

Meeting of the Audit Committee

**4pm* on Thursday, 25 September 2014
in 1B27, Technopark, London Road, London SE1**

* Pre meeting with the Internal Auditors at 3.45pm in 1B27, Technopark

Agenda

<i>No.</i>	<i>Item</i>	<i>Paper No.</i>	<i>Presenter</i>
1.	Welcome and apologies		Chair
2.	Declarations of Interest		Chair
3.	Minutes of the last meeting (for publication)	AC.33(14)	Chair
4.	Matters arising		Chair
Projects			
5.	Change programme reporting *	AC.34(14)	PD
Internal Audit			
6.	Progress Report (for monitoring)	AC.35(14)	PwC
7.	Q4 (2013/14) Continuous Auditing Report (for monitoring)	AC.36(14)	PwC
8.	Continuous Auditing – Student Data Terms of Reference (to approve)	AC.37(14)	PwC
9.	Internal Audit report – Risk Management (for monitoring)	AC.38(14)	PwC
10.	Internal audit draft annual report (to note)	AC.39(14)	PwC
Risk and Control			
11.	Quarterly Risk Report – annual detailed review (to consider)	AC.40(14)	CFO
12.	Draft review of Internal Controls (to approve)	AC.41(14)	CFO

* Paper to follow

Other Matters

13.	Annual debt write-off (to approve)	AC.42(14)	CFO
14.	Pensions assumptions (to approve)	AC.43(14)	CFO
15.	Confucius Institute (to note)	AC.44(14)	D. Dev
16.	Anti-fraud, bribery and corruption report (to consider)	AC.45(14)	CFO
17.	Speak up report (to review)	AC.46(14)	Sec
18.	Speak up review (to approve)	AC.47(14)	Sec
19.	Memorandum of Assurance and Accountability and Audit Code of Practice (to note only)	AC.48(14)	Sec
20.	University Academy of Engineering/University Technical College assurance (to note)	AC.49(14)	Sec
21.	Terms of Reference (to note)	AC.50(14)	Sec
22.	Committee Business plan (to note)	AC.51(14)	Sec
23.	Matters to report to the Board following this meeting		Chair
24.	Any other business		Chair
25.	Date of next meeting: Thursday 30 October 2014 at 4pm		Chair

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

Internal Auditors: Justin Martin and David Wildey (PwC)

External Auditors: David Barnes (Grant Thornton)

With: Vice Chancellor, Chief Financial Officer, University Secretary, Financial Controller, Programme Director (for item 5) and Governance Manager.

Minutes of a Meeting of the Audit Committee
held at 4pm on Thursday, 25 September 2014
in room 1B27, Technopark, London Road, London, SE1

Present

Andrew Owen	Chairman
Steve Balmont	
Douglas Denham St Pinnock	
Mee Ling Ng	

External Auditors

David Barnes	Grant Thornton
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Internal Auditors

Justin Martin	PricewaterhouseCoopers
David Wildey	PricewaterhouseCoopers

Apologies

Shachi Patel	Independent co-opted member
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In attendance

Prof David Phoenix	Vice Chancellor and Chief Executive
Natalie Ferer	Financial Controller
Richard Flatman	Chief Financial Officer
Amir Rashid	Programme Director (<i>for minutes 1-7</i>)
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Manager

Welcome and apologies

1. Apologies had been received from Shachi Patel.

Declarations of Interest

2. Steve Balmont declared an interest on the agenda item on procuring an independent helpline for speak up matters (minute 20 refers). Mr Balmont declared that one of the providers listed in the paper (Safecall) was a subsidiary company of his employer. The committee agreed that he should not take part in the decision to appoint the selected provider.

Minutes of the last meeting

3. The minutes of the meeting held on 12 June 2014 were approved (paper **AC.13(14)**). The minutes were approved for publication subject to the proposed redactions.

Matters arising

4. There were no matters arising from the previous minutes which were not elsewhere on the agenda.

Change programme reporting

5. The committee discussed in detail an update on reporting of the change programme to the Board and its committees (paper **AC.34(14)**). It was proposed that: a) the Board will review overall progress of the change programme and its impact on the day to day running of the University; b) the audit committee will review the risks and issues of the change programme; and c) projects have been grouped by theme and the relevant committee of the Board will review a highlight report of these themes. Any projects rated red would be reviewed in detail by the relevant committee.
6. The committee noted that the change programme had been reviewed by PwC, the internal auditors and the report would come to the next committee meeting.
7. The committee requested further detail on each project in future reports.

Amir Rashid left the meeting

Internal audit progress report

8. The committee noted the internal audit progress report (paper **AC.35(14)**).

Quarter 4 continuous auditing report

9. The committee noted the quarter 4 continuous auditing report (paper **AC.36(14)**). All aspects of the control environment were rated green with no exceptions.

Continuous Auditing of Student Data terms of reference

10. The committee approved the proposed terms of reference for the continuous auditing of student data (paper **AC.37(14)**). The continuous auditing of student data would focus on key risks around application and enrolment data; UK Visa and Immigration requirements; student attendance monitoring; student module data; student course changes; and the security of student records.

Internal Audit report – Risk Management

11. The committee noted the internal audit report on risk management (paper **AC.38(14)**), which had been given a low risk rating. Risk appetite would be discussed at the next meeting.

Internal Audit draft annual report

12. The committee noted the draft internal audit annual report, 2013/14 (paper **AC.39(14)**). The final report would be considered by the committee at their meeting of 30 October 2014. The draft annual internal audit opinion for 2013/14 is that LSBU has adequate and effective arrangements to address the risk that management's objectives are not achieved in respect of risk management, control and governance, and value for money processes.
13. The rotation of internal audit leads was discussed.

Risk Register

14. The committee noted the corporate risk register (paper **AC.40(14)**), which was now aligned to the recently approved corporate strategy, 2015-2020. The committee noted that tendering for the NHS contract had been extended by 12 months. The position of Dean of the School of Health and Social Care would be advertised in October 2014.

Effectiveness of Internal Controls

15. The committee noted the review of the effectiveness of internal controls and approved the full compliance statement for inclusion in the annual report (paper **AC.41(14)**).

Debt write-off

16. The committee approved the proposed write off of £280,000 in tuition fee debtors and £114,000 of non-tuition fee sales ledger debtors (paper **AC.42(14)**). These amounts had been provided for in the accounts so there would be no financial impact in the accounts for 2013/14.

Pensions Assumptions

17. The committee approved the assumptions used for the FRS17 report (paper **AC.43(14)**). Benchmarking analysis from Grant Thornton would be provided for the next meeting.

Confucius Institute

18. The committee noted an update on the visa status of cultural exchange associates at the Confucius Institute (paper **AC.44(14)**). It was reported that following review of existing Confucius Institute staff's visas and Hanban sponsorship status, the current arrangements are not in breach of UK Visa and Immigration requirements.

Anti-fraud, bribery and corruption report

19. The committee noted the anti-fraud, bribery and corruption report (paper **AC.45(14)**). One matter was reported relating to possible misuse of a purchasing card by an employee which was being dealt with under the University's disciplinary procedure.

Speak up report

20. The committee noted the speak up report (paper **AC.46(14)**). There had been two speak up matters raised since the previous meeting. The committee was satisfied that due process had been followed by management in both cases.

Speak up review

21. The committee discussed a proposal to provide an independent helpline for staff and students to raise speak up issues (paper **AC.47(14)**). The Executive proposed to run a mini-tender to appoint a company to provide an independent helpline for staff. The committee agreed with the approach and requested an update on the tender process.

Audit Code of Practice

22. The committee noted the revised Audit Code of Practice which formed part of the new Memorandum of Assurance and Accountability between HEFCE and universities (paper **AC.48(14)**).

University Academy of Engineering/University Technical College Assurance

23. The committee discussed the relationship between LSBU and its sponsored academies (paper **AC.49(14)**). The committee noted that the relationship would be governed by a Memorandum of Understanding (MoU) between LSBU and each academy it sponsored. The MoU included requirements for the academy trust to operate in accordance with its objects and funding agreements; a description of the extent of support that LSBU would be offering; requirements for the academy trust to maintain proper financial records and to make information available to LSBU on request.
24. The MoU would be reviewed by the Board for approval at its meeting of 9 October 2014.

Terms of Reference

25. The committee noted its terms of reference (paper **AC.50(14)**).

Committee business plan

26. The committee noted its business plan for the year (paper **AC.51(14)**).
27. The committee agreed that its regular self-assessment would take place every two years. It would review its effectiveness again in 2015.

Matters to report to the Board

28. The committee requested that a summary of the following items is reported to the Board meeting of 9 October 2014: continuous auditing terms of reference, change programme and the academies.

Any other business

29. The committee noted that a HESES audit would be undertaken soon.

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Date of next meeting

30. It was noted that the next meeting would be at 4pm on Thursday, 30 October 2014.

The Chairman closed the meeting.

Confirmed as a true record:

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Chairman

	PAPER NO: AC.33(14)
Paper title:	Minutes of the meeting of 12 June 2014
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To approve the minutes of the past meeting as a correct record and to approve the suggested redactions for publication

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

Executive Summary

The Committee is asked to approve the minutes of its meetings of 12 June 2014 and the suggested redactions (in grey) for publication on LSBU's website.

Minutes of a Meeting of the Audit Committee
held at 4pm on Thursday, 12 June 2014
in room 1B27, Technopark, London Road, London, SE1

Present

Andrew Owen	Chairman
Steve Balmont	
Douglas Denham St Pinnock	
Mee Ling Ng	
Shachi Patel	(Independent co-opted member)

External Auditors

David Barnes	Grant Thornton
Amanda Tilley	Grant Thornton

Internal Auditors

Charlotte Bilsland	PricewaterhouseCoopers
David Wildey	PricewaterhouseCoopers

In attendance

Prof Phil Cardew	Pro Vice Chancellor (Academic)
Natalie Ferer	Financial Controller
Dr Andrew Fisher	Academic Registrar (<i>for minute 17</i>)
Richard Flatman	Chief Financial Officer
Jennifer Parsons	Director of Internationalisation (<i>for minute 24</i>)
Prof David Phoenix	Vice Chancellor and Chief Executive
Amir Rashid	Programme Director – Building for the Future (<i>for minutes 1-7</i>)
James Stevenson	University Secretary and Clerk to the Board of Governors
Michael Broadway	Governance Manager

Welcome and apologies

1. Apologies had been received from Justin Martin of PricewaterhouseCoopers.

Declarations of Interest

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

Minutes of the last meeting

3. The minutes of the meeting held on 6 February 2014 were approved (paper **AC.13(14)**), subject to clarification that Steve Balmont had given apologies to the meeting. The minutes were approved for publication subject to the proposed redactions.

Matters arising

4. There were no matters arising from the previous minutes which were not elsewhere on the agenda.

IBM and change programme projects update

5. The committee noted an update on the IBM and change programme projects (paper **AC.14(14)**), which set out the reporting arrangements for the change programme. Scopes for the 15 projects which make up the change programme will be considered by the Executive at its meeting of 17 June 2014. The project scopes will include details on the timings, deliverables and cost of each project which would allow the Executive to closely monitor delivery of each project.
6. The committee noted the update and proposed format of reporting at each meeting of the Board. These reports would address delivery, achievement of milestones and key risks or issues. Further detail would be provided for projects rated at amber or red to allow the Board the opportunity to better understand the risks and challenges of the project.
7. The change programme would be key to the delivery of the new corporate strategy, 2015-2020 which would come to the Board for approval at its meeting of 8 July 2014. The annual delivery plan with benchmarks and deliverables would be considered by the Board at its meeting of 9 October 2014.
8. Governors requested clarity on the scope, scale and deliverables of each of the 15 projects as they are developed. The committee requested the Executive to consider the risks of each project, including the risk of the overall programme and its impact on ongoing business.
9. The committee noted that 15 days were included in the Internal Audit plan for 2014/15 to review the programme (minute 18 refers).

