Head of Business Intelligence)</p> <p>Ravi Mistry (Financial Systems Manager)</p> <p><i>Target date:</i></p> <p>31/09/2016</p> <p><i>Reference number:</i></p> <p>3</p>

## 4. Guidance for Management Information: Data Quality – Control Design

### Findings

We reviewed the Data Management Framework (the Framework) and the Data Management Policy (the Policy). We found:

- The chain of command for data quality roles is currently unclear. There are four governance groups that oversee data quality for LSBU: the Data Trustees Group, the Data Assurance Group, the Data Stewards Group and the Data Managers Group. It is not obvious which group holds the greatest authority. This could be made clearer through use of a hierarchy diagram.
- There are also inconsistencies in the reported frequency of governance group meetings across documents:

Group	Meeting Frequency		
	Listing (Framework)	Matrix (Framework)	Online Group Summary
Data Trustees Group	At least twice a year	Twice annually	Quarterly
Data Assurance Group	Twice a year	Quarterly	Twice a year
Data Stewards Group	Not included.	Not included.	Quarterly
Data Managers Group	Not included.	Not included.	Quarterly

- There are discrepancies between the Framework and the Group Governance Summary (taken from the intranet) regarding who is included in the Data Assurance Group. The Group Governance Summary includes Executive Accountable and Trustees but neither of these are included in the Framework definition.
- Data Quality Assessment Checklists were completed in December 2015 for the four key systems: Oracle (HR), i-trent (Payroll), Agresso (Finance), QLS (Registry). The Framework does not specify how frequently Data Quality Assessment Checklists should be completed going forwards.
- The Framework does not confirm how the questions in the Data Quality Assessment Checklist tie through to the six key characteristics of good quality data outlined in the Data Quality Framework: Accuracy, Validity, Reliability, Timeliness, Relevance and Completeness.
- There were a number of discrepancies between the two documents, namely:
  - The Framework lists data analysis as a responsibility of Data Managers, the Policy omits this.
  - The Policy states that Data Users must comply with LSBU's document retention schedules; the Framework does not.
  - The Policy defines one group as Data Managers but the same group is called Data Experts in Framework. The position titles are inconsistent across the two documents.
  - The Framework states that both Data Managers and Data Experts are members in the Data Assurance Group. This is unclear as Data Managers and Data Experts refer to same role.
- The Policy states that it applies to third parties. It is unclear how the policy applies to third parties and how this is communicated.
- A data governance training video is available on the intranet, this training video does not form part of the mandatory training for staff. There is other mandatory training relating to data protection and data security.


*Risks*

Staff may not understand their roles and responsibilities for the data quality resulting in management information which is unreliable or inaccurate. This could result in LSBU making adverse decisions which cause financial or reputational damage.


Inconsistency across guidance for governance arrangements could result in confusion for staff members and a lack of clarity regarding best practice. This may lead to data quality issues going undetected.

Submitting returns or reporting results with inaccurate or invalid data could result in financial or reputational damage for LSBU.

*Action plan*

<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
<b>Medium Risk</b>  	We will update the Data Management Framework and the Data Management Policy to clarify the discrepancies between the two documents.	Ravi Mistry (Financial Systems Manager)
	The meeting frequencies for the four governance groups will be clarified across the Data Management Framework, the Data Management Policy and the Online Group Summary.	<i>Target date:</i> 31/09/2016
	An evaluation will be undertaken to assess whether the training video for Data Quality should be included in the mandatory training for staff.	<i>Reference number:</i> 4
	The Data Quality Assessment Checklist of systems tested, will be reported to each DAG (which meets twice per year). We will also clarify how the checklist ensures that the characteristics of good quality are achieved. Both points will be updated in the Data Management Framework.	

## 5. Timely reporting of Management Information – Operating Effectiveness

<i>Findings</i>		
<p>The KPI dashboard is not kept up to date with latest data sets. During our fieldwork visit in February 2016, the most recent update was November 2015.</p> <p>Up to date information is present in the KPI reports provided to the Executive and the Board of Governors.</p>		
<i>Risks</i>		
<p>With presentation of untimely management information, there is a risk LSBU staff may not refer to the latest information available to make informed decisions. This could result in adverse decisions being made which could negatively impact on the reputation or financial performance.</p>		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
<p><b>Low Risk</b></p> <p></p>	<p>We will ensure the KPI dashboard is kept up to date.</p>	<p>Richard Duke (Head of Business Intelligence)</p> <p><i>Target date:</i></p> <p>30/10/2016</p> <p><i>Reference number:</i></p> <p>5</p>

# Appendix 1. Basis of our classifications

## A. Individual finding ratings





Finding rating	Points	Assessment rationale
<b>Critical</b>	40 points per finding	<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>	10 points per finding	<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> <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>	3 points per finding	<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>	1 point per finding	<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>	0 points per finding	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Each individual finding is given points, based on the rating of the finding (Critical, High, Medium, Low or Advisory). The points from each finding are added together to give the overall report classification of Critical risk, High risk, Medium risk or Low risk, as shown in the table on the next page.



## Report classifications

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

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

## Appendix 2. Terms of Reference

### Terms of reference – Management Information: Data Quality

**To:** Ravi Mistry (Financial Systems Manager)

**From:** Justin Martin (Head of Internal Audit)

This review is being undertaken as part of the 2015/16 internal audit plan approved by the Audit Committee.

### Background

The availability of high quality and timely management information is essential for management to make informed decisions regarding an organisation's operations. Accurate management information is integral in ensuring performance is scrutinised and appropriate decision making occurs.

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- Introduced a control checklist over its key systems.

The purpose of this internal audit is to review the design and effectiveness of controls in place to ensure that accurate, complete and valid management information is produced. A sample of key KPIs will be selected from the monthly dashboard to verify the accuracy of information provided to senior management and Board and that data quality assertions (accuracy, validity, reliability, timeliness, relevance and completeness) are considered as part of data collection methodology.

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

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

**x** = area of primary focus

x = possible area of secondary focus

### Scope

This review will consider the method followed to compile monthly management information.

The processes, related key control objectives and key risks within the scope of our work are detailed below.

Sub-process	Key control objectives	Work to be performed
Data quality systems/ processes	<ul style="list-style-type: none"> <li>Roles and responsibilities, accountability and ownership are defined in relation to data collection and validation.</li> <li>Timely and accurate management information is produced to monitor performance and inform decision making.</li> <li>Management information is reviewed, understood and subject to scrutiny.</li> <li>Data triangulation is performed by the Business Intelligence Unit to validate the accuracy of data.</li> </ul>	<ul style="list-style-type: none"> <li>We will obtain policies and procedure notes and confirm that responsibilities are defined.</li> <li>We will understand key management information produced and test a sample to confirm it is produced in line with procedures and reported / reviewed in line with procedures.</li> </ul>
Accuracy of management information	<ul style="list-style-type: none"> <li>There is supporting documentation to validate management information.</li> <li>Monthly dashboard KPI data is accurate, valid and complete.</li> <li>Data collection methodology is appropriate and embodies standard data quality assertions.</li> </ul>	<ul style="list-style-type: none"> <li>We will obtain the most recent monthly dashboard KPI report and review its design.</li> <li>We will select a sample of KPIs from the monthly dashboard and test to confirm these are accurate, valid and complete. As part of this we will confirm data is collated in a systematic and consistent manner.</li> </ul>
Governance arrangements	<ul style="list-style-type: none"> <li>A framework is in place for monitoring data quality across the University.</li> <li>There is an appropriate governance structure in place demonstrating management's commitment to data quality.</li> </ul>	<ul style="list-style-type: none"> <li>We will confirm the overarching governance arrangements in place over data quality at the University.</li> </ul>

### **Limitations of scope**

The scope of our work will be limited to those areas outlined above. Our testing of the accuracy and completeness of data will be restricted to a sample of the KPI's included within the Management Information Dashboard. These will be selected in advance of the audit and have been outlined below:

- DHLE entry to employment or further study (EPI)
- NSS scores – overall satisfaction
- Graduate level employment
- Appraisal completion %
- Teaching room utilisation rate

### Audit approach

Our audit approach is as follows:

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

### Internal audit team

Name	Title	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
Charlotte Bilslad	Engagement Manager	07718 484 470 charlotte.bilslad@uk.pwc.com
Lucy Gresswell	Audit Supervisor	07718 098 321 lucy.j.gresswell@uk.pwc.com
Rebecca Taylor	Auditor	rebecca.x.taylor@uk.pwc.com

### Key contacts

Name	Title	Contact details	Responsibilities
Ravi Mistry	Finance & Management Information Systems Manager (Audit Sponsor)	020 7815 6317 mistryrm@lsbu.ac.uk	Review and approve terms of reference Review draft report Review and approve final report
Richard Duke	Head of Business Intelligence Unit (Audit Sponsor)	020 7815 6031 duker3@lsbu.ac.uk	Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan
Richard Flatman	Chief Financial Officer (Audit Contact)	0207 815 6301 richard.flatman@lsbu.ac.uk	Receive draft and final terms of reference Receive draft report Receive final report
John Baker	Corporate and Business Planning Manager (Audit Contact)	0207 815 6003 j.baker@lsbu.ac.uk	

**Timetable**

Fieldwork start	8 <sup>th</sup> February 2016
Fieldwork completed	19 <sup>th</sup> February 2016
Draft report to client	4 <sup>th</sup> March 2016
Response from client	18 <sup>th</sup> March 2016
Final report to client	1 <sup>st</sup> April 2016

Agreed timescales are subject to the following assumptions:

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

**Information Request**

Please find attached a deliverables listing outlining items we expect to have available on the first day of the audit:

- Copies of all policy and procedure notes;
- A copy of the most recent KPI Dashboard – we will select a sample from this to test accuracy of management information;
- Access to minutes from any relevant meetings and associated reports; and

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

## ***Appendix 3. Limitations and responsibilities***

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

We have undertaken the review of Management Information – Data Quality, subject to the limitations outlined below.