Amir Rashid left the meeting

External audit plan

10. The committee discussed and approved the external audit plan proposed by Grant Thornton for the year ending 31 July 2014 (paper **AC.15(14)**).
11. The committee noted that from the year ended 31 July 2016, the University would be required to report under FRS102 and a new Statement of Recommended Practice (SORP) for the education sector, resulting in a number of changes to financial reporting for financial year 2015/16. The committee requested analysis on the implications for LSBU's accounting policies at its meeting of June 2015.

Indicative pensions assumptions

12. The committee noted that the University expected to receive indicative assumptions to be used by the Local Government Pension Scheme actuaries in mid-June (paper **AC.18(14)**). The assumptions would be circulated to committee members via email for comment once received.

Internal Audit progress report

13. The committee noted the internal audit progress report (paper **AC.17(14)**).

Quarter 2 and Quarter 3 continuous auditing report

14. The committee noted the quarter 2 and quarter 3 continuous auditing reports (paper **AC.18(14)**). It was noted that for quarter 3 (1/2/14-30/4/14) all aspects of the control environment were performing well and rated green.

Internal Audit report – Business Continuity Management

15. The committee noted the internal audit report on business continuity management (paper **AC.19(14)**), which had been given a medium risk rating.

Internal Audit report - Phishing

16. The committee noted the draft internal audit report on phishing (paper **AC.20(14)**). The committee expressed disappointment over a deterioration in the level of awareness of staff to phishing attacks. This was being addressed by the Executive through training for the staff who had responded. The committee noted that ICT had acted promptly.

Internal Audit report – Payroll implementation report

17. The committee noted the payroll implementation report (paper **AC.21(14)**). The report followed up a previous review completed in 2013 and found an improved control environment.

Internal Audit plan, 2014/15

18. The committee discussed the internal audit plan for 2014/15 in detail (paper **AC.22(14)**). The majority of days in the plan was for continuous auditing which would be extended to include student data. The committee approved the internal audit plan and requested the number of days for risk management to be reviewed.

Student Records Review

Dr Fisher entered the meeting

19. The committee discussed the audit report of student records undertaken by Deloitte (paper **AC.23(14)**). The report was generally positive and an action plan had been developed to follow up on the recommendations. The committee noted that considerable progress had been made on the management of student data in recent years. Student data quality would now be monitored regularly through the continuous auditing programme.

Dr Fisher left the meeting

Internal Audit retender

20. The committee noted that PricewaterhouseCoopers' contract as internal auditors expired on 31 July 2015 and it was necessary to retender the contract (paper **AC.24(14)**). The committee approved the recommendation that the procurement for the new contract should be a mini competition between eight companies through the Advanced Procurement for Universities and Colleges (APUC) framework. The selection panel will be as set out in paper AC.24(14) and all members of the committee will be invited to join the panel.
21. A recommendation on the preferred supplier will be considered at the meeting in February 2015.

Risk Register

22. The committee noted the corporate risk register (paper **AC.25(14)**). The committee noted that steps were being taken to mitigate the risk of loss of NHS income following the resignation of the Dean of Health and Social Care.

Risk strategy and appetite

23. The committee recommended the amended risk strategy and appetite to the Board for approval (paper **AC.26(14)**). The risk strategy would be linked to the new annual corporate planning processes and embedded as part of the induction process for new staff.

HEFCE risk assessment

24. The committee noted the HEFCE risk assessment that LSBU is not at higher risk (paper **AC.27(14)**), which had been reviewed in detail by the Board at its meeting of 22 May 2014.

Home Office Higher Education Assurance Team audit

Jennifer Parsons entered the meeting

25. The committee noted the outcome of the Home Office Higher Education Assurance Team (HEAT) audit (paper **AC.28(14)**). A review of attendance monitoring of international students was underway.

Jennifer Parsons left the meeting

TRAC(T) Return

26. The committee noted the TRAC(T) return (paper **AC.29(14)**), which had been reviewed in detail by a member of the committee and submitted to HEFCE.
27. The committee ratified the return.

Anti-fraud policy

28. The committee approved the revised anti-fraud policy (paper **AC.30(14)**) which reiterated the University's zero tolerance approach to fraud.

Anti-fraud, bribery and corruption report

29. The committee noted the anti-fraud, bribery and corruption report (paper **AC.31(14)**). The committee expressed concern over the avenues available to staff or students to escalate issues (see next minute).

Speak up report

30. The committee noted the speak up report (paper **AC.32(14)**). There had been one anonymous speak up matter recently raised with the Chairman which would be discussed with other committee members in private.
(Secretary's note: the Chairman subsequently confirmed that the committee was satisfied that due process had been followed by management).
31. The committee expressed concern over the speak up process and whether it was operating effectively. The committee requested the executive to review the process.

Matters to report to the Board

32. The committee requested that a summary of the following items is reported to the Board meeting of 8 July 2014: external audit plan, 2013/14; internal audit report on phishing; internal audit plan, 2014/15; internal audit retender process; risk strategy and appetite; outcome of the HEAT audit; and the anti-fraud policy.

Date of next meeting

33. It was noted that the next meeting would be at 4pm on Thursday, 25 September 2014.

The Chairman closed the meeting.

Confirmed as a true record:

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Chairman



Committee Action Points

19 September 2014

16:08:49

Committee	Date	Minute	Action	Person Res	Status	
Audit	12/06/2014	9	Analysis on implications of new SORP to committee in June 2015	CFO	Added to forward plan	<input checked="" type="checkbox"/> Completed
Audit	12/06/2014	10	Indicative pensions assumptions to be circulated to committee members	CFO	Circulated via email on 14 July 2014	<input checked="" type="checkbox"/> Completed
Audit	12/06/2014	16	Review number of days for risk management in the internal audit plan, 2014/15	CFO	Will be kept under review during the year.	<input checked="" type="checkbox"/> Completed
Audit	12/06/2014	31	Review speak up process	Secretary	On agenda	<input checked="" type="checkbox"/> Completed
Audit	12/06/2014	32	Summary of the following items is reported to the Board meeting of 8 July 2014: external audit plan, 2013/14; internal report on phishing; internal audit plan, 2014/15; internal audit retender process; risk strategy and appetite; outcome of the HEAT audit; and the anti-fraud policy.	CFO	Reported to the Board on 8 July 2014	<input checked="" type="checkbox"/> Completed

	PAPER NO: AC.34(14)
Paper title:	Change Programme reporting
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	Amir Rashid, Programme Director
Executive/Operations sponsor:	David Phoenix, Vice Chancellor
Purpose:	To provide an update on the change programme covering: <ul style="list-style-type: none"> • programme status; • programme risks and issues; and • governance and reporting model

Executive Summary	
Context	The change programme is delivering a range of projects, interventions outside our business as usual, defined by time and scope, to help achieve those aspects of the corporate strategy that represent significant change. The Board meeting of 8 July 2014 set out the expectations for reporting.
Question	How does the change programme get reported to the audit committee?
Conclusion & Recommendation	The audit committee will review the risks and issues of the change programme as a whole at each meeting.

Executive Summary

The Board meeting of 8 July 2014 set out the Board's expectations for reporting of the change programme – extract draft minutes below:

20. The Board discussed a highlight report on the change programme (paper **BG.35(14)**). In addition, the Board had received an informative pre-meeting presentation on the fifteen projects of the change programme.

21. The Board discussed the programme in detail. Governors were concerned about how the 15 projects inter-related as well as the escalation process for risks and the flow of benefits from each project.

22. The Board requested the Audit Committee to review the timing and the scope of the internal audit review into the change programme. The Board requested the Audit Committee to regularly review the progress and key risks and issues of the programme. The relevant committee of the Board would review any individual projects if they were not on target.

23. The Board noted the key findings and responses of the ATOS gateway review of the Edison project (formerly the IBM project).

Governance and Reporting Model

The proposed governance and reporting model is attached – key points are:

- The Board will review overall progress of the change programme;
- The Audit Committee will review risks and issues of the change programme;
- Projects will be grouped by theme (e.g. HR) and the relevant committee of the Board will review a highlight report for these themes, as set out below.

Link to Corporate Strategy	Theme	Project
Teaching and learning	Academic Portfolio	Portfolio review
Employability		Curriculum structure
Internationalisation		Partnerships
Research and Enterprise		Developing scholarships
Student Experience	Support for the academic environment	Learning Pathway – Student Support
		Student Journey
		Professional Service Models
Operating Principles	Informed decision making	League Tables
		Management Committee review
		Performance Management
		Data Quality
Resources and infrastructure	ICT and infrastructure	Information Management
		ICT
		Edison
		Property
People and Organisation	People	Leadership and WD
		Communications

Programme Risks and Issues

The programme risks and issues log is included in the appendix. Risks/issues that are rated as critical or high are reported to each Programme Board, mitigations set and tracked by the programme management office. Residual risks are analysed to ensure the effectiveness of that planned mitigations.

At this stage the key risks and issues relate to the scale of change activity, and staff engagement and communications – as these are critical to the successful delivery of change, but challenging given the complexity of the programme. Intensive project and programme management through the change programme, and oversight of business-as-usual activity through the Operations Board, will mitigate risks relating to the impact of change. The Programme Board recently approved a communications strategy and plan, and weekly, consolidated updates on change from the Vice Chancellor to all staff have started.

Programme Status

At this stage there are 17 distinct projects:

- 5 projects are in initial scoping (issues are being identified and options considered – leading to a High Level Scope document for consideration by the Executive (Programme Board)).
- 4 projects are in design (extensive scoping and analysis work, required for highly complex projects)
- 3 projects are in initiation (objectives, plans and resource requirements are being established for approval to proceed by Programme Board)
- 5 projects are in delivery.

Of the 14 projects that have completed the initial scoping phase, 9 are rated as green and 5 as amber – in terms of progress towards completion, against their agreed milestones.

The overall programme structure has been subject to an internal audit with the report due at the next meeting.

Appendix:

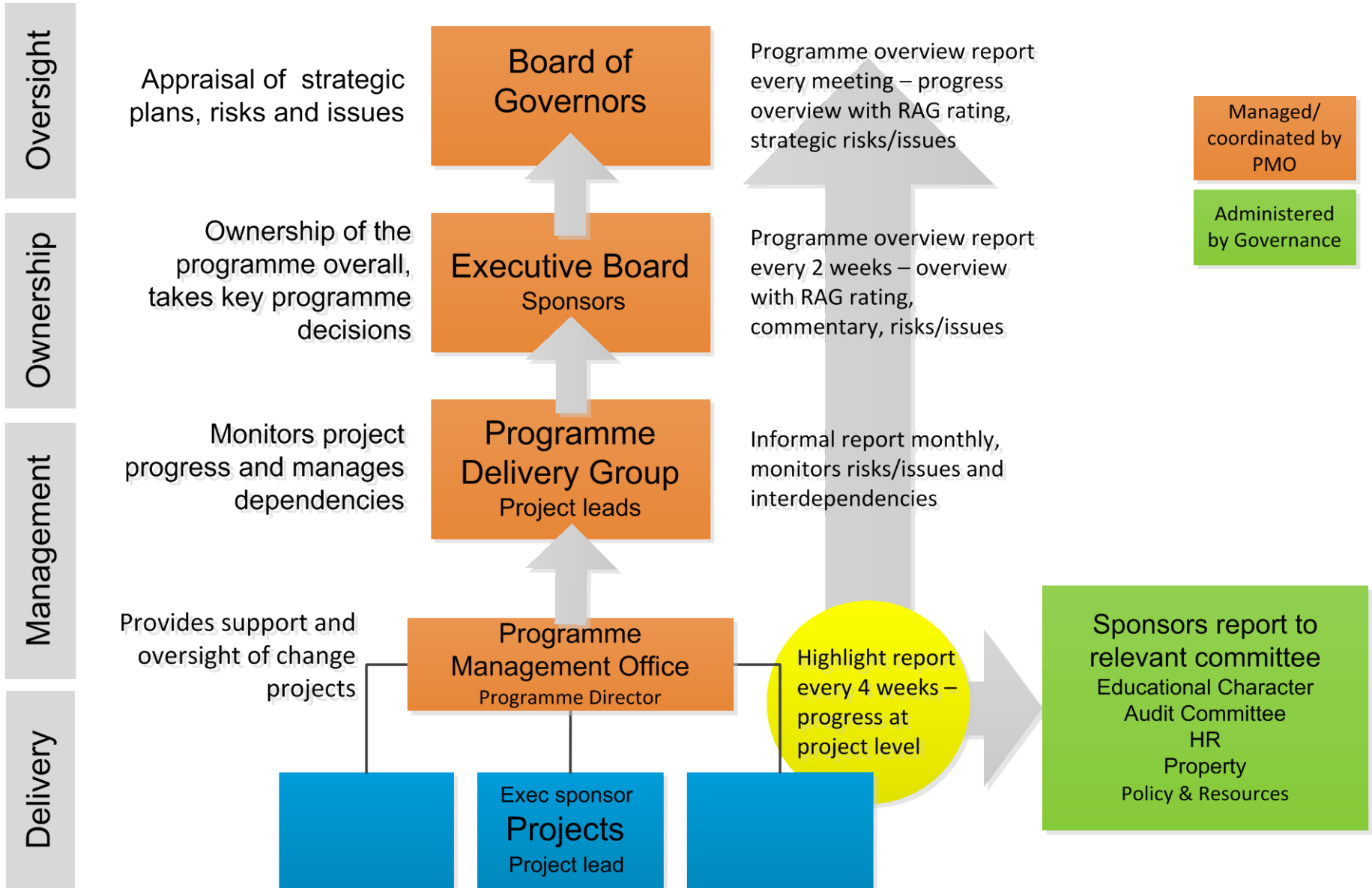
1. Programme progress against milestones
2. Programme risks
3. Programme issues
4. Governance model
5. Highlight report template