#### ***Internal control***

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

#### ***Future periods***

Our assessment of controls is for the period 2015/16 only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

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

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

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we 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.

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



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

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

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**London South Bank**  
University

	CONFIDENTIAL
	PAPER NO:AC.25(16)
Paper title:	Internal Audit Draft Plan 2016 – 2017
Board/Committee	Audit Committee
Date of meeting:	9 <sup>th</sup> June 2016
Author:	PriceWaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Committee with the draft plan for the Internal Audit programme for the 16/17 Academic Year.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	The internal audit plan relates to controls and processes that relate to the entire organisation.
Recommendation:	Committee is requested to review: <ul style="list-style-type: none"> <li>• the draft plan</li> </ul>

Matter previously considered by:		
Further approval required?		

### Executive Summary

The draft plan for the Internal Audit programme for the 16/17 Academic Year is attached.

The plan includes four elements that feature every year; continuous audit of financial and student data, and reports on risk management and value for money.

The HR system pre-implementation review has been rolled forward from the 15/16 plan, and this is joined by a review of preparedness for the HEFCE 5 year review in Q1, a review of Placements in Q2, a review of Apprenticeships and an IT system risk diagnostic review in Q3, and a review of contract management and spend analysis activity in Q4.

The detailed plan is section 4 on page 13 of the document, and has been reviewed by the Executive Team.

The Committee is requested to review, and consider for approval:

- the draft plan

# *Internal Audit Risk Assessment and Plan 2016/17*

DRAFT

London South Bank  
University

May 2016

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## Distribution List

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

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

# 1. Introduction and approach

## Introduction

This document sets out our risk assessment and our 2016/17 Internal Audit Risk Assessment and Plan (the Internal Audit Plan) for London South Bank University.

## Approach

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

*Step 1*  
*Understand corporate objectives and risks*

- Obtain information and utilise sector knowledge to identify corporate level objectives and risks.

*Step 2*  
*Define the audit universe*

- Identify all of the auditable units within the organisation. Auditable units can be functions, processes or locations.

*Step 3*  
*Assess the inherent risk*

- Assess the inherent risk of each auditable unit based on impact and likelihood criteria.

*Step 4*  
*Assess the strength of the control environment*

- Assess the strength of the control environment within each auditable unit to identify auditable units with a high reliance on controls.

*Step 5*  
*Calculate the audit requirement rating*

- Calculate the audit requirement rating taking into account the inherent risk assessment and the strength of the control environment for each auditable unit.

*Step 6*  
*Determine the audit plan*

- Determine the timing and scope of audit work based on the organisation's risk appetite.

*Step 7*  
*Other considerations*

- Consider additional audit requirements to those identified from the risk assessment process.

### *Basis of our plan*

We have budgeted 127 days for our 2016/17 Internal Audit Plan which includes two days rolled over from 2015/16. In our view these are the minimum number of days required to support our Annual Audit Opinion.

As the Internal Audit Plan has been limited to 127 days, it does not claim to address all key risks identified across the audit universe as part of the risk assessment process. The level of internal audit activity represents a deployment of limited internal audit resources and in approving the Internal Audit Plan the Audit Committee recognises this limitation.

### *Basis of our annual internal audit conclusion*

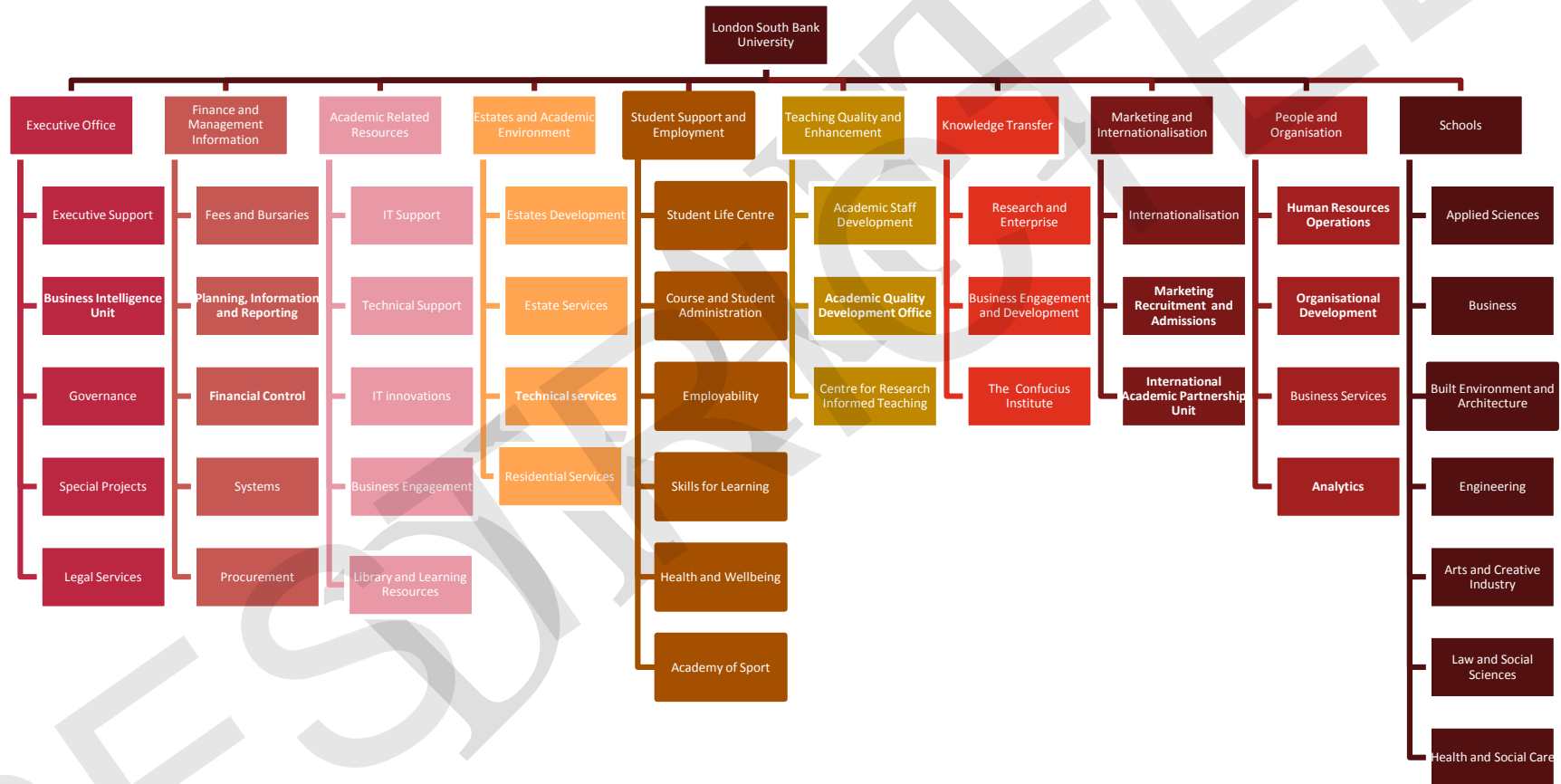
Internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Memorandum of Assurance and Accountability (MAA). As a result, our work and deliverables are not designed or intended to comply with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

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

# 2. Audit universe, corporate objectives and risks

## Audit universe

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



## Corporate objectives and risks

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

## 3. *Internal Audit Plan and indicative timeline*

### *HEFCE Requirements*

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

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

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

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

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



### *Key Priorities*

In line with the HEFCE Audit Code of Practice, internal audit plans should be reviewed on a regular basis to ensure that the internal audit services provided continue to reflect the changing needs and priorities of the HEI. With our knowledge of London South Bank University and the way it operates we have identified the following current priorities and have produced our 2016/17 plan to reflect these priorities.

#### **Data Quality**

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

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

Our 16/17 plan includes continuous auditing of key student data controls and will provide additional oversight of the design and effectiveness of controls over data quality.

### **Risk Management and Governance**

The Audit Committee needs assurance that the risks facing London South Bank University are being managed properly. We will perform a review of risk management in 2016/17 and consider governance arrangements as part of all our internal audits.

### **Financial Systems Key Controls**

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

### **Value for Money**

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

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

We are required to include an opinion on the adequacy and effectiveness of London South Bank University's value for money arrangements (not results, outputs or achievement) in our annual internal audit report to the Audit Committee, governing body and designated officer. A review of value for money arrangements will be performed in 2016/17.

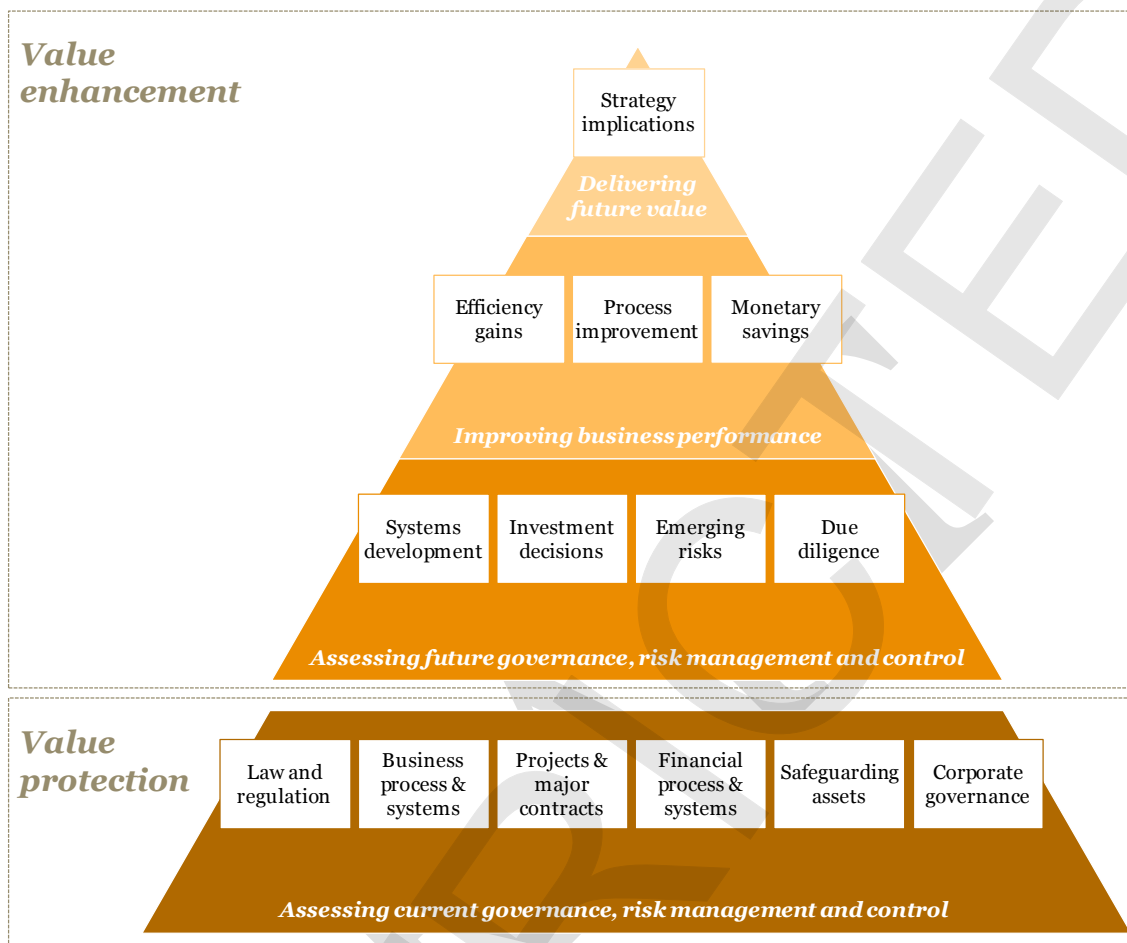
### **Follow Up Reviews**

The purpose of follow up of internal audit recommendations is to reinforce the importance of controls within the Institution, and provides updated information about whether important risks have been properly dealt with through remedial control actions. We will continue to perform follow up work in 2016/17 and report progress through to the Audit Committee.



## Delivering value through our approach

Our approach focuses on two types of review, Value Protection and Value Enhancement. The nature of Value Protection and Value Enhancement is summarised below:



### Value Protection

Value Protection provides a review of your current governance, risk management and control arrangements, which constitutes a traditional controls assurance methodology. You need assurance on your core systems and we have included necessary core system reviews in the plan. We will communicate risk areas and issues identified from our work so that our approach is co-ordinated to address risks identified.

### Value Enhancement

Value Enhancement is focused on assessing future risks, such as looking at your new projects / systems and improving your performance, by, for example, identifying opportunities for efficiency gains, saving money and improving quality. Internal audit provides a valuable role in improving business performance and delivering future value. We will use our broader specialist skills and experience to help London South Bank University to achieve its aims and objectives.

## Risk assessment results

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

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
<b>A</b>	<b>Executive Office</b>						
A.1	Governance	5	3	4	●	Annual	We will test that there are appropriate governance arrangements in place in all of our reviews.
A.2	Legal Services	4	4	2	●	Every three years	We have included a review of preparedness for the HEFCE 5 Year Review.
A.3	Special Projects	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.
A.4	Executive Support	2	3	N/a	N/a	N/a	No particular risks identified as part of planning.
A.5	Business Intelligence Unit	4	3	3	●	Every two years	We performed a review of Data Quality in 2015/16. No further review required until 2017/18.
<b>B</b>	<b>Finance and Management Information</b>						
B.1	Planning Information and Reporting	6	4	4	●	Annual	Risk management and value for money arrangements will be covered every year.
B.2	Financial Control	5	3	4	●	Annual	Continuous auditing on key financial systems each year (payroll, accounts payable, account receivable, general ledger and cash).
B.3	Fees and Bursaries	5	3	4	●	Annual	Continuous auditing on key student data controls each year.
B.4	Procurement	4	3	3	●	Every two years	Our last review in this area related to Contract Management in 2010/11; we have included a review of Contract Management Spend in this years plan as the University has performed its own Procurement Maturity Assessment.
B.5	Systems	5	5	3	●	Every two years	Elements of Agresso controls are tested as part of our continuous auditing programme. We have also included a review of the HR System Implementation.
<b>C</b>	<b>People and Organisation</b>						

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
C.1	Human Resources Operations (HR)	5	3	4	●	Annual	A review of HR System Implementation has been included in the 2016/17 plan.
C.2	Organisational Development	5	3	4	●	Annual	
C.3	Analytics	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.
C.4	Business Services	5	4	3	●	Every two years	We have not reviewed Health and Safety since 2010/11; we have included this as a potential review which management and the Audit Committee may wish to consider for inclusion in the 2016/17 plan in Section 4.
<b>D</b>	<b>Marketing and Internationalisation</b>						
D.1	Marketing recruitment and admissions	5	3	4	●	Annual	The admissions process is covered by student data continuous auditing every year.
D.2	International Academic Partnership Unit	5	3	4	●	Annual	As the Internal Audit Plan has been limited to 127 days, it does not claim to address all key risks identified across the audit universe as part of the risk assessment process, therefore although our Risk Assessment suggests that audits of the International Academic Partnership Unit and Internationalisation are due in 2016/17 we have not included these in our proposed plan. We have included these as potential reviews which management and the Audit Committee may wish to consider for inclusion in the 2016/17 plan in Section 4.
D.3	Internationalisation	5	3	4	●	Annual	
<b>E</b>	<b>Knowledge Transfer</b>						
E.1	Research and Enterprise	5	4	3	●	Every two years	We reviewed Research and Enterprise in 2015/16. No audit due until 2017/18.
E.2	Business Engagement and Development	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.
E.3	The Confucius Institute	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.
<b>F</b>	<b>Teaching Quality and Enhancement</b>						
F.1	Academic Quality Development Office	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17. However, we have