Programme progress against milestones

	Project	Sponsor	Project Lead	RAG status	Overall status	Commentary
Developing the academic portfolio	1 Portfolio review	Mike Molan	Simon Houlding	G	In delivery	
	2 Learning pathway: curriculum structure	Phil Cardew	TBD	G	PID in development	PID scheduled for discussion at Programme Board 13/01/14
	3 Partnerships, collaboration and reputation	Paul Ivey	TBD		HLS needs development	HLS scheduled for Programme Board 14/10/14
	4 Developing scholarship	TBD	TBD		HLS needs development	
Support for the academic environment	5 Learning pathway: student support	Pat Bailey	TBD	A	PID in development	PID scheduled for discussion at Programme Board 14/10/14
	6 Student journey	Pat Bailey	Paul Grosart	G	In design phase	On track
	7 Professional service models	Mike Molan	Paul Grosart	G	In design phase	On track
Informed decision making	8 League table	James Stevenson	Hannah Le Vay	R	In delivery	Optimisation plan urgently required
	9 Management committee review	James Stevenson	Michael Broadway	G	PID in development	PID scheduled for discussion at Programme Board 14/10/14
	10 Corporate performance management of data	Richard Flatman	Hannah Le Vay	A	In delivery	Timescales for development of draft Pls are tight
	11 Data quality and management	Richard Flatman	TBD	G	PID in development	Recruitment of project manager in progress
ICT and infrastructure	12 Information management	Ian Mehrtens	Paul Grosart	G	In design phase	On track
	13 ICT strategy / architecture	Ian Mehrtens	ICT technical delivery	G	In design phase	On track
	14 Edison	Phil Cardew / Ian Mehrtens	Francois Contreiras	G	In delivery	ESE timescales rebaselined
	15 Property	Ian Mehrtens	Carol Rose		HLS needs development	
People	16 Leadership and workforce development	Mandy Eddolls	Cheryl King-McDowall		HLS needs development	HLS scheduled for Programme Board 29/10/14
	17 Communications	Phil Cardew	Louise Delaney	A	In delivery	

No	Description	Lik	Imp	Rating	Trend	Mitigations	Residual			Current status	R/I owner
							Lik	Imp	Resid		
1	Delivery of business as usual disrupted by scale of change activity	M	C	Critical	Same	Engagement and communications on change Clear performance and reporting framework in place Key BAU plans in place	L	C	High	Communications plan and messaging in development Reporting cycle starting up BAU to be monitored through Ops Board	Dave Phoenix
3	Organisation cannot respond quickly enough to external market changes	H	C	Critical	Same	Speed of mobilisation via dedicated staff where necessary	L	C	High	Programme mobilised Non-programme risks monitored under Corporate Risk no 1	Dave Phoenix
4	Organisation-wide, dependence on key staff	M	H	High	Same	Stakeholder engagement plan for the programme to identify and support key individuals Specialist resource may need to be recruited for specific roles	M	M	Medium	Mapped project-level governance: PD overseeing resources/pinch points Recruitment for Data Quality and Portfolio Review 2 projects underway	Amir Rashid
5	New senior managers may not take ownership of change and effectively lead and drive across the organisation	M	C	High	Better	Early engagement with Heads of Department and new Deans Scoping phases for some projects may need to be iterative	L	H	Medium	Deans induction held 12 August; PD and project managers have engagement session scheduled	Dave Phoenix
6	Failure to manage interdependencies across the programme may result in projects being delayed	M	H	High	Same	Interdependency and critical path management via regular project reporting and programme delivery Group	M	M	Medium	Programme Delivery Group launched, meeting monthly to map interdependencies	Amir Rashid

No	Description	Rating	Trend	Mitigations	Residual	Current status	R/I owner
7	Internal communications need to manage significant scale of messages at all levels	High	Better	Detailed communication plan to be developed and delivered	Low	Downgraded 12/08/14: comms mgr in post, plan in development, initial weekly email to all staff in place	Amir Rashid / Lynn Grimes
8	Employee and student engagement needs to be built to ensure successful change	Critical	Same	Staff/student change networks Stakeholder engagement plan to combat change fatigue EDISON tools for engagement	High	Network proposals on hold pending new head of OSDT Stakeholder mapping complete EDISON channels built into comms plan	Head of OSDT
9	Organisation-wide golden thread needs to be strengthened to ensure collective ownership of change	High	Same	Ensure business planning, objective setting and change projects all contribute to overarching vision	Low	Corporate strategy agreed July 2014 Delivery plan in development Communications engaged to support launch to organisation	Amir Rashid



	PAPER NO: AC.35(14)
Paper title:	2014/15 Internal Audit: September Progress Report.
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	PricewaterhouseCoopers, Internal Auditors
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide an update on the internal audit plan for 14/15.

Executive Summary	
Context	<p>The attached report provides an update on the internal audit plans for 13/14 14/15.</p> <p>The Plan for 13/14 has now been completed, with the draft annual opinion presented to this Audit Committee.</p> <p>The 14/15 plan has been commenced, with the first Continuous Audit report presented to this Audit Committee.</p>
Question	Is internal audit progress in accordance with the agreed plan?
Conclusion & Recommendation	The Executive recommends that committee note this report

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

*London South Bank
University*

Internal Audit
Progress Report
2014/15

September 2014

London South Bank
University

Table of Contents

<i>Overview</i>	<i>4</i>
<i>Reporting Activity and Progress</i>	<i>5</i>
<i>Appendix 1 – Plan Progress</i>	<i>6</i>
<i>Appendix 2 – Follow Up</i>	<i>7</i>

Overview

Progress Summary

Since the last Audit Committee, we have completed all work relating to our Internal Audit Plan 2013/14 and have begun delivery of our 2014/15 Internal Audit Plan. An outturn statement detailing assignments undertaken and actual activity for 2014/15 is shown in Appendix 1.

For this Audit Committee, we present:

- Two final reports:
 - Risk Management (2013/14); and
 - Continuous Auditing: Key Financial Systems – Period 1 (2014/15).
- An outline scope for Continuous Auditing: Student Data Controls; and
- Our draft Internal Audit Annual Report 2013/14.

Findings of our Follow Up Work

We have undertaken follow up work on actions with an implementation date of 31/07/2014 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 10 recommendations have been followed up this quarter. Seven recommendations have been implemented (70%); three are in progress (30%). Revised implementation deadlines have been agreed for other areas. Progress details are summarised at Appendix 2.

Other Matters

We have completed all the reviews within the 2013/14 internal audit programme for the year. We have included our draft Internal Audit Annual Report for 2013/14 for consideration.

We have begun scoping our 2014/15 internal audit reviews of Anti-Fraud arrangements and Continuous Auditing: Student Data.

We have issued our draft report for Change Management: Phase 1. This is currently being finalised with management.

In July 2014, we hosted an event for a group of London South bank University's finance interns. This included a guided tour of our More London office and an introductory session to the graduate scheme and PwC service offerings.

Recommendations

- That the Audit Committee **notes** the progress made against our 2014/15 Internal Audit Plan.
- That the Audit Committee **comments** on our reports of Risk Management and Continuous Auditing: Financial Controls.
- That the Audit Committee **comments** on our draft scope for Continuous Auditing: Student Data Controls.
- That the Audit Committee **comments** on the draft Internal Audit Annual Report 2013/14.

Reporting Activity and Progress

Final reports issued since the previous meeting

Risk Management (2013/14) – Low Risk

Our review has seen a number of areas of good practice. For example:

- The corporate risk register is reviewed on a quarterly basis;
- The corporate risk register is reviewed and discussed at monthly Executive Group meetings; and
- London South Bank University have recently updated their Statement of Risk Appetite.

One *medium risk* issue was raised regarding London South Bank University's Statement of Risk Appetite:

- We believe it could be further developed to be more specific to London South Bank University. For example: expanding the narrative to include how high risks will be escalated to senior management; considering whether separate risk appetite statements should be developed for different business areas; and explaining how risk appetite can be incorporated into key decision making processes.

We also raised one *low risk* issue: at the time of audit there was no separate risk register to capture operational risks arising from London South Bank University's restructure from schools to faculties.

Continuous Auditing: Key Financial Controls – Phase 1 (2014/15)

The control environment has remained stable this period and all systems have been allocated a green rating, providing some assurance that the control environment has stabilised.

Whilst no overarching classification is assigned in respect of our Continuous Auditing reports, we have below summarised the systems ratings assigned and number of operating effectiveness exceptions identified in each testing period.

System	Trend	2014/15	2013/14			
		P1 2014/15 (01/05/2014 – 31/07/2014)	P4 2013/14 (01/02/2014 – 30/04/2014)	P3 2013/14 (01/11/2013 – 31/01/2014)	P2 2013/14 (01/08/2013 – 31/10/2013)	P1 2012/13 (01/05/2013 – 31/07/2013)
Payroll	↔	● Green (1)	● Green (0)	● Amber (2)	● Amber (3)	● Green (0)
Accounts Payable	↔	● Green (0)	● Green (0)	● Amber (2)	● Green (0)	● Green (1)
Accounts Receivable	↔	● Green (0)	● Green (0)	● Green (0)	● Amber (2)	● Green (2)
Cash	↔	● Green (0)	● Green (0)	● Green (0)	● Green (1)	● Green (0)
General Ledger	↔	● Green (0)	● Green (1)	● Green (0)	● Amber (1)	● Green (1)
Student Financial Data	↔	● Green (0)	● Green (0)	● Green (0)	● Green (0)	● Green (0)

Appendix 1 – Plan Progress

The table below summarises our current progress against the reviews in our 2014/15 Internal Audit Plan.

Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings						
							Critical	High	Medium	Low	Advisory		
Quarter 1: August 2014 – October 2014													
Continuous Auditing – Financial Controls (May 2014 to July 2014)													
14 (14)	06/08/2014	11/08/2014	22/08/2014	08/09/2014	N/A	1	-	-	-	1	-		
Change Management – Phase 1													
6 (5)	12/08/2014	13/08/2014	04/09/2014	-	-	-	-	-	-	-	-		
Quarter 2: November 2014 – January 2015													
Change Management – Phase 2													
9 (0)						-	-	-	-	-	-		
Continuous Auditing – Financial Controls (August 2014 to December 2014)													
13 (0)						-	-	-	-	-	-		
Continuous Auditing – Student Data Controls (August 2014 to October 2014)													
15 (1)						-	-	-	-	-	-		
Data Security													
10 (0)						-	-	-	-	-	-		
Quarter 3: February 2015 – April 2015													
Continuous Auditing – Student Data Controls (November 2014 to May 2015)													
15 (0)						-	-	-	-	-	-		
Quarter 4: May 2015 – July 2015													
Continuous Auditing – Financial Controls (January 2015 – April 2015)													
13 (0)						-	-	-	-	-	-		
Risk Management													
10 (0)						-	-	-	-	-	-		
Other													
20 (3)	Planning, contract management, reporting, value for money and follow up												
Total	125 (23)												

Appendix 2 – Follow Up

Implemented

<i>Review</i>	<i>Agreed action</i>	<i>Risk rating</i>	<i>Status</i>	<i>Original due date</i>
Student Module Data 2013/14	We are undertaking a fundamental review of reporting to support module registration.	Advisory	The reports have been comprehensively reviewed and new reports are now in use.	31/07/2014
Business Continuity 2013/14	We will review our Business Continuity Framework and develop a policy to set out clearly the scope, aims and objectives of Business Continuity Management in the organisation and the activities of the programme that will be required to deliver these. The policy will be approved, owned and reviewed by the Business Continuity Steering Group (BCSG). Reference to Business Continuity Institute Good Practice Guidelines 2010 will be amended to BCI GPG 2013, now that the updated edition has been published. This reflects ISO22301 and thus is a relevant and appropriate standard to adhere to. The composition of the BCSG will be reviewed to reflect management/executive responsibilities.	Medium	The BCM Framework Policy and Methodology, which defines the scope, aims and objectives and high level methodology in respect of business continuity management was agreed by the Executive during their meeting of 10 th June 2014. The Deputy Vice Chancellor, who commences this new role in September, will chair the reconvened Business Continuity Steering Group. This group will then agree: <ul style="list-style-type: none"> • Revised terms of reference • Meeting frequency • In-scope activities and services for business continuity planning via strategic business impact analyses • Business continuity programme plan 	31/07/2014
Office of the Independent Adjudicator (OIA) 2013/14	There is an additional issue of potentially unrealistic deadlines which will be reviewed by the Academic Regulations Committee, which will make recommendations to the Academic Board by July 2014.	Advisory	Academic Regulations Committee has reviewed all aspects of the appeals, extenuating circumstances and complaints procedures and re-drafted these to take full notice of recommendations made by the Office of the independent Adjudicator. This has included, where appropriate, a review of the timescales for submission of, and response to, appeals, complaints and extenuating circumstances claims. Appropriate revisions were made to the Academic Regulations for taught Programmes of Study, and the University's Student Complaints procedure, which were approved by Academic Board at its meeting of 09/07/2014.	31/07/2014
Payroll Implementation 2013/14	Existing procedure and process notes will be updated to include defined roles for duties to be performed. These will also detail any changes in the event of staff absence.	Advisory	Procedure notes have been re-written.	30/06/2014
Payroll Implementation	The issues list continues to be implemented and is up to date. Midland hold a project close out meeting as part of their	Advisory	A post-project review has been held. The results of this exercise are due to be circulated.	31/07/2014

2012/13	project management and London South Bank University is holding a post implementation review in May 2014. A post implementation review is planned for May 2014 but this has not been added to the project plan.			
TRAC 2012/13	We will ensure that a detailed checklist is retained for the return submitted in 2014.	Medium	This exercise has now been completed.	31/07/2014
Enterprise 2012/13	There is a lack of goal congruence between the Enterprise vision and the reality of managing commercial activity at a Faculty level. Our interviews with Faculties identified that some individuals are sceptical about the new approach to Enterprise being taken by the University Enterprise team, do not see its relevance to their own work and are unclear that engagement with Enterprise will lead to any 'value'. There is a perception that the engagement imposes an additional administrative burden on them. Overall, this leads to a lack of buy-in to the goals of the Enterprise teams in some Faculty areas and can mean opportunities to maximise income for Enterprise are not seized.	Medium	The following actions have been taken: <ul style="list-style-type: none"> • A description of Enterprise services has been created and is due to be published on the intranet; • The Business Development (BD) team which is responsible for client acquisition and supporting enterprise has increased from 4 to 7. The BD team is now mapped to deliver individual support in the new School structure. An extra role has been created to offer support for ongoing programme and project delivery where the Faculties have struggled to achieve robust HEBCI reporting standards; • The delivery of value by University Enterprise (UE) will be demonstrated with the introduction of a suite of new enterprise reports. These individual School level reports which start from the new budget year focus on client and project opportunities generated and developed with full monthly/YTD quantitative reporting and supporting narrative. It is expected that these will increase buy-in; • UE have recognised that there are complex relationship and engagement issues between academic staff and the enterprise team and there have been changes to personnel which have helped resolve these. UE plans to proactively develop academic engagement with enterprise and have already held relaunch events at University and Faculty levels. UE plans to continue with joint funding of monthly academic events with the research team, events focused on the development of our new applied research themes, and the creation of an incentivised scheme to encourage academics, particularly "newbies" to scope commercial work. This is incorporated in the UE business plan; • UE are currently working on a plan to drive a step change in applied research sales. A key element of this plan involves the identification and prioritisation of sectors that the University through UE should focus resource on. UE have developed the 	31/07/2014

			<p>market framework and are in the process of population i.e. mapping external market demand to academic excellence and capacity. UE will actively seek input to develop agreed priority enterprise themes and topics across the University;</p> <ul style="list-style-type: none"> The issue of academic reward for enterprise activity, both financial and other types of reward is not directly within UE control. UE have scoped the issues identified and this report is awaiting action from the new Director of Enterprise to work with the Deans and HR to achieve urgent and pragmatic solutions. 	
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Partially Implemented

<i>Review</i>	<i>Agreed action and original due date</i>	<i>Risk rating</i>	<i>Status</i>	<i>Revised deadline</i>
IT Controls and Phishing 2012/13	<p>A. The use of the Phonebook system as the 'golden record' for staff will be examined along with replacing the CAMS system. A propriety identity management solution will be procured that includes approval processes for user accounts and audit trails for changes.</p> <p>B. See (a) – Phonebook should not be the trigger system for ICT accounts.</p> <p>C. A review of user accounts will be undertaken against staff leavers. People that have left will be removed from the system</p> <p>Original due dates:</p> <p>A. 31/12/2013 B. 31/12/2013 C. 31/08/2013</p> <p>This was revised to 31/07/2014 at the February 2014 Audit Committee.</p>	High	<p>A. To close this action it is necessary to replace CAMS with a new solution which is being procured from IBM. Contract negotiations are underway.</p> <p>B. As above.</p> <p>C. A monthly reconciliation process is operational to ensure that any accounts that should have been terminated are dealt with. This has been in place since October 2013.</p> <p>In addition, management have made online training available to staff to educate them and help them identify "phishing" emails so they respond appropriately.</p> <p>The ability to block access to any sites referenced in "phishing" emails for the purpose of collecting user data has been created and tested.</p>	<p>A. 31/12/2014 B. 31/12/2014 C. Implemented</p>
IT Controls and Phishing	<p>A. A logical security policy will be written and implemented. London South Bank University is currently tendering to appoint a Managed Security Service provider and they will be consulted to ensure</p>	High	<p>A. The Managed Security Service (MSS) contract has been placed with Data Integration / Xchanging.</p> <p>B. The Security Policy has not been agreed. Following agreement of the Security Policy, the password strength and maximum age will be</p>	<p>A. Implemented B. 31/12/2014 C. Implemented D. Implemented</p>

2012/13	<p>that an appropriate policy is put in place.</p> <p>B. Following agreement of the Security Policy, the password strength and maximum age will be adjusted. Steps have already been taken to prevent users from re-using their old password immediately.</p> <p>C. Security logs will be exported to an external server as part of the Managed Security Service and this will also include a forensic element to follow-up on incidents.</p> <p>D. The use of privileged account passwords that don't expire will be examined and expiration dates set. The "Install" account will be stopped from being used.</p> <p>Original due date: 30/09/2013</p> <p>This was revised to 31/07/2014 at the February 2014 Audit Committee.</p>		<p>adjusted. Steps have already been taken to prevent users from re-using their old password immediately.</p> <p>C. The MSS is now fully operational.</p> <p>D. The usage of the "Install" privileged account password has been stopped</p>	
Payroll Implementation 2012/13	<p>A system change document will be developed and any changes made to i-Trent post-implementation will be authorised appropriately and recorded for future reference.</p> <p>Original due date: 30/04/2014</p> <p>This was revised to 31/07/2014 at the May 2014 Audit Committee.</p>	Advisory	<p>Following discussion with Midland HR, who undertook all of the system build, it has been agreed that the lead consultant at Midland will update the blueprints on London South Bank University's behalf so that these accurately reflect the current system build. London South Bank University is awaiting a date when this can be done by Midland HR, but anticipate it will completed no later than the end of September.</p>	30/09/2014



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This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University in our agreement dated 21/07/2010. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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	PAPER NO: AC.36(14)
Paper title:	14/15 Internal Audit: Finance Continuous Audit Report of period May – July 2014
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	PricewaterhouseCoopers, Internal Auditors
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide the internal audit report into financial control of transactions in the period May – July 2014.

Executive Summary	
Context	The attached report provides the results of the Continuous Audit of Finance – undertaken as part of the planned LSBU internal audit continuous audit programme in 14/15.
Question	Is the Committee content with the findings and rating within the report?
Conclusion & Recommendation	The report finds the rating to be green across all areas, with a minor process exception around process for new starters. The Executive recommends that Committee note the report

Matter previously considered by:	Operations Board	16 th September
Further approval required?		

Internal Audit Report 2014/2015

Continuous Auditing: Key Financial Systems

Period One (1st May 2014 – 31st July 2014)

FINAL

September 2014

London South Bank
University

Contents

1. Executive summary	2
2. Detailed findings	4
Appendix 1. Assessment Criteria	11
Appendix 2. Terms of Reference	12
Appendix 3. Limitations and responsibilities	17

Distribution List

For action:	Natalie Ferer (Financial Controller)
For information:	Richard Flatman (Director of Finance)
	John Baker (Corporate & Business Planning Manager)
	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 (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 2014/15 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	P1 2014/15	P4 2013/14	P3 2013/14	P2 2013/14	Trend
Payroll	 Green	 Green	 Amber	 Amber	
Accounts payable	 Green	 Green	 Amber	 Green	
Accounts receivable	 Green	 Green	 Green	 Amber	
Cash	 Green	 Green	 Green	 Green	
General Ledger	 Green	 Green	 Green	 Amber	

Findings and recommendations

Payroll

- No operating effectiveness exceptions have been noted this period.
- One control design exception has been raised:

Current Process

- A new starter form is completed for all new employees at LSBU. This includes all relevant payroll details such as name, address, position, bank account details, salary and start date.
- This information is sent to Payroll from Human Resources (HR) to ensure that the new starter is paid when they start employment.
- Payroll set up the new employee on the Payroll system as soon as this information is received, and their pay date is based on the start date provided.

Identified Improvement

- Management highlighted to the audit team that sometimes the start date will change and these individuals may commence their employment at a later date than originally specified.
- There is currently no preventative or detective control to identify instances where an employee's actual start date has changed from the original start date specified on the new starter form. This means that there is a risk that if an individual's start date is delayed and Payroll are not made aware of the change, the individual could still be paid even though they have not yet begun employment.

Accounts Payable

- No operating effectiveness exceptions have been noted this period.

Accounts Receivable

- No operating effectiveness exceptions have been noted this period.

Cash





























- No operating effectiveness exceptions have been noted this period.

General Ledger

- No operating effectiveness exceptions have been noted this period.

2. Detailed findings

Payroll

Key control	Exceptions* P1 – 2014/15	Details on exceptions	Exceptions P4 2013/14	Exceptions P3 2013/14	Exceptions P2 2013/14
P1 Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.		No operating effectiveness issues noted. However, a control design issue has been raised below.			
P2 Leaver forms are received from HR upon notification of resignation or redundancy.					
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 and reconciling items are investigated on a timely basis.</p>	●	●	●	●
<p>P9 Expenses are supported by appropriately authorised claim forms.</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.