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
							identified that Partnerships and Collaborations as an area which management and the Audit Committee may wish to consider for inclusion in the 2016/17 plan in Section 4.
F.2	Academic Staff Development	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.
F.3	Centre for Research Informed Training	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.
<b>G</b>	<b>Academic Related Resources</b>						
G.1	IT Support	5	3	4	●	Annual	We included a review of Information Security in 2015/16. Given HE-wide risks concerning IT and its impact on the student experience, we have included time to perform an IT review.
G.2	Library and Learning Resources	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.
G.3	Technical Support	4	2	3	●	Every two years	Given HE-wide risks concerning IT and its impact on the student experience, we have included time to perform an IT review this year.
G.4	IT Innovations	4	2	3	●	Every two years	
G.5	Business Engagement	3	3	2	●	Every three years	Risk assessment unchanged from previous year. No internal audit due until 2017/18.
<b>H</b>	<b>Estates and Academic Environment</b>						
H.1	Estates Development	3	3	2	●	Every three years	Risk assessment unchanged from previous year. No internal audit due until 2017/18..
H.2	Technical Services	3	3	2	●	Every three years	Risk assessment unchanged from previous year. No internal audit due until 2017/18.
H.3	Estates Services	3	3	2	●	Every three years	Risk assessment unchanged from previous year. No internal audit due until 2017/18.
H.4	Residential Services	3	4	N/a	N/a	N/a	No particular risks identified as part of planning.
<b>I</b>	<b>Student Support and Employment</b>						
I.1	Student Life Centre	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
I.2	Course and Student Administration	5	3	4	●	Annual	Student attendance is covered by student data continuous auditing every year.
I.3	Employability	3	3	2	●	Every three years	Risk assessment unchanged from previous year. No internal audit due until 2017/18.
I.4	Skills for Learning	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.
I.5	Health and Wellbeing	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.
I.6	Academy of Sport	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2016/17.
<b>J</b>	<b>Schools</b>						
J.1	Applied Sciences	5	3	4	●	Annual	Elements of controls operated by Schools are picked up through our continuous auditing programme of key financial systems and student data.
J.2	Business	5	3	4	●	Annual	
J.3	Built Environment and Architecture	5	3	4	●	Annual	
J.4	Engineering	5	3	4	●	Annual	
J.5	Law and Social Sciences	5	3	4	●	Annual	
J.6	Health and Social Care	5	3	4	●	Annual	
J.7	Arts and Creative Industry	5	3	4	●	Annual	

*Key to frequency of audit work*

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

## 4. Annual plan and internal audit performance

### Annual plan and indicative timeline

The following table sets out the internal audit work planned for 2016/17, with indicative start dates for each audit.

Ref	Auditable Unit	Indicative number of audit days	2016/17				Comments
			Q1	Q2	Q3	Q4	
<b>A</b>	<b>Executive Office</b>						
A.1	Placements	8		✓			Review of control design and effectiveness for placements
A.1	Apprenticeships	7			✓		Review of control design and effectiveness for apprenticeships
A.2	HEFCE 5 Year Review	5	✓				Workshop ahead of HEFCE 5 Year Review
<b>B</b>	<b>Finance and Management Information</b>						
B.1	Risk Management	5				✓	<ul style="list-style-type: none"> <li>• Policies and Procedures</li> <li>• Reporting and Monitoring of risk</li> <li>• Risk Identification</li> <li>• Embedding Risk Management</li> </ul>
B.1	Value for Money	3				✓	HEFCE requirement. We will also consider value for money arrangements on other reviews performed.
B.2	Continuous Auditing – Financial Controls	25	✓		✓		We will review controls in the following areas: <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Cash</li> <li>• Accounts Payable</li> <li>• Accounts Receivable</li> <li>• Payroll</li> </ul>
B.3	Continuous Auditing – Student Data	30		✓	✓		Rolling cycle of reviews of key controls over student data. To also include compliance checks with UKVI.
B.4	Contract Management and Spend Activity	10				✓	Review of contract management controls and analysis of spend activity. This potentially will include management of research and corporate contracts.
<b>C</b>	<b>People and Organisation</b>						

C.1	HR system implementation	9		✓			A review of the implementation of the new HR system.
<b>G</b>	<b>Academic Related Resources</b>						
G.1	IT Audit	10			✓		To be finalised after discussion of IT Risk Assessment areas with management.
<b>Z</b>	<b>Audit Project Management</b>						
Z.1	Planning and Management	10	✓	✓	✓	✓	
Z.2	Follow Up	5	✓	✓	✓	✓	
	<b>Total Days</b>	<b>127</b>					

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

From our work undertaken during 2015/16 and discussions with management, there are additional reviews that we believe management and the Audit Committee need to consider for inclusion in the 2016/17 plan in addition to the core days on the previous page. These include:

- Student expectations are much greater in response to rises in fees, and students expect to be able to interact with London South Bank University in a modern and efficient way. You are investing on your information systems but opportunities could be missed if the IT platform doesn't enable you to meet your outcomes or comply with your financial control requirements. The impact of a failure related to data loss, system failure, lack of business continuity, system and information breach for example is huge, not only operationally, but reputationally and financially. We have previously reviewed Business Continuity, Information Security and performed two Phishing exercises. We have included time for an IT review in 2016/17 however, we have access to a large and diverse group of IT specialists which we could utilise elsewhere for example: **IT general controls, cyber security, IT infrastructure** and/or **IT migration**.
- London South Bank University is operating in a 'crowded market' that is no longer restricted to UK based institutions. Your competition is global and your strategy needs to reflect this. Your strategy is critical to ensuring you must have unique 'USP's that make you stand out as a place to study so that London South Bank is differentiated as a provider. We can help provide critical friend support of **business plans** and **financial analysis**. We can also challenge robustness of business plans, appropriateness of underlying assumptions, as well as broader commercial considerations around how to structure the transaction.
- Institutions are continuing to invest in overseas activities, either through recruiting international students, investing in overseas campuses or branches or alternative forms of transnational education. We could:
  - Review your **internationalisation strategy**, including key assumptions and overall oversight;
  - A review of **partnership arrangements**, to ensure that these have been subject to appropriate levels of due diligence, risk management and ongoing oversight.
- We could also look at the University's approach to the potential decline in EU students in the event of **Brexit**.
- We could perform a review of **Teaching Quality**, including how you record this and how you encourage staff to take on teaching qualifications in advance of the TEF coming in.
- The Home Office continues to enforce its compliance regime for Tier 4 students and Tier 2 staff. Our student data continuous audit provides ongoing assurance over attendance monitoring, reporting processes and compliance with acceptance criteria for Tier 4 students. However, due to the number of changes to processes we would recommend our Legal team perform a review of overall **Tier 4 and Tier 2 procedures** to assess that these are designed appropriately and comply with Home Office guidance. We would also suggest some testing of **Tier 2 controls** to confirm these are operating effectively.

- We have not reviewed contract management managements since 2010/11 and would suggest we perform a review of **contract management arrangements** to ensure they are in line with good practice and assure value for money. We could also perform a **contract deep dive**, for example your IBM contract to ensure that key contract terms and conditions are complied with.
- **Computer assisted audit techniques (CAATS)** –We can use CAATS to query and analyse data from business systems. This provides a strong mechanism for improving business insight and developing recommendations for ways to improve governance, risk management, compliance and cost management. Automated audit tests can be designed to address most transactional risks, including those associated with regulatory and financial risk. Some examples which may be beneficial include:
  - Accounts payable, purchase cards and staff expenses audits looking for: duplicate payments; multiple suppliers providing the same product or service; and abuse of expense policy;
  - Payroll; and
  - Revenue mapping.
- Our last review of Human Resources was in 2010/11 when we reviewed payments to hourly paid lecturers. We would recommend that we perform a review of **staff performance management** given this auditable unit has not had an audit review for four years.
- Our last review of **Health and Safety** was in 2010/11. We would recommend we perform a review of compliance with Health and Safety to ensure that controls are appropriately designed and robust.
- We would also recommend a review of your **anti-fraud arrangements** given the nature of the risks associated with this area. We have a diagnostic tool that we can use to identify the areas of higher fraud risk and an assessment of the controls in place to mitigate these threats.
- Student expectations are much greater in response to rises in fees, and students expect to be able to interact with London South Bank University in a modern and efficient way. We would suggest a review of **Social Media Governance**.
- Changes to the **Disabled Students Allowance** shall take effect in the 2016/17 academic year. We would suggest a review of the University's preparedness for this change.



# Appendix 1: Detailed methodology

## Step 1 - Understand corporate objectives and risks

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

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

## Step 2 - Define the Audit Universe

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

## Step 3 - Assess the inherent risk

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

The inherent risk assessment is determined by:

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

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

## Step 4 - Assess the strength of the control environment

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

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

### *Step 5 - Calculate the audit requirement rating*

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

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

### *Step 6 - Determine the audit plan*

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

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

### *Step 7 - Other considerations*

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

# Appendix 2: Risk assessment criteria

## Determination of Inherent Risk

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

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

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

# Appendix 3: Mapping the risk register to the Internal Audit Plan in 2016/17

Risk	Mapping to the Internal Audit Plan
Anticipated international student revenue unrealised	We have not included a specific review of this in our 2016/17 Internal Audit Plan. However we have included this as a potential review in our long list of other potential audits, for example looking at the University's preparedness for the EU Referendum and potential impact on this.
Failure to position LSBU to improve reputation & effectively respond to policy changes & shifts in competitive landscape	Our review of Risk Management will look at how this risk is being managed.
Revenue reduction if marketing and PR activity does not achieve recruitment targets	We have not included a specific review of this in our 2016/17 Internal Audit Plan. However we have included a potential review of Social Media Governance in our long list of other potential audits.
Management Information is not meaningful, or reliable for decision making or reporting (	Our continuous auditing programmes will also provide comfort over the robustness and data quality underpinning key financial systems and student data.
Data is not used/maintained security.	We have included time for IT as part of our 2016/17 Internal Audit Plan.
Low staff engagement impacts performance negatively.	We have included a review of the HR System Implementation as part of our 2016/17 Internal Audit Plan. This could look at how staff engagement is captured.
Increasing pension deficit.	We have not included any specific reviews of the pension deficit in the plan but we have pension expertise within PwC that would enable us to assist management in this area if required. We would recommend that London South Bank University perform an FRS 102 impact assessment to identify the impact of new reporting standards.
Potential loss of NHS contract income.	We have not included any specific reviews of this in our Internal Audit Plan. We could consider this as part of our suggested review of contract management arrangements in 2016/17 if requested by management.
Income growth from R&E not realised.	We performed a review of processes and controls surrounding entering into contracts as part of 2015/16, our Risk Assessment indicates that a further review is not required this year.
Progression rates don't rise	We have not included a specific review of this but could include controls around data accuracy within our Student Data continuous audit,

# Appendix 4: Summary of audit programme 2010 - 2015

The table below summarises the coverage of our internal audit work programme between 2010 and 2015.

System	2010/11 Days	2011/12 Days	2012/13 Days	2013/14 Days	2014/15 Days	2015/16 Days
<b>Financial Systems</b>						
Financial Systems Key Control Reviews including continuous auditing	45	43	43	50	40	31
Payments to Hourly Paid Lecturers	10	0	0	0	0	0
Payroll Implementation	0	0	7	12	0	0
Payroll Follow Up	0	0	4	0	0	0
Financial Forecasting	0	0	5	0	0	0
Funding arrangements for Confucius Institute	10	0	0	0	0	0
<i>Sub Total</i>	<i>65</i>	<i>43</i>	<i>59</i>	<i>62</i>	<i>40</i>	<i>31</i>
<b>Operational Systems</b>						
Health and Safety	10	0	0	0	0	0
Student Residences	0	7	0	0	0	0
Research	0	10	0	0	0	0
Data Quality – rolling programme of reviews:	0	5	0	0	0	0
2011/12 – HESA Staff Return	0	0	10	0	0	0
2012/13 – Key Information Set	0	0	0	10	0	0
2013/14 – HESA Finance Return	0	0	0	0	0	0
Student Data Continuous Auditing	0	0	0	0	30	25
Management of Representative Partners for International Students	0	5	0	0	0	0
Enterprise	0	0	10	0	0	0
Bribery Act 2010	0	5	0	0	0	0
IT Security Arrangements	0	0	15	0	10	0
Review of Capital Programme	0	0	8	0	0	0
Delegated Authority arrangements	0	10	0	0	0	0
TRAC Review	0	0	3	0	0	0
Management of Fraud Risk	0	0	5	0	0	0
Change Programme	0	0	0	0	15	0

Contract Management	10	0	0	0	0	0
Research and Enterprise Contracts	0	0	0	0	0	10
Business Continuity	0	0	0	10	0	0
Student Module Data	0	0	0	5	0	0
Extenuating Circumstances, Academic Appeals & other processes that could result in a student complaint to the OIA	0	0	0	16	0	0
HR System Implementation	0	0	0	0	0	2
Management information: Data quality	0	0	0	0	0	10
Information Security	0	0	0	0	0	10
Prevent Duty	0	0	0	0	0	10
<i>Sub Total</i>	<i>20</i>	<i>42</i>	<i>51</i>	<i>31</i>	<i>55</i>	<i>67</i>
<b>Risk and Governance-Based Reviews</b>						
Risk Management	2	13	2	5	10	5
<b>Value for Money</b>						
Value for Money Arrangements	10	2	2	5	5	5
<b>Other</b>						
Follow Up	5	5	5	5	5	5
Planning, Management and Reporting	9	9	9	10	10	10
Review of Financial Regulations	1	0	0	0	0	0
<b>Total</b>	<b>112</b>	<b>114</b>	<b>128</b>	<b>128</b>	<b>125</b>	<b>123</b>



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**London South Bank**  
University

	CONFIDENTIAL
	PAPER NO: AC.26(16)
Paper title:	Corporate Risk Register
Board/Committee	Audit Committee
Date of meeting:	9 <sup>th</sup> June 2016
Author:	John Baker – Corporate & Business Planning Manager
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To provide Committee with the current corporate risk register.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	All aspects as the risk entries on the register are aligned to the goals of the Corporate Strategy.
Recommendation:	Committee is requested to note: <ul style="list-style-type: none"> <li>• the risks and their ratings,</li> <li>• the allocation of risks to corporate objectives</li> </ul>

Matter previously considered by:	Operations Board	On: 24 <sup>th</sup> May
Further approval required?		

### Executive Summary

The latest version of the Corporate Risk Register is attached for review.

The report format has altered slightly following the upgrade of Insight4GRC, the University's risk management platform, which now enables seamless sign on for all university staff. We have also updated the format of the changes summary section following feedback from the February Audit Committee.

The University's new Strategic Review Group met in May, and reviewed the register in the context of the discussion at the April Governors Strategy Day. This updated version of the register incorporates changes agreed at that meeting, with the key amendments as follows:-

#### 494: *Placements Risk:*

Action around InPlace delivery in HSC by end May checked with Valerie Tomlinson, project manager, and Impact rating raised to 3.

# London South Bank University

Cause & Effect statement amended to address duty of care aspect around workplace conditions.

The institution may wish to research how Bath & Strathclyde are able to guarantee placements to students.

## *402: R&E Income Growth:*

New actions added for review of pipeline report parameters and presentation, and for launch of post award contract management process.

Operation of Sharepoint Enterprise Approval Process for authorisation of new income opportunities.

Risk likelihood to be reviewed following completion of the first action.

## *495: Higher Apprenticeships:*

New actions added for plan development for adaptation of LSBU internal processes, developing launch strategy for IPTE, and Exploration of funding mechanisms for student transfer from FE-HE.

## *457: International Students:*

New actions added for induction of new director, development of LSBU partnership model and legal due diligence review of partnership arrangements.

## *1: Reputation and response to change:*

New action created around social media campaign.

The TEF and implications of associated quality metrics were added.

## *362: Staff Engagement:*

New action created around the development of a strategy for EES action plans.

An explicit mention of EDI has been added.

## *397: Effectiveness of delivery impaired by restructure:*

Risk removed from Corporate Register.

## *2: Home/EU Recruitment targets:*

Actions added around launch of new LSBU brand, development of a communications plan for the 16/17 recruitment cycle with targeted reviews at strategic points in the recruitment process, training programme for student ambassadors regarding CMA activity, and development of strategy to ensure that literature developed by schools is compliant with the requirements of this legal duty.

## *6: Management information:*

New Actions created around phase 2 of the MIO project and the implementation of the new i-trent HR system. Control added around Data Assurance Group reporting in to Operations Board.

# London South Bank University

## *37: Capex Affordability:*

New action created around submission of business case for wider estate development programme to MPIC Board Committee.

The group considered other risk matters raised at the strategy day, and the reasons why the Corporate Register has not been changed in relation to these is indicated below.

### **Customer Service:**

The institution is making good progress with its work on embedding customer service across the institution, and was in fact the first organisation in the country, public or private, to gain multiple customer service accreditations at the same time. And from a risk perspective, the issues identified across the organisation in surveys vary so that these matters are being addressed in operational registers, but by the nature of diversity can't be meaningfully amalgamated at a corporate level.

### **Reputation:**

Aspects of this risk are included in risk number 1, with regard to organisational change and the competitive environment. The potential impact of CMA legislation on the institution, has been added to risk number 2 which relates to UG campaigns for Home/EU recruitment.

### **Safety:**

Controls are operating effectively at operational levels, and no matters have been introduced to Operations Board for consideration of escalation to the Corporate register. The Health, Safety and Resilience team within Organisation and People have done a lot of work to consolidate process and practice across the institution, and has recently been awarded the Bronze Achievement Award by the Royal Society for the Prevention of Accidents in recognition of their commitment to accident and ill-health prevention.