Finding

A new starter form should be completed for all new employees at LSBU. This includes all relevant payroll details such as name, address, position, bank account details, salary and start date. This information is sent to Payroll from HR to ensure that the new starter is paid when they start employment.

Payroll set up the new employee on the Payroll system as soon as this information is received and their pay date is based on the start date provided. New joiners can be set up on the Payroll system several months before their actual start date.

Management identified that sometimes the start date will change and these individuals may commence their employment at a later date than originally specified. There is currently no preventative or detective control to identify instances where an employee's actual start date has changed from the original start date specified on the new starter form.

Risk

Payroll may be unaware of changes meaning new joiner start dates are incorrect. If the start date is delayed, then this could mean the individual receives payment for work even though they have not begun employment.

Action plan

<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
<p>Low Risk</p> <p>●</p>	<p>A report on starters and leavers is generated from the HR database towards the end of the payroll checking process and any amendments to start dates recorded on the HR database will be picked up as part of this check. In addition HR business Partners routinely make Payroll aware if dates have been varied which will impact on the payroll. In future the report on starters and leavers will be run on the day before BACS payments are released to minimise the risk of overpayment.</p>	<p>Natalie Ferer, Financial Controller</p> <p><i>Target date:</i></p> <p>With immediate effect</p> <p><i>Reference number:</i> P1</p>

Accounts Payable

	Key control	Exceptions P1 – 2014/15	Details on exceptions	Exceptions P4 2013/14	Exceptions P3 2013/14	Exceptions P2 2013/14
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.	●		●	●	●
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.	●		●	●	●

* AP5 was not tested this period because exception reports to identify duplicate suppliers are no longer produced. LSBU have a mitigating control in place: prior to setting up any new suppliers, LSBU review the Accounts Payable system to ensure that the supplier does not already exist to prevent the risk of a duplicate supplier being created. We have tested this as part of AP1 and no exceptions have been noted. Our terms of reference will be updated for subsequent periods to reflect this change in testing approach.

Accounts Receivable

	Key control	Exceptions P1 – 2014/15	Details on exceptions	Exceptions P4 2013/14	Exceptions P3 2013/14	Exceptions P2 2013/14
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.	●		●	●	●
AR4	Reminder letters are sent to individuals in respect of overdue fees on a monthly basis in line with policy.	●		●	●	●
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.



Cash

	Key control	Exceptions P1 – 2014/15	Details on exceptions	Exceptions P4 2013/14	Exceptions P3 2013/14	Exceptions P2 2013/14
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 the general ledger are reconciled to QLX on a monthly basis. Cash receipts per the general ledger are reconciled to 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.	●		●	●	●
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.	●		●	●	●

General Ledger

	Key control	Exceptions P1 – 2014/15	Details on exceptions	Exceptions P4 2013/14	Exceptions P3 2013/14	Exceptions P2 2013/14
GL1	Journals must be authorised, with supporting documentation, prior to being posted on the system.	●		●	●	●
GL2	On a monthly basis management accounts are prepared and significant variances against budget are investigated.	●		●	●	●
GL3	Suspense accounts are cleared or reconciled on a quarterly basis.	●		●	●	●
GL4	Balance sheet control accounts are cleared or reconciled on a quarterly basis.	●		-	-	-
GL5	Access to the general ledger is restricted.	●		●	●	●
GL6	No single individual has access to make changes to both the QLX and QLS systems.	●		●	●	●

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>Red</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>Amber</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>Green</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>Critical</p>	<p>Critical impact on operational performance resulting in inability to continue core activities for more than two days; or</p> <p>Critical monetary or financial statement impact of £5m; or</p> <p>Critical breach in laws and regulations that could result in material fines or consequences over £500k; or</p> <p>Critical impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.</p>
<p>●</p> <p>High</p>	<p>Significant impact on operational performance resulting in significant disruption to core activities; or</p> <p>Significant monetary or financial statement impact of £2m; or</p> <p>Significant breach in laws and regulations resulting in significant fines and consequences over £250k; or</p> <p>Significant impact on the reputation or brand of the organisation, resulting in unfavorable national media coverage.</p>
<p>●</p> <p>Medium</p>	<p>Moderate impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</p> <p>Moderate monetary or financial statement impact of £1m; or</p> <p>Moderate breach in laws and regulations resulting in fines and consequences over £100k; or</p> <p>Moderate impact on the reputation or brand of the organisation, resulting in limited unfavorable media coverage.</p>
<p>●</p> <p>Low</p>	<p>Minor impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</p> <p>Minor monetary or financial statement impact £500k; or</p> <p>Minor breach in laws and regulations with limited consequences over £50k; or</p> <p>Minor impact on the reputation of the organisation, resulting in limited unfavorable media coverage restricted to the local press.</p>
<p>Advisory</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

London South Bank University

Terms of reference – Continuous Auditing 2014/15

To: Richard Flatman – Chief Financial Officer

From: Justin Martin – Head of Internal Audit

This review is being undertaken as part of the 2014/2015 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
40	x	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>Inaccurate or incomplete records of student debts may mean income is not collected on a timely basis.</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 cash receipting systems 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	Ledger balances are valid and accurate.	Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made. Suspense accounts and balance sheet control accounts are not cleared on a timely basis. Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information.
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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 three times a year, covering the following periods during 2014/15:

- Period 1: May 2014 – July 2014
- Period 2: August 2014 – December 2014
- Period 3: January 2015 – April 2015

Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Engagement Manager	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com
Charlotte Bilsland	Audit Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Dan Barton	Continuous Auditing Manager	daniel.j.barton@uk.pwc.com
Harley Crossman	Continuous Auditing Technician	harley.crossman@uk.pwc.com
Jack Fludgate	Continuous Auditing Technician	jack.fludgate @uk.pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Chief Financial Officer (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Review draft report 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
Robert Ager	Acting Head of Procurement	agerr@lsbu.ac.uk	Audit contact
Ralph Sanders	Financial Planning Manager	sanderr4@lsbu.ac.uk	Audit contact
Brian Wiltshire	Treasury Manager	wiltshbl@lsbu.ac.uk	Audit contact
Penny Green	Head of Procurement	greenp7@lsbu.ac.uk	Audit contact
Julian Rigby	Income Manager	rigbyj@lsbu.ac.uk	Audit contact
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Nicolas Waring	Cash Office Manager	waringn@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 Clarke	Payroll Team Leader	clarkef4@lsbu.ac.uk	Audit contact
Andrew Ratajczak	Manager; Fees, Bursaries and Central Enrolment	ratajca@lsbu.ac.uk	Audit contact

Timetable

	Period 1	Period 2	Period 3
Fieldwork start	11/08/2014	19/01/2015	06/05/2015
Fieldwork completed	22/08/2014	30/01/2015	15/05/2015
Draft report to client	01/09/2014	13/02/2015	29/05/2015
Response from client	05/09/2014	27/02/2015	12/06/2015
Final report to client	12/09/2014	06/03/2015	19/06/2015

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.

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 27/07/ 2010. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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	PAPER NO: AC.37(14)
Paper title:	Continuous Audit of Student Data - Terms Of Reference.
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	PricewaterhouseCoopers, Internal Auditors
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide a draft of the terms of reference for the continuous audit of student data within the internal audit plan for 14/15.

Executive Summary	
Context	<p>The attached document details the proposed terms of reference for the continuous audit of student data, which has been introduced into continuous audit for the 14/15 plan, and is currently scheduled for the first round of testing in November 2014.</p> <p>Appendix 1 on page 4 provides an overview of the key risks and related controls</p>
Question	Is the planned focus of audit testing for student data correct?
Conclusion & Recommendation	The Executive recommends that committee approve the terms of reference for continuous auditing of student data

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

London South Bank University

Continuous Auditing 2014/15: Student Data – Draft scope of work

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 2014/15 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 ongoing 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
30	x	x	x	x	x

x = area of primary focus

x = possible area of secondary focus

Scope

The financial process, 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.	Application and enrolment data may be inaccurate. This could also result in fees not being correct resulting in students being over or undercharged and an associated impact on

income.

UKVI requirements are not complied with. This could result in London South Bank University losing their license to operate affecting fee income and leading to reputational damage.

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

Course changes are not identified on a timely basis which could affect fee income, as well as student data quality.

Reporting of changes in circumstances to the SLC are not reported and processed accurately, completely and on a timely basis. This could mean student data is inaccurate.

Student module data is inaccurate or incomplete, undermining the reliability of data.

Users have unauthorised access and can make inappropriate amendments to student records which could compromise the validity, accuracy and completeness of student data.

Inadequate management information over Tier 4 students could mean that the university is not compliant with requirements.

Limitations of scope

Our work is not intended to provide assurance over the effectiveness of all of 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.

Time table

We will undertake our testing twice in the year, covering the following periods during 2014/15:

Phase	Period tested	Fieldwork start	Fieldwork completed	Draft Report	Response from client	Final report
1	01/08/2014 – 31/10/2014	10/11/2014	21/11/2014	05/12/2014	19/12/2014	31/12/2014
2	01/11/2014 – 31/03/2015	20/04/2015	01/05/2015	15/05/2015	29/05/2015	05/04/2015

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

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Engagement Manager	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com
Charlotte Bilsland	Audit Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Dan Barton	Continuous Auditing Manager	daniel.j.barton@uk.pwc.com
Jack Fludgate	Continuous Auditing Technician	jack.fludgate @uk.pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Chief Financial Officer (Audit Sponsor)	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Review draft report Review and approve final report
Andrew Fisher	Academic Registrar	fishera@lsbu.ac.uk	Hold initial scoping meeting
Andrew Ratajczak	Manager; Fees, Bursaries and Central Enrolment	ratajca@lsbu.ac.uk	Review and meet to discuss issues arising and develop management responses and action plan
Natalie Ferer	Financial Controller	0207 815 6316 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 proposed that the operating effectiveness of the following controls will be considered. These have been mapped to the key risks identified as in scope above. These are currently being reviewed by management.

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

Key risk	Key control	Ref
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.	Following a student record being created in QLS at the application stage, appropriate checkpoints are performed prior to fully enrolled ('EFE') status. On enrolment a full ID check is performed and all required paperwork is obtained, reviewed and retained.	S1
UKVI requirements are not complied with. This could result in London South Bank University losing their license to operate affecting fee income and leading to reputational damage.	Supporting documentation is obtained and retained to ensure Tier 4 requirements are met.	S2
Student attendance records are incorrect undermining the reliability of management information.	Attendance reports are generated at faculty level to identify periods of non-attendance and non - attendance identified is then investigated.	S3
Course changes are not identified on a timely basis which could affect fee income, as well as student data quality.	Supporting evidence is obtained prior to processing any course changes or withdrawals.	S4
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.	S5
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 these are then investigated.	S6
	Supporting evidence is retained to support any changes.	S7
	Non-conformance reports (NCRs) are generated and investigated.	S8
Users have unauthorised access and can make inappropriate amendments to student records which could compromise the validity, accuracy and completeness of student data.	All new users of the QLS system must complete an authorisation form which is authorised by their line manager and IT prior to system access.	S9
	Leavers are removed from the system on a timely basis.	S10
Inadequate management information over Tier 4 students could mean that the university is not compliant with requirements.	Exception reports are run to monitor where: <ul style="list-style-type: none"> Students do not enrol; Students miss expected contact points; Sponsorship of students ends; Significant changes of circumstances occur; and Visa expiry dates are upcoming. 	S11

Our testing will also include the use of computer assisted audit techniques (CAATS) to perform 100% test of certain aspects of the student data cycle. A meeting is being arranged between the Internal Audit Team, Data Assurance team and key contacts at London South Bank to agree the scope of this testing.



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 solely for the purpose and on the terms agreed with London South Bank University in our agreement dated 1 August 2013. 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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	PAPER NO: AC.38(14)
Paper title:	Internal Audit report - Review of Risk Management.
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	PricewaterhouseCoopers, Internal Auditors
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide the internal audit report into Risk Management.