The Committee is requested to note:

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

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

Date: 6<sup>th</sup> May 2016

Author: John Baker – Corporate & Business Planning Manager

Executive Lead: Richard Flatman – Chief Financial Officer

Page 170	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>	Impact	
	457: Anticipated international student revenue unrealised (PI)	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)	397: Effectiveness of delivery impaired as institution goes through restructuring processes (DP)		2 Medium <i>failure to meet operational objectives of the University</i>
					1 Low <i>little effect on operational objectives</i>
	3 - High <i>The risk is likely to occur short term</i>	2 - Medium <i>This risk may occur in the medium term.</i>	1 - Low <i>This risk is only likely in the long term</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					

NOT FOR PUBLICATION

Changes since presentation at March Operations Board meeting, and overdue action progress updates detailed below:

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Reference	Risk title	Completed Actions & Risk Changes	Overdue Actions
<b>Goal 1: Employability:</b> Ensuring students develop skills, aspiration and confidence.			
494 (SW)	Inconsistent delivery of Placement activity across institution	New Risk record created.	
<b>Goal 3: Teaching &amp; Learning:</b> Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise			
398 (SW)	Low engagement with tech or pedagogic developments		
467 (PB)	UG Progression rate doesn't rise		
<b>Goal 4: Research &amp; Enterprise:</b> Delivering outstanding economic, social and cultural benefits from our intellectual capital.			
402 (PI)	2020 income growth through Research & Enterprise	<p><b>Performance reporting action implemented:</b> The first draft of PIs is complete including research pipeline performance data.</p> <p><b>Academic Engagement action implemented:</b> Formal REI workshop programme delivered and included in strand 4 of the Leadership Academy.</p>	
<b>Goal 5: Access:</b> Work with local partners to recruit, engage and retain students with the potential to succeed.			
495 (PB)	Impact of Higher Apprenticeship degrees on existing recruitment markets	New Risk record created.	
<b>Goal 6: Internationalisation:</b> Developing a multicultural community of students & staff through alliances & partnerships.			
457 (PI)	International student £income unrealised		
<b>Goal 7: People &amp; Organisation:</b> Attracting proud, responsible staff, & valuing & rewarding their achievements.			
1 (DP)	Response to environmental change & reputation		
362 (DP)	Poor Staff Engagement	<p><b>Engagement Survey action implemented:</b> Results being presented Operations Board, for action planning.</p>	
397 (DP)	Restructuring impact	Controls updated to reflect current process	
<b>Goal 8: Infrastructure:</b> Investing in first class facilities and outcome focused services, responsive to academic needs.			
2 (PI)	Home & EU Recruitment income targets		
3 (RF)	Pensions deficit		
6 (RF)	Quality and availability of		

	Management Information		
14 (WT)	Loss of NHS income		
37 (RF)	Estates strategy £ impact		<p><b>Student Centre negotiations action progress update:</b>  Programming expert engaged to adjudicate on the decisions taken in respect of the refused extension of time claim. We await a meeting with the senior Director of Balfour Beatty early in 2016.</p>
305 (IM)	Data Security		<p><b>PWC Audit Findings action progress update:</b>  Internal Audit progress reports records one finding implemented and two still in progress, completion was expected by end March 16.</p> <p><b>Mandatory training action progress update:</b>  The Pilot programme completed in January, feedback from this was implemented in February and ICT are now in discussions with HR comms team to work out optimum distribution method and comms package.</p>

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# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
494	Inconsistent delivery of Placement activity across institution	Shan Wareing	Cause: The In Place system may not be functional for a year. Lack of LSBU policy and process documents.  Effect: Placement practice may not be consistent across schools. Students could complete placements not at the necessary level. Student experience could vary across discipline areas.	I = 2 L = 2 Medium (4)  			Valerie Tomlinson	Creation of placements policy and placement agreement pro-forma.	30 Sep 2016
							Kirsteen Coupar	Recruit to Head of Placements role	30 Jun 2016
							Valerie Tomlinson	Deliver InPlace solution for School of Health & Social Care.	31 May 2016
							Valerie Tomlinson	Develop procedure and systems for quality assurance of placement opportunities.	23 Dec 2016

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# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
398	Academic programmes do not engage with technological and pedagogic developments which support students and promote achievement	Shan Wareing	<p>Cause: 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>Effect: 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>	I = 2 L = 3 Medium (6)	Delivery of the Technologically Enhanced Learning Strategy (TEL) through the Learning Pathway Programme.	I = 2 L = 2 Medium (4)	Shan Wareing	Invest in pilots and subject-specific developments, consistent with local expertise, motivation and market intelligence, to ensure staff & students are able to experiment with appropriately controlled risks.	30 Jun 2016
							Lesley Roberts	Co-ordinate (with DESEs) School intervention projects using analytics data, and produce report on plans and outcomes.	31 May 2016
467	Progression rate across undergraduate programs does not rise in line with targets of Corporate Strategy	Pat Bailey	<p>Cause: Low tariff students admitted through clearing. ESE analytics dashboards not utilised. High risk students are not identified in a timely way and supported sufficiently. Students don't engage with new initiatives. Support provided fails to bridge support gap for students entering through non-traditional access routes.</p> <p>Effect: 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>	I = 3 L = 2 High (6)	Study Support & Skills Sessions provided by the Library &LRC	I = 3 L = 2 High (6)	Shan Wareing	Work with Schools & Student Support to establish use of Personal Tutoring system to identify students at risk of non-progression and act as foundation for intervention.	31 May 2016
					Student Welfare advice and support provided by Student Life Centre		Lesley Roberts	Utilise Learner Analytics at Course Level to plan interventions for courses with low completion rates.	30 Apr 2016



# Standard Risk Register



NOT FOR PUBLICATION

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
402	Income growth expected from greater research and enterprise activity does not materialise	Paul Ivey	<p>Cause:</p> <ol style="list-style-type: none"> <li>1) Challenging market environment with high competition for similar opportunities and funders.</li> <li>2) Lack of proven forecasting systems &amp; recent static performance</li> <li>3) Aggressive and complex turnaround required carries intrinsic high risk.</li> <li>4) Dependence on HSC CPPD income (circa 50% of enterprise£)</li> <li>5) New structures fail to entice and encourage academic participation in activity.</li> <li>6) Limitations of academic capacity and capability.</li> <li>7) Internal competition for staff time over and above teaching.</li> <li>8) 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 unrealised.</li> <li>2) Undiversified enterprise portfolio.</li> <li>3) Lower financial contribution, as an increased proportion of delivery is sourced outside core academic staff.</li> <li>4) Increased dependency on generating enterprise opportunities via Knowledge Transfer outreach as opposed to an academic-led stream, results in higher opex costs.</li> <li>5) The holistic benefits for teaching and the student experience are reduced.</li> <li>6) Proportion of staff resource diverted to winning new funding is significantly increased.</li> <li>7) Reduced research income adversely affects the research..</li> </ol>	I = 3 L = 2 High (6) 	<p>2-tier Raisers Edge Pipeline forecast reports reviewed regularly.</p> <hr/> <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>	I = 3 L = 1 Medium (3) 			

# Standard Risk Register





Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
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495	Impact of Higher Apprenticeship degrees on existing recruitment markets	Pat Bailey	<p><b>Cause:</b> Introduction of Higher Apprenticeship degrees.</p> <p><b>Opportunity:</b> These degrees present may present an opportunity for LSBU to grow student numbers in a new market.</p> <p><b>Effect:</b> These degrees could cannibalise existing employer sponsored students. This represents a risk to existing income and markets. LSBU currently has c.4,000 students on part-time courses, majority employer-sponsored &amp; initial estimations are that income from 1,400 students (£3.3m of surplus) could be affected.</p>	<p>I = 3 L = 2 High (6)</p> <div style="background-color: red; width: 20px; height: 15px; margin: 5px 0;"></div>					
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## Standard Risk Register

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
457	Anticipated international student revenue unrealised	Paul Ivey	<p>Cause: UK government process / policy changes. Restriction on current highly trusted sponsor status. Issues connected with english language test evidence. Anticipated TNE growth does not materialise.</p> <p>Effect: LSBU unable to organise visas for students who wish to study here. International students diverted to other markets. Expected income from overseas students unrealised. Conversion impact of LSBU TNE students doesn't materialise.</p>	I = 3 L = 3 High (9) 	<p>Regular reporting of Visa refusal rates to Director of Internationalisation by Immigration Team.</p> <hr/> <p>Recruitment Reports presented to each meeting of Ops Board.</p>	I = 3 L = 2 High (6) 			

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
1	Failure to position LSBU to improve reputation & effectively respond to policy changes & shifts in competitive landscape	David Phoenix	<p>Causes:</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>Effects:</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>	I = 4 L = 3 Critical (12)	<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>	I = 4 L = 1 High (4)			

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
362	Low staff engagement impacts performance negatively	Mandy Eddolls	<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>	I = 3 L = 3 High (9)	<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>	I = 3 L = 2 High (6)	Cheryl King-McDowall	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.	30 Sep 2016

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# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
397	Effectiveness of delivery impaired as Institution goes through restructuring process	David Phoenix	<p>Cause: 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>Effect: 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>	I = 2 L = 2 Medium (4) 	<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>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>	I = 2 L = 1 Low (2) 			

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## Standard Risk Register

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
2	Revenue reduction if marketing and PR activity does not achieve Home/EU recruitment targets	Ian Mehrtens	<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; lsbu 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>	I = 4 L = 3 Critical (12)	<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>	I = 4 L = 2 Critical (8)			

# Standard Risk Register

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
3	Staff pension scheme deficit increases	Richard Flatman	<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>	I = 3 L = 3 High (9)	<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>	I = 3 L = 2 High (6)			



# Standard Risk Register

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
6	Management Information is not meaningful, unreliable, or does not triangulate for internal decision or external reporting	Richard Flatman	<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>	I = 3 L = 3 High (9)	<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>	I = 3 L = 2 High (6)			

# Standard Risk Register

Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
14	Loss of NHS contract income	Warren Turner	<p>Cause: NHS financial challenges/ structural change is resulting in a total review of educational commissioning by Health Education England with an expected overall reduction in available funding. 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.</p> <p>Effect: Reduction in income Reduced staff numbers Negative impact on reputation</p>	I = 3 L = 3 High (9)	Named Customer Manager roles with NHS Trusts, CCGs and HEE.	I = 3 L = 2 High (6)	Susan Ann Mullaney	Improve NSS participation & scores Develop action plans for Departments and School from results of 2014 NSS	31 Aug 2016
					Monitor quality of courses (QCPM and NMC) annually in autumn (QCPM) and winter (NMC)		Warren Turner	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.	31 Mar 2016
					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.		Mary J Lovegrove	Develop opportunities for further International 'in-country' activity in Malaysia, Singapore, Hong Kong, India and Saudi.	30 Jun 2016
					Regular contact with HEE DEQs, None Medical Deans and commissioning contract managers.		Warren Turner	Continue contract discussions with HEE/ LETB's. Attempt to extend contracts or revert to National Framework	31 Mar 2016
							Warren Turner	Grow into new markets for medical and private sector CPPD provision	30 Jun 2016
							Sheelagh Mary Mealing	Increase uptake in band 1-4 activity Support Trusts in seeking external (non NHS) funding	30 Jun 2016
37	Affordability of Capital Expenditure investment plans	Richard Flatman	<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>	I = 3 L = 3 High (9)	Management Accounts, with a CAPEX report section, are provided to each meeting of the P&R Committee, and the Board receives business cases in relation to all planned capital expenditure > £1million.	I = 3 L = 1 Medium (3)	Ian Mehrtens	Complete report on the final Student Centre negotiations. Update: the 12 month defects liability period concluded & working through the final defect list. POE was due by Feb 14.	30 Apr 2013

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
					<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.                      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> <hr/> <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>				

# Standard Risk Register



Risk Ref	Risk Title	Risk Owner	Cause & Effect	Inherent Risk Priority	Risk Control	Residual Risk Priority	Person Responsible	Action Required	To be implemented by
305	Student & corporate data not accessed and stored securely or appropriately	Ian Mehrtens	<p>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>	I = 3 L = 2 High (6) 	Responsibility for control over data protection risks at an institutional level allocated to Director of ICT.	I = 3 L = 2 High (6) 	Craig Girvan	Deliver project to ensure mandatory training is delivered to staff via ICT log on, to include data security awareness.	29 Jan 2016
							Rob McGeechan	Respond to findings of PWC 14/15 internal audit report into data security.	30 May 2015

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	PAPER NO: AC.27(16)
Paper title:	Anti-Fraud Policy Review
Board/Committee	Audit Committee
Date of meeting:	9 June 2016
Author:	Natalie Ferer – Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To review the current Anti-Fraud Policy and Fraud Response Plan.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Creating an environment which attracts and fosters the best staff
Recommendation:	It is recommended that Audit Committee approve the current anti-fraud policy and fraud response plan and note the self-assessment check list.

Matter previously considered by:	Audit committee	Annually
Further approval required?	n/a	On:

### **The Anti-Fraud Policy and Fraud Response Plan.**

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

### **Self Assessment**

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

### **Recommendation**

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

# London South Bank

## University

### Anti Fraud Policy

#### 1. Introduction

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

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

#### 2. Policy

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

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

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

#### 3. Definition of fraud

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

- Gaining an advantage, personally and/or for family or friends
- Avoiding an obligation
- Causing a financial loss to the University or any subsidiary or associated company, including SBUEL.

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

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

#### 4. Prevention of fraud

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

# London South Bank University

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

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

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

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

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

## 5. Reporting a suspected fraud

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

LSBU has a Speak Up hot line which may be used by staff who, for any reason, wish to submit information outside of the management chain described above. This policy can be viewed at <https://my.lsbu.ac.uk/assets/documents/regulations/speak-uppolicy.pdf>

All reported cases of suspected fraud will be investigated.

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

## 6. Fraud Response plan

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

If a member of staff discovers or suspects a fraud, theft, corruption or other financial irregularity, they must immediately inform their Dean or Head of Professional Function and the Chief Financial Officer. Failure to do so will result in disciplinary action. The Chief Financial Officer will instigate the following responses:

- Take action to mitigate the potential loss to the University
- Immediately inform the Vice Chancellor, the University Secretary, the Head of Internal Audit and The University's Employee and Officers insurers.
- Initiate an investigation. The scope of this investigation should be agreed with the Vice Chancellor and the University Secretary.
- Decide whether or not to treat this incident as a criminal investigation and involve the police and/or accredited fraud investigators
- Take steps to prevent a recurrence of such an irregularity or breach of internal controls.



# London South Bank University

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

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

## A significant fraud is one where:

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

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

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

## Investigation of a suspected fraud

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

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

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

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

## Result of investigation

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

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



**HEI Fraud Self-Assessment Checklist**

<p><b>Name: Natalie Ferer</b></p> <p><b>Position: Financial Controller</b></p> <p><b>Date of completion: May 2016</b></p>
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Question	Response and comments	Flag
<b>1. Anti-fraud arrangements</b>		
1.1. Do you have a formal fraud policy and/or fraud response plan, approved by the governing body? If so, how often are these updated?	Yes, reviewed and updated annually	
1.2. Do you undertake a formal fraud risk assessment? If so, how often is this done?	No formal separate fraud risk assessment although significant fraud risk would be covered by local operational risk assessment processes	
1.3. Does your university do business overseas? Does your fraud risk assessment include specific risks from international activity?	Yes. Further consideration required for specific risks for each new overseas activity	Y
1.4. Is there a nominated senior manager with overall responsibility for anti-fraud management arrangements? If so, what is their role/position?	Yes, Chief Financial Officer	
1.5. Do you have any staff trained in handling suspected frauds or running a fraud investigation?	Any investigations are led by the CFO and involve senior staff with experience. If significant, investigations involve specially trained forensic staff from our Internal Auditors.	
1.6. Is there a dedicated Counter-Fraud group in your institution? If so, does it include representatives from Finance, Registry, HR, Procurement, Estates, and Academia?	There is an Organisational Integrity review group which includes representatives from Organisation and People, Legal, Governance, Finance and Procurement.	
1.7. What specific actions do your internal auditors take to	The Internal Auditors endeavour to plan their work so that they have a reasonable expectation of detecting significant control weaknesses and, if detected, carry	

# London South Bank University

detect and prevent fraud?	out additional work directed towards identification of consequent fraud or other irregularities. They cannot however guarantee that fraud will be detected.	
1.8. Do you have fraud insurance in place? How recently have you claimed on it? How much has it cost/saved?	Yes, no claims	
<b>2. Internal Controls and Audit</b>		
2.1 Does staff induction and training include guidance on fraud? Does it include: A whistleblowing policy, anti-bribery policy, money laundering policy, and code of conduct?	The Anti -Fraud Policy, Anti -Bribery Policy, LSBU values, Financial Regulations and whistleblowing policy are all available on the staff intranet. To ensure that these documents are clearly signposted on the new staff intranet	Y
2.2. Does internal management training cover fraud culture and policy awareness? Who is this aimed at and how often is the training run?	Mandatory training for staff is being developed and will be rolled out during 2016	Y
2.3 Do you test the effectiveness of internal controls designed to prevent or detect fraud? If so, how?	Through management controls and the Internal Audit process	
2.4 Does your institution publish details of attempted or successful frauds internally? Either as a deterrent or for awareness-raising?	To Finance team and Audit committee	
2.5 What work do your external auditors undertake in accordance with ISA 240? How is this work reported?	Included in 2016 external audit plan any findings will be in the Audit Finding Report in November	
2.6 Is your institution signed up to the HE sector's NAFN fraud alert service?	Yes	
2.7 How are your audit committee made aware of frauds and of internal fraud controls? Are all frauds reported?	Yes, A report is taken to every audit committee meeting	
2.8 How are your governing council made aware of frauds, and of internal fraud policies, controls, and awareness measures?	The governing body is made aware of suspected or attempted frauds through the Anti-Fraud Reports to Audit Committee and through reports from Internal and External Auditors. The Board also reviews annually the Anti-Fraud and Anti-Bribery Policy and	