Executive Summary	
Context	<p>The attached report provides the results of this review of Risk Management – undertaken as part of the planned LSBU internal audit continuous audit programme in 13/14.</p> <p>The report classification is low risk, and contains two recommendations: one related to the statement of risk appetite discussed by the Board in June, and one related to recording of operational risk associated with the institutional re-structure.</p>
Question	Is the Committee content with the findings and rating within the report?
Conclusion & Recommendation	The Executive recommends that the committee note the report.

Matter previously considered by:	Operations Board	16 th September
Further approval required?		

Internal Audit Report 2013/2014

Risk Management

FINAL

September 2014

London South Bank
University

Contents

1. Executive summary	2
2. Detailed current year findings	3
Appendix 1. Education Sector Risk Benchmarking	5
Appendix 2. Basis of our classifications	9
Appendix 3. Terms of Reference	11
Appendix 4. Limitations and responsibilities	14


Distribution List

For action:	John Baker (Corporate & Business Planning Manager)
For information:	Richard Flatman (Executive Director of Finance)
	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) Financial Memorandum. 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	
Low Risk 	N/A - The prior year risk management review was limited to a follow up.	Control design	0	0	1	1	0
		Operating effectiveness	0	0	0	0	0
		Total	0	0	1	1	0

Summary of findings

Background

Effective risk management is essential in helping any organisation to improve governance, focus decision making and achieve objectives. Institutions are required to have effective risk management policies and processes that cover all significant risks, assess exposure and regularly monitor risk to ensure effective governance.

London South Bank University (LSBU) has an overall corporate risk register which is supported by operational risk registers. Risk management is underpinned by the Risk Strategy and Risk Appetite documents.

Key findings

Our review has seen a number of areas of good practice. For example:

- The corporate risk register is reviewed on a quarterly basis;
- The corporate risk register is reviewed and discussed at monthly Executive Group meetings; and
- LSBU have recently updated their Statement of Risk Appetite.

However, there are some areas for improvement, for example:

- We reviewed the Statement of Risk Appetite and believe it could be further developed to be more specific to LSBU. For example: expanding the narrative to include how high risks will be escalated to senior management; considering whether separate risk appetite statements should be developed for different business areas; and explaining how risk appetite can be incorporated into key decision making processes. **See finding #1;** and
- There is currently no separate risk register to capture operational risks arising from LSBU's restructure from schools to faculties. However it is recognised some risks are captured in the overall change programme. **See finding #2.**

Our Higher Education Centre of Excellence has recently performed a risk benchmarking exercise across Higher Education Institutions (HEIs) and the results of this exercise have been included in Appendix 1 for your reference.

2. Detailed current year findings

1. Statement of Risk Appetite – Control Design

Finding

A Statement of Risk Appetite is a method to help guide an organisation's approach to risk and risk management. The Statement of Risk Appetite should help determine the level of risk an organisation is willing to accept.

LSBU have recently revised their Statement of Risk Appetite. We reviewed the Statement of Risk Appetite and believe it could be further developed to be more specific to LSBU. For example:

- LSBU have adopted a Risk Scoring Matrix to define their risk appetite. LSBU has deemed an average score greater than '7' as unacceptable and that if the average risk matrix score exceeds this, 'careful consideration by the Executive will be given on what further steps will be taken'. It also noted that 'risks will be subjected to rigorous monitoring and managed closely by the Executive and Board of Governors and decisions made accordingly'. However, the Statement of Risk Appetite does not explain the mechanism by which risks with a score greater than an average of 7 will be escalated to senior management;
- There is only one Statement of Risk Appetite for the whole university but different business areas may have different risk appetites. This is not reflected in the current Statement of Risk Appetite; and
- The Statement of Risk Appetite is broad and largely focuses on how all risks should be treated. Risk appetite is most effective if people can easily incorporate it into their key decision making processes and logic but it does not provide any quantitative boundaries or clear guidance around how it can be applied in day-to-day risk management.

Risks

There may be inappropriate or insufficient escalation of identified risks.

A lack of 'risk currency' between different business streams means it is difficult to enable effective comparison and decision making.

Action plan

Finding Rating

Proposed Action

Responsible person / title

Medium Risk



The Statement of Risk Appetite will be reviewed and amended by the Corporate & Business Planning Manager, in conjunction with the Executive group and Board of Governors, to ensure that LSBU's risk appetite is properly defined and aligned to the university's strategic objectives. This will also be considered within the development of the Strategic Plan 2015-20.

The risk assessment and escalation processes will be reviewed to ensure that qualitative and quantitative aspects are considered, and that a clearly defined escalation process will be included.

John Baker, Corporate & Business Planning Manager

Target date

31/12/2014

Reference number

1

2. University Restructure – Control Design

Finding

The corporate risk register includes a risk relating to LSBU’s restructure. However, there is no separate project risk register to capture risks during the transition.

Management have confirmed that an overall change programme is in place, which captures risks relating to underlying projects. Management have also confirmed that there is a business plan to support the change programme. A project risk register is due to be created for the University restructure once it is has gone live in August 2014.


Good practice suggests that a specific project risk register should be in place throughout the restructure to capture the operational risks relating to the transition process.

It is recognised that there is a project plan which relates to the restructure process and risks are considered in this document.

Risks

The operational-level risks in relation to the transition process during the university’s planned restructure may not be fully captured and properly managed.

Action plan

<i>Finding Rating</i>	<i>Proposed Action</i>	<i>Responsible person / title</i>
<p>Low Risk</p> 	<p>The Change Programme risk register will be updated to capture the operational risks relating to the transition process following the university’s planned restructure in August 2014.</p>	<p>Amir Rashid, Change Programme Manager</p>
		<p><i>Target date</i></p> <p>30/09/2014</p>
		<p><i>Reference number</i></p> <p>2</p>

Appendix 1. Education Sector Risk Benchmarking

Our Higher Education Centre of Excellence team recently performed a risk benchmarking exercise across a number of HEIs. Their outputs are included below for your information.

Introduction

Effective risk management is a key control for institutions to mitigate the risks against delivery of strategic aims, and is also a core requirement of the HEFCE financial memorandum (2010/19) which internal audit includes an annual opinion over.

The higher education sector has undergone unprecedented levels of change over the last three years in particular, with significant challenges ahead in terms of regulatory changes around student number control limits, continued unpredictability in student demand, a new Statement of Recommended Practice, and future uncertainties associated with a forthcoming general election.

As a result of this, effective risk management and governing body level reporting is more important than ever.

This paper seeks to present the findings of our benchmarking study of 41 institutions in terms of what their significant risks were and how those risks were being managed.

Our sample and scope

We have reviewed Institutional level risk registers from a variety of different types of Institution which can be broken down as follows:

Type of Institution	Number	Percentage
Russell Group	9	22%
Pre-92 Institution	13	32%
Post-92 Institution	10	24%
Other	2	5%
Further Education Colleges	7	17%
TOTAL	41	100%

The detailed findings from our review are set out in the next section of this paper. We have highlighted a number of different features of the risk registers of the institutions sampled, and what stood out as being best practice in each of those areas.

Key risks

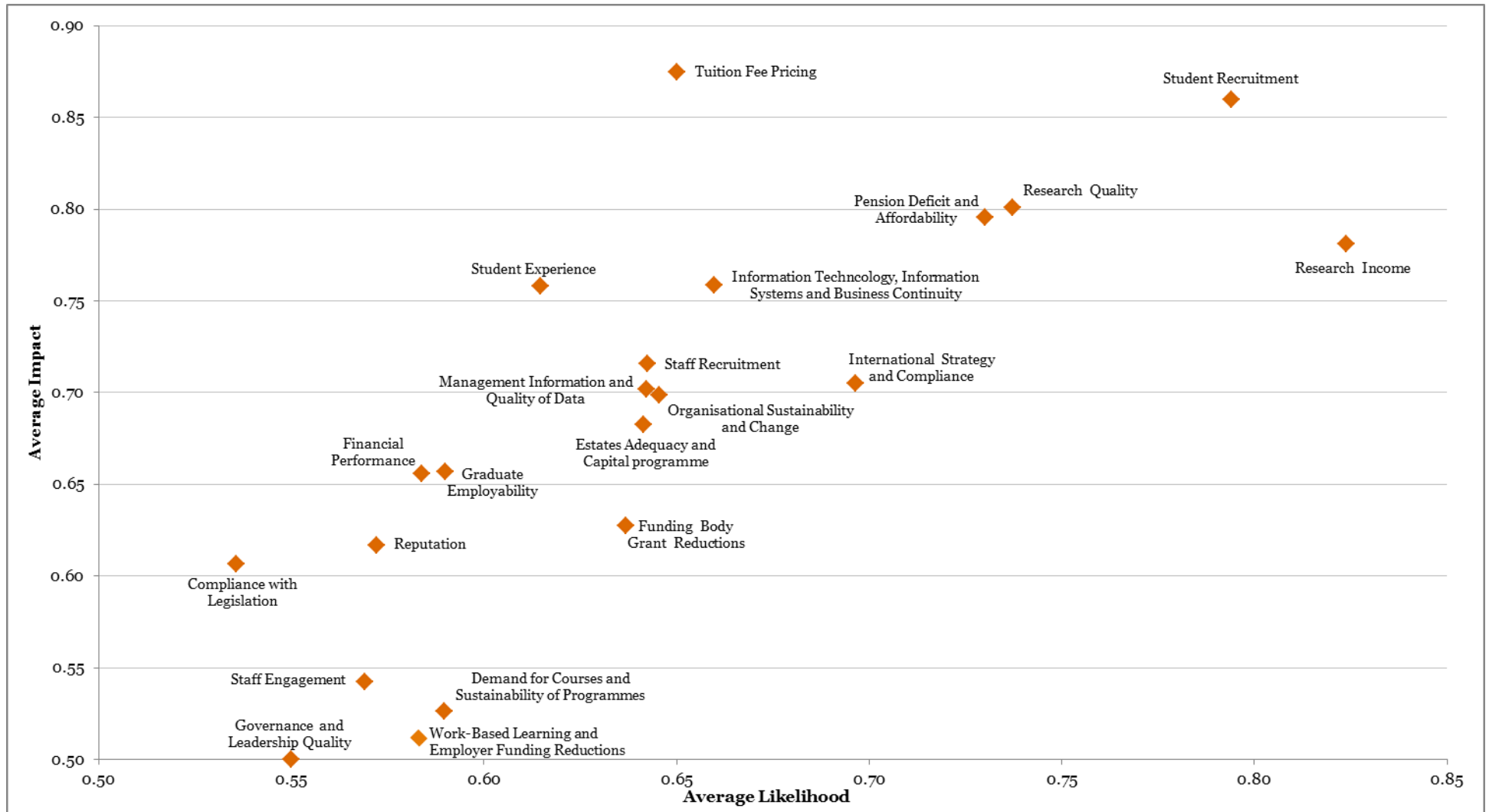
Our review has sought to understand the most significant risk areas as assessed by institutions, and any sector trends. From our analysis the top five risk areas appear to be in relation to:

- 1) student recruitment;
- 2) research income and quality;
- 3) pension deficits and affordability, which has significantly increased from our prior year analysis;
- 4) tuition fee pricing; and
- 5) information systems and technology, which has increased from our prior year analysis.

The diagram overleaf summarises the profile of risks for the sector, based on our sample of risk registers analysed, showing average risk likelihood and impact assessments.

Based on the significance of these risk areas to institutions, Audit Committee attention is crucial in helping mitigate the risks and ensure appropriate assurance is received.

Sector risk profile



Detailed review of risk registers

From our analysis of the risk registers across the sector we have identified a number of best practice characteristics which we believe should be a feature of risk registers. We have highlighted below results of our review of the sample of risk registers, highlighting a number of statistics from that analysis.

Impact and likelihood matrix

Risk register should include a clear methodology for assessing the impact and likelihood for identified risks (in effect the inherent risk). This is usually in the form of a matrix with over 90% of registers using some form of numerical matrix to give each risk a quantitative “score”, such as those illustrated below:

Extract from Risk Management Policy: Impact and Likelihood categories; definition of Risk Thresholds. Full details of Impact scoring are available in the Risk Management Policy and Procedures Manual.

IMPACT	Single loss (€)	Forecast accumulated cost over 2 years	Score	Range	LIKELIHOOD
5	>€25m	>€50m	5	81% - 100%	Almost certain to happen within the timing horizon
4	>€10m - <€25m	>€25m - <€50m	4	51% - 80%	More likely to happen than not
3	>€5m - <€10m	>€10m - <€25m	3	31% - 50%	Less likely to happen
2	>€0.5m - <€5m	>€1m - <€10m	2	11% - 30%	Unlikely
1	0	<€0.5m - <€1m	1	0% - 10%	Virtually impossible

Threshold	Risk Rating	Level of exposure	Action
Alarm	20 - 25	Unacceptable	Immediate corrective action
High	12 - 19	Concern	Decision required by ALT
Medium	5 - 11	Acceptable	Regular monitoring
Low	1 - 4	Acceptable	Regular monitoring

Our review highlighted that:

- 55% use a 5 x 5 Impact/Likelihood matrix to assess inherent and residual risk; and
- 31% have defined the risk rating scale used and 15% in financial terms.

More advanced registers also included a scale/framework to define the scoring system qualitatively or quantitatively in financial terms at a Corporate/ Faulty/Service and project level.

Links to strategic objectives

Effective risk management is based around strategic plan objectives having the risks of non-achievement assessed, and those risks being directly linked to those objectives

The proportion of risk registers that have this information within our sample was relatively low at 33%.

33% have linked risks to institutional strategic objectives

Mitigating controls

Once risks have been identified and assessed, the details of the mitigating controls in place to address the inherent risk should be outlined at a high level in order to assess the residual risk associated with that area.

Our review found 90% of risk registers identified the mitigating controls to address the underlying risk.

Residual Risks

An assessment of the residual risk using the same scoring system as used for the ‘gross’ risk should be documented. This assesses the effectiveness of the mitigating controls, as we would generally expect to see a reduction in the risk score after mitigation.

Our review has highlighted 62% of institutions have assessed the residual risk after mitigation.

Mitigating actions

Once the residual risk has been assessed there are mitigating actions required in order to control the level of risk identified. In more advanced registers these actions have a specific owner who may be different from the overall risk owner. Our review highlighted that:

- 72% have mitigating actions to address residual risk; and
- 90% have identified the risk owners.

Average number of risks: **22**
Average number of pages on risk register: **13**

Number of risks

We are often asked how long a risk register should be and what a typical number of risks is.

The average number of risks that appeared on the risk registers sampled was 22 and ranged from between ten to over 50 risks. In general the more effective risk registers included 10 to 20 risks and consolidated specific risks and actions into more general themed risks.

Direction of travel

To give an indication as to the relative movement on the institutional risks from one period to the next, the more advanced registers identify the direction of travel of the risk and the comparative score for prior year. This allows the reader an opportunity to assess risks in a dynamic context and whether the risk level is changing over time.

Our review highlighted that 38% of institutions included the direction of travel of individual risks on their risk registers.

Appendix 2. Basis of our classifications





A. Individual finding ratings

Finding rating	Points	Assessment rationale
Critical	40 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance resulting in inability to continue core activities for more than two days; or • Critical monetary or financial statement impact of £5m; or • Critical breach in laws and regulations that could result in material fines or consequences over £500k; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.
High	10 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance resulting in significant disruption to core activities; or • Significant monetary or financial statement impact of £2m; or • Significant breach in laws and regulations resulting in significant fines and consequences over £250k; or • Significant impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.
Medium	3 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or • Moderate monetary or financial statement impact of £1m; or • Moderate breach in laws and regulations resulting in fines and consequences over £100k; or • Moderate impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.
Low	1 point per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or • Minor monetary or financial statement impact of £500k; or • Minor breach in laws and regulations with limited consequences over £50k; or • Minor impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.
Advisory	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 3. Terms of Reference

Terms of reference – Risk Management

To: John Baker – Corporate and Business Planning Manager

From: Justin Martin – Head of Internal Audit

This review is being undertaken as part of the 2013/2014 internal audit plan approved by the Audit Committee.

Background

Effective risk management is essential in helping any organisation to improve governance, focus decision making and achieve objectives. Risk management is ensured through maintenance of risk registers and an awareness of risk throughout within an organisation. HEFCE direction states that institutions are required to have effective risk management policies and processes that cover all significant risks, assess exposure and regularly monitor risk to ensure effective governance.

Effective risk management has numerous benefits. These include:

- Reduced time spent ‘fire-fighting’;
- Increased confidence moving into new areas, or undertaking new projects;
- Getting things right first time;
- Improved management information; and
- Protection of the organisation’s reputation.

The ability of an organisation to successfully implement effective risk management arrangements in order to take advantage of these benefits is heavily dependent on staff and officers having an understanding of their responsibilities together with the principles and processes that underpin effective risk management. Only with this understanding will individuals buy-in to and engage with risk management, and help embed the arrangements into the culture of the organisation.

In the previous year, our review of Risk Management was restricted to following up the findings from our 2011/12 Risk Management review. LSBU is currently undergoing a restructure; moving from Faculties to Schools and as part of this process, are reviewing their risk management arrangements. The purpose of this review is review the overall approach to Risk Management at a corporate level and to understand how LSBU are continuing to manage risk during this period of change.

This review will address the following areas that form part of our annual report to the Audit Committee:

Total plan days	Financial Control	Value for Money	Data Quality	Corporate Governance	Risk management
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5

x

x

x = area of primary focus

x = possible area of secondary focus

Scope

We will review the design and operating effectiveness of key controls in place relating to Risk Management during the period 2013/14.

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

Sub-process	Objectives
Risk Strategy	<ul style="list-style-type: none"> • Vision, commitment and ownership of Risk Management are defined within the University. • Roles and responsibilities are clearly defined. • Risks – at a Corporate, Faculty and Departmental level - are aligned to the University's Strategic Plan
Statement of Risk Appetite	<ul style="list-style-type: none"> • The Risk Appetite is defined and is considered in the management of risk and resource allocation. • Sufficient data is captured to allow the organisation to assess performance against risk appetite.
Risk identification	<ul style="list-style-type: none"> • The risk identification process encourages the identification of risk, an assessment of magnitude, likelihood and impact at all levels of the University, with key partners and is a continuous process. • There is clear ownership and responsibility for managing key risks in the various Faculties/Departments and related actions.
Monitoring and reporting	<ul style="list-style-type: none"> • Risks are regularly monitored and mitigation measures updated. This is reported to a sufficient level of management to ensure awareness and recognition of risks at a corporate level.
University restructure	<ul style="list-style-type: none"> • Mechanisms are in place to ensure that the University continues to manage risk during their restructure.

Limitations of scope

The scope of our work will be limited to those areas outlined above, all other areas will be excluded from the scope. This review will focus on the overall approach to Risk Management and will include review of the corporate risk register but we will not be performing any detailed testing of faculties or departments as part of this testing.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of Risk Management processes through discussions with key personnel and review of systems documentation;
- Identify the key risks surrounding Risk Management;
- 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	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Engagement Manager	0207 213 2949 / 07921 106 603 david.w.wildey@uk.pwc.com
Charlotte Bilsland	Audit Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Dan Chan	Auditor	daniel.y.chan@uk.pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Executive Director of Finance <i>(Audit Sponsor)</i>	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference Review draft report
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Review and approve final report Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan

Timetable

Fieldwork start	16/06/2014
Fieldwork completed	19/06/2014
Draft report to client	03/07/2014
Response from client	17/07/2014
Final report to client	24/07/2014

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 4. Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Risk Management 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 2013/2014 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 21/07/2010. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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	PAPER NO: AC.39(14)
Paper title:	Draft Internal Audit Annual Report.
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	PricewaterhouseCoopers, Internal Auditors
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide the annual internal audit opinion.

Executive Summary	
Context	The attached report provides a review of the LSBU internal audit programme in 13/14.
Question	What is the internal audit opinion on whether London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over: <ul style="list-style-type: none"> • Risk management, control and governance; and • Value for money processes?
Conclusion & Recommendation	<p>The annual internal audit opinion is that LSBU has adequate and effective arrangements to address the risk that management's objectives are not achieved; in respect of both risk management, control and governance; and also for value for money processes.</p> <p>The review of recommendations notes both that the number and category of findings from reports has fallen, and that majority are fully implemented, with none entirely outstanding.</p> <p>The Executive recommends that the committee note this report</p>

Matter previously considered by:	Operations Board	16 th September
Further approval required?		

*Internal Audit
Annual Report
2013/2014*
DRAFT

September 2014

London South
Bank University

Contents

1. Executive summary	1
2. Summary of findings	2
3. Internal Audit work conducted	5
4. Follow up work conducted	8

Appendices	9
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Appendix 1: Limitations and responsibilities	10
Appendix 2: Basis of our opinion and classifications	11
Appendix 3: Partially implemented recommendations	13
Appendix 4: Mapping of internal audit work	17
Appendix 5: Performance of internal audit	18

Distribution List

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

This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University under our contract dated 21/07/2010.

1. *Executive summary*

Background

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

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

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

This report covers the period to the financial year ended 31/07/2014.

Scope

Our findings are based on the results of the internal audit work performed as set out in the Internal Audit Risk Assessment and Internal Audit Plan 2013/14 approved by the Audit Committee and updated during the year to reflect changing priorities and requests for additional reviews. Our report also considers any matters that arise up to the date of issuing our report.

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

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

Opinion

Our opinion is based on our assessment of whether the controls in place support the achievement of management's objectives as set out in our Internal Audit Risk Assessment and Internal Audit Plan 2013/14.

We have completed the program of internal audit work for the financial year ended 31/07/2014, and except for the areas noted below, we believe London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over:

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

Our review of Risk Management has been assigned a low risk rating and our audit fieldwork shows that there has been an improvement in the core control and governance environment. Although there were some ongoing control issues, particularly relating to payroll controls during the year, our most recent Continuous Auditing report, did not identify any exceptions providing some assurance that the control environment surrounding key financial systems has stabilised and is operating effectively.

Only two high risk findings have been raised in 2013/14. Both of these relate to control issues which are specific to the processing of Student Module Data. We have also noted some control issues surrounding IT, as part of our Phishing review which we believe has implications on London South Bank University's control framework. These matters are described further in Section 2 of this report.

Our work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: establishment of a value for money working group; alignment to business planning and the corporate plan; and adherence to financial controls.

Acknowledgement

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

2. Summary of findings

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

<i>Description</i>	<i>Detail</i>
<p>Overview</p> <p>We completed 10 internal audits and 1 specialist review.</p> <p>This resulted in the identification of 0 critical, 2 high, 8 medium and 8 low risk findings to improve weaknesses in the design of controls and / or operating effectiveness of these controls.</p> <p>While we have performed fewer audits this year (2012/13: 14) the results of our trend analysis indicate that the control environment has improved from the previous year. The overall volume of recommendations raised per review has reduced and the individual ratings of individual recommendations have also reduced.</p>	<p>Our audit plan was scoped to address London South Bank University's key risks and strategic objectives. We mapped each review to these areas in our Internal Audit Risk Assessment and Internal Audit Plan 2013/14.</p> <p>We have completed our internal audit plan in line with the set timescales.</p> <p>We have delivered two additional 'value enhancement reviews' to support London South Bank University:</p> <ul style="list-style-type: none"> • Payroll Implementation; and • Extenuating Circumstances, Academic Appeals & Other Processes that could result in a student complaint to the Office of the Independent Adjudicator (OIA). <p>We have also worked with our specialist team to perform a phishing exercise to follow up our 2012/13 phishing review.</p>
<p>Risk Management, Control and Governance</p> <p>Risk Management:</p> <p>Our work surrounding Risk Management was limited to a review of overall procedures and the corporate risk register and was classified as low risk. Our only findings relate to the development of London South Bank University's Risk Appetite Statement and preparation of a project risk register for the University restructure.</p> <p>Control:</p> <p>Our Continuous Auditing fieldwork had identified some recurrent control deficiencies in relation to payroll processing which required additional focus however, no issues were identified in our final report providing some assurance that the control environment had stabilised by year end. Our most recent period of Continuous Auditing, which tested up to 31/07/2014, also did not identify any issues. A summary of Continuous Auditing performance and results of individual reviews is included in Section 3.</p> <p>We are aware of some control design and operating effectiveness issues surrounding Student Module Data and IT which we believe has implications with respect to London South Bank University's control framework. These key findings are summarised</p>	<p>Student Module Data:</p> <p>Our review of Student Module Data identified two high risk issues:</p> <ul style="list-style-type: none"> • At the time of audit there was no requirement to retain supporting evidence for amendments made to module data or exception investigation. The associated risks were heightened given the system access issues also identified: client administrators are delegated 'edit access' which allows them to process changes to student modules; once 'edit access' is granted there is no further independent review of changes that have been made. Lack of independent review of changes to data could mean unauthorised amendments are not identified. • We tested a sample of 40 students who had no modules attached to their records. 14/40 students tested were incorrectly classified as having no modules. We also tested a sample of 40 data mismatches; five exceptions were noted from this test. <p>Management have implemented all agreed actions from our review, including the introduction of monthly exception reporting to identify mis-matches and resolve them. Management have also reminded staff of the need to retain supporting documentation.</p>

opposite.