# London South Bank University

	Whistleblowing Policy and report.	
<b>3. Assessment and experience of financial fraud</b>		
3.1 Is your current assessment that fraud is a low, medium or high risk? Is this an overall assessment? There could be variability of risk rating across different areas.	Overall assessment is low risk	
3.2 Do you believe that there is an effective anti-fraud culture in your organisation, with high levels of fraud risk awareness amongst all staff?	More should be done to raise fraud risk awareness through training	Y
3.3 In the last two financial years how many frauds or suspected frauds have you experienced that were above the HEFCE reporting threshold? How many were below the threshold?	2 above the HEFCE reporting threshold (of which 1 may have been an actual fraud)  None  A theft from the University's Learning Resource Centre has been reported and investigated. This is below the HEFCE reporting threshold and does not appear to be an actual fraud.	
3.4 If you have trained fraud-response staff (Q1.5), are there any recent instances of these staff being deployed in an investigative capacity?	See response to 1.5	
3.5 Have you disciplined, dismissed or, with the relevant authorities, prosecuted any members of staff for fraud in the period?	Yes	
3.6 Have you involved the police in any action to deal with suspected or actual fraud in the period?	Yes	
3.7 Have you reported any frauds, successful or attempted, to NAFN via the <a href="mailto:intel@nafn.gov.uk">intel@nafn.gov.uk</a> email address? Have you used the email address to request counter-fraud advice or advice on running an investigation?	None to report in past 2 years	

## London South Bank University

3.8 Do you have grounds to suspect that there have been any other attempts to defraud the University either by staff or by outside organisations such as suppliers in the period?	No	
3.9 Have you reviewed your fraud policy in the light of any actual frauds you have experienced? Have any gaps in your policy, or failures in its implementation, been identified and addressed as a result?	Yes	

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**London South Bank  
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	PAPER NO:AC.28(16)
Paper title:	Anti-Fraud , bribery and corruption report
Board/Committee	Audit Committee
Date of meeting:	9 June 2016
Author:	Natalie Ferer – Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To review the current Anti-Fraud Policy and Fraud Response Plan.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Creating an environment which attracts and fosters the best staff
Recommendation:	That the Committee notes this report

Matter previously considered by:	Audit committee	Annually
Further approval required?	n/a	On:

**Summary**

Since the last report one incident has been reported.

A theft of £455 cash from a safe in the Learning Resource Centre (LRC) was first identified on 23<sup>rd</sup> February and the CFO and HR were notified on 10<sup>th</sup> March. There was no damage to LSBU property and no CCTV recording of the theft.

An investigation was carried out and the cash shortage was subsequently found to be £275, not £455 as originally thought. It was concluded that this could have been caused by either an administrative error or by theft but the investigation was not able to ascertain which. Poor procedures in place at the time in the LRC made it difficult to identify when the shortage occurred and who is responsible and for this reason, it is also unlikely that University disciplinary procedures or a police investigation will glean anymore evidence.

As a result of the investigation, the amount of cash held in the LRC has been reduced and financial procedures followed in the LRC have been strengthened.

No further action is proposed

**Recommendation**

That the Committee notes this report.

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**London South Bank**  
University

	CONFIDENTIAL
	PAPER NO: AC.29(16)
Paper title:	Speak up report
Board/Committee	Audit Committee
Date of meeting:	9 June 2016
Author:	Megan Evans
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To update the committee on any speak up matters raised since the last meeting
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	N/A - The speak up policy enables workers and students to report any concerns about malpractice, helping to create an open and ethical culture in the workplace.
Recommendation:	The committee is requested to note the report.

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

**Executive Summary**

No new speak up matters have been raised under the Speak Up policy since the last meeting of the Audit Committee.

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**London South Bank**

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“	PAPER NO: AC.30(16)	
Committee:	Audit Committee	
Date:	09/06/2016	
Paper title:	Transparent Approach to Costing – TRAC(T) Sign off	
Author:	David Kotula, Reporting Analyst	
Executive sponsor:	Richard Flatman, Executive Director of Finance	
<b>Recommendation by the Executive:</b>	The Executive recommends, based on the assurances provided herein, that the committee retrospectively approves the attached return which was made to HEFCE on 22 <sup>nd</sup> April 2016.	
Aspect of the Corporate Plan to which this will help deliver?	Financial performance and sustainability.	
Matter previously considered by:	N/A	
Further approval required?	N/A	
Communications – who should be made aware of the decision?	HEFCE (Already Advised)	

## Executive summary

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

TRAC (T) has three main aims:

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

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

The outcome of the benchmarking exercise was that LSBU has a higher mean Subject-FACT of £8,598 compared to the peer group mean of £8,307 (peer group 2013/14 was £7,728). Compared to 2014/15 the mean for LSBU is 2.4% higher than the prior year mean of £8,400. The variance can be attributed to a reduction in student FTE's of 6.9%, combined with a relatively lower decrease in costs of 4.7%.

The draft benchmark figures (Appendix 3) have been reviewed and we are satisfied that we have complied in full with the requirements. The report was signed off and has been submitted to HEFCE. We have had confirmation from HEFCE that the return relating to TRAC(T) has been received and no detailed issues have been raised following submission.

### Assurances regarding process

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

1. Reconciliation to accounts
  - The TRAC(T) return is an annual return based on the teaching element of the TRAC annual return. The basis for the 2014/15 return was the financial accounts for year ending 31/07/2015.
  - The financial information used is a sub-set of the TRAC return. All costs that do not relate to publicly funded teaching are extracted. This information includes costs down to individual staff level for teaching staff and to cost centre level for school support staff. The individual staff costs are extracted from establishment data used in the budgeting process. All figures are reconcilable back to the published accounts and the 2014/15 TRAC return.
2. Compliance with guidelines/regulations
  - The return has been prepared by the University's Reporting Analyst in accordance with the regulations set down by HEFCE for the preparation of the TRAC(T) return. This includes any updated regulations or issues raised at TRAC self help groups organised by the TRAC Development Group and BUFDG.
  - The report has been shared with faculties and input received as appropriate.
  - A draft report was issued to HEFCE at the end of February. This was followed by a benchmarking exercise with our peer group. This exercise allows for adjustments to be made prior to the final report sign off. The final report was then issued to HEFCE.
  - The core costing information is based on the amount of time spent teaching for each academic member of staff. This is derived from a Time Allocation Survey (TAS) that is completed four times a year. The results have been reviewed and verified by school managers to allow for any adjustments to be made prior to using the data in the TRAC return.
  - The TRAC(T) requirement is for all costs to be allocated based on the relevant HESA Cost centres. Staff HESA cost centres are derived from a report collated by the HR department and then reviewed by school managers at a division level.
  - Non-Staff costs are derived from the TRAC return that is sourced from the Agresso finance system at a cost centre level. HESA cost centres are applied on a department level.
  - The robustness and accuracy of the data is verified during a reconciliation process by a suitably qualified colleague.
  - A member of the Audit Committee has reviewed the TRAC process.

The committee is requested to retrospectively approve the attached return made to HEFCE on 22nd April 2016

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	PAPER NO: AC.31(16)
Paper title:	Committee business plan, 2015/16
Board/Committee	Audit Committee
Date of meeting:	9 June 2016
Author:	Michael Broadway, Deputy University Secretary
Board sponsor:	Steve Balmont, Chair of the Committee
Purpose:	To inform the committee of its annual business plan
Recommendation:	To approve the committee's annual business plan

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

### **Audit Committee Business Plan**

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

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

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

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

# London South Bank University

	Feb	June	Sept	Nov
Anti-bribery policy review				
Audit Committee, Annual Report to Board and VC			x	x
Audit Committee business plan	x	x	x	x
Audit Committee, self-assessment of performance			x	
Membership and Terms of Reference - approve			x	
Speak up report	x	x	x	x
Annual Report and Accounts				x
Anti-fraud policy review		x		
Anti-fraud, bribery and corruption report	x	x	x	x
Data assurance report	x			
Debt write off - annual		x		
External audit findings				x
External audit letter of representation				x
External audit management letter				x
External audit performance against KPI's				x
External audit plan		x		
External auditors - consider policy in relation to non-audit services				x
Financial personnel succession planning	x			
Internal audit annual report			X (draft)	X (final)

# London South Bank University

Internal Audit plan - approval		x		
Internal audit plan - review at each audit cttee meeting	x	x	x	x
Internal audit progress reports	x	x	x	x
Internal audit reports (inc continuous audit)	x	x	x	x
Internal Controls - review				x
Pensions assumptions - indicative		x		
Risk Register	x	x	x	x
TRAC return to HEFCE to be ratified	x			
TRAC(T) return to HEFCE to be ratified		x		
Value for money report, annual				x

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