Governance:

Our core financial systems work has identified appropriate segregation of duties and reporting/documenting of key processes and there have been no significant issues raised as part of individual reviews performed.

Another indicator of a strong compliance culture is managements prompt implementation of audit recommendations as outlined in Section 4.

Phishing:

Our specialists performed a follow up review to understand how the level of awareness to phishing attacks has changed since our first phishing exercise in 2012/13. The review found that the level of awareness has dropped from the previous year: there was a 5% increase in both the employees who followed the malicious link and those that entered their username and password.

We were informed that the LSBU IT department was quickly alerted to the phishing emails and were ready to block the phishing portal within an hour of the first email being sent. This would have reduced the overall exposure to London South Bank University employees to a real phishing attack and would have reduced the percentage of employees who clicked the link and entered credentials to 4% and 3% respectively.

Several London South Bank University employees directly replied to the phishing email or sent information such as screenshots of their desktop or new addresses. There is a risk that in this situation an attacker would be able to continue the attack and reply to the employees requesting that they perform malicious actions in order to gain information or to facilitate an initial compromise of London South Bank University's internal infrastructure.

Value for Money

Institutions have a duty of care to ensure the proper use of public funds and the achievement of value for money. Accordingly, our audit approach considers value for money as an integral objective of London South Bank University's systems of internal control. Our work indicates that London South Bank University has processes in place to ensure value for money which are in accordance with good practice, examples are provided opposite.

London South Bank University's Corporate Plan 2011/14 recognises that value for money is about delivering the 'highest possible value for a given price' and demonstrates the University's commitment to value for money, through linking value for money and financial resilience, effectively using staff and systems and supporting students as customers.

Value for money is also supported in the Procurement Strategy which is linked to the University's aims and ambitions and London South Bank University's Business Plan and Budget Guidance 2014/15 which requires commitment from staff to focus on income generation, efficiency, financial control and value for money.

Value for money has also been demonstrated through the following activities:

- **Use of purchasing consortiums** – London South Bank University are a member of the London Universities Purchasing Consortia;
- **Adherence to financial controls** - as part of our Continuous Auditing work we test to ensure transactions are approved and reviewed in accordance with London South Bank University's delegated authority framework. No significant issues have been noted this year; and
- **Value for Money Working Group** – a working group was established in 2013 and is attended by senior officers across the organisation. This also focuses on delivering value for money for

	students.
<p>Data Quality</p> <p>The MAA includes a mandatory requirement for quality assurances to be provided by Institutions over the data submitted to the Higher Education Statistics Agency (HESA) and HEFCE.</p> <p>Whilst there is no requirement for our internal audit programme to provide a conclusion in respect of data quality, our internal audit programme in 2013/14 has been designed to support the Audit Committee in forming its conclusion in respect of such matters.</p>	<p>HESA Finance Return</p> <p>Two low risk findings were raised surrounding the creation of additional categories for expenditure and review of the draft return before submission to the Vice Chancellor.</p> <p>Student Module Data</p> <p>Two risk issues were identified surrounding review of amendments and inaccuracy of data: these are summarised on page 2. These risks did not affect data reported to HESA and HEFCE as we were reviewing the module data far in advance of return deadlines to HESA and before the operation of quality processes related to those external returns. Management have improved their exception reporting and introduced monthly monitoring meetings to ensure compliance with processes.</p> <p>Continuous Auditing</p> <p>We have not identified any exceptions regarding student financial data controls during 2013/14.</p>

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3. Internal Audit work conducted

Introduction

The table below sets out the results of our internal audit work. We have also provided an analysis of findings identified year on year to provide an indicative direction of travel.

The criteria for our report classifications and the definitions applied in the assessment of our individual findings are included at Appendix Two. We also include a comparison between planned internal audit activity and actual activity, to assist with budgeting and forward planning.

Results of individual assignments

Audit unit	Report status	Report classification	Number of findings				
			Critical	High	Medium	Low	Advisory
Continuous Auditing – Q4 2012/13	Final	No classification	-	-	-	-	-
Continuous Auditing – Q1 2013/14	Final	No classification	-	-	2	1	-
Continuous Auditing – Q2 2013/14	Final	No classification	-	-	-	1	-
Continuous Auditing – Q3 2013/14	Final	No classification	-	-	-	-	-
Extenuating Circumstances, Academic Appeals & Other Processes that could result in a student complaint to the OIA (additional review)	Final	No classification	-	-	-	-	5
HESA Finance Return	Final	Low	-	-	-	2	1
Student Module Data	Final	High	-	2	1	-	1
Business Continuity	Final	Medium	-	-	4	3	-
Risk Management	Final	Low	-	-	1	1	-
Payroll Implementation (additional review)	Final	No classification	-	-	-	-	5
Phishing Exercise (specialist)	Final	No classification	-	-	-	-	-
		Total	-	2	8	8	12

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

Direction of control travel

Finding rating	Trend between current and prior year	Number of findings		
		2013/14	2012/13	2011/12
Critical	↔	0	0	0
High	↑	2	5	5
Medium	↑	8	13	9
Low	↑	8	11	18
Total	↑	18	29	32

Implications for management

The results of our trend analysis indicate that the control environment has improved from the previous year. No critical risk issues have been identified in the last three years and the number of high, medium and low risks has reduced.

It is recognised that no classification has been given for 7 of 11 reviews performed. 4 of these relate to Continuous Auditing, an analysis of findings in this area has been provided below. The remaining 3 reviews were requested by management, in addition to our core internal audit plan and are deemed to be value enhancing or specialist reviews. All findings have been classified as advisory on this basis.

Whilst acknowledging that the direction of travel is positive overall, it should be noted that tangible improvements will only be achieved if timely actions are taken to address the findings identified in the course of our work.

Analysis of the Continuous Auditing programme

Whilst no overarching classification is assigned in respect of our Continuous Auditing reports, we have below summarised the systems ratings assigned and number of operating effectiveness exceptions identified in each testing period. We have included results up to 31/07/2014.

System	Trend	P1 2014/15 (01/05/2014 – 31/07/2014)	P4 2013/14 (01/02/2014 – 30/04/2014)	P3 2013/14 (01/11/2013 – 31/01/2014)	P2 2013/14 (01/08/2013 – 31/10/2013)	P1 2012/13 (01/05/2013 – 31/07/2013)
Payroll	↔	● Green (1)	● Green (0)	● Amber (2)	● Amber (3)	● Green (0)
Accounts Payable	↔	● Green (0)	● Green (0)	● Amber (2)	● Green (0)	● Green (1)
Accounts Receivable	↔	● Green (0)	● Green (0)	● Green (0)	● Amber (2)	● Green (2)
Cash	↔	● Green (0)	● Green (0)	● Green (0)	● Green (1)	● Green (0)
General Ledger	↔	● Green (0)	● Green (1)	● Green (0)	● Amber (1)	● Green (1)
Student Financial Data	↔	● Green (0)	● Green (0)	● Green (0)	● Green (0)	● Green (0)

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

Implications for next year's plan

We have decreased the number of days assigned to and frequency of our Continuous Auditing programme to reflect the stable control environment across 2013/14 and introduced a separate Continuous Auditing cycle for student data.

Comparison of planned and actual activity

<i>Audit</i>	<i>Audit Type</i>	<i>Budgeted days</i>	<i>Actual days</i>
Continuous Auditing – Q4 2012/13	Value Protection	13	13
Continuous Auditing – Q1 2013/14	Value Protection	13	13
Continuous Auditing – Q2 2013/14	Value Protection	12	12
Continuous Auditing – Q3 2013/14	Value Protection	12	12
Extenuating Circumstances, Academic Appeals & Other Processes that could result in a student complaint to the OIA	Value Enhancement	0	16
HESA Finance Return	Value Protection	10	10
Student Module Data	Value Protection	5	5
Business Continuity	Value Protection	10	10
Quality of Management Information	Value Protection	10	0
Risk Management	Value Protection	5	5
Payroll Implementation	Value Enhancement	0	12
Phishing Exercise	Specialist	0	0*
Audit Management and Value for Money	N/a	20	20
		110	128

*This was a specialist review for which a separate price for work was agreed.

4. Follow up work conducted

Introduction

Within the Internal Audit Risk Assessment and Internal Audit Plan 2013/14, 5 days were assigned for following up agreed actions raised in previous and current periods in order to assess whether agreed actions had been implemented by management.

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

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

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

Summary

The table below shows that the majority of agreed actions due by 31/07/2014 have been implemented throughout the year (78% implementation rate).

<i>Status</i>	<i>Number of actions</i>
Implemented	21
Partially Implemented	6
Outstanding	0
Total	27

There are 6 findings which were due to have been resolved by year end but remain in progress. We have included a breakdown of these findings, with their current status and revised implementation deadlines in Appendix 3.

We will continue to work collaboratively with management in 2014/15 to ensure that implementation timescales agreed for management actions in year are achievable, taking in to account any known or expected changes in London South Bank University's processes or regulatory requirements.

Appendices

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

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

Responsibilities of management and internal auditors

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

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

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

Opinion

The opinion is based on the work undertaken as part of the agreed Internal Audit Risk Assessment and Internal Audit Plan 2013/14. The work addressed the control objectives agreed for each individual internal audit assignments as set out in our Internal Audit Risk Assessment and Internal Audit Plan 2013/14.

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

Internal control:

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

Future periods:

Our assessment of controls relating to London South Bank University is for the year ended 31/07/2014. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:





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

Appendix 2: Basis of our opinion and classifications

Assignment Report Classifications

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

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

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

Individual finding classifications

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

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

Appendix 3: Partially implemented recommendations

Breakdown of partially implemented agreed actions

6 agreed actions which were due to be implemented by 31/07/2014 are only partially implemented at year end. We have provided a breakdown of the original agreed action, original due date, risk rating, status and revised deadline below.

Review	Agreed action and original due date	Risk rating	Status	Revised deadline
IT Controls and Phishing	<p>A. The use of the Phonebook system as the 'golden record' for staff will be examined along with replacing the CAMS system. A propriety identity management solution will be procured that includes approval processes for user accounts and audit trails for changes.</p> <p>B. See (a) – Phonebook should not be the trigger system for ICT accounts.</p> <p>C. A review of user accounts will be undertaken against staff leavers. People that have left will be removed from the system</p> <p>Original due date:</p> <p>A. 31/12/2013 B. 31/12/2013 C. 31/08/2013</p>	High	<p>A. To close this action it is necessary to replace CAMS with a new solution which is being procured from IBM. Contract negotiations are underway.</p> <p>B. As above.</p> <p>C. A monthly reconciliation process is operational to ensure that any accounts that should have been terminated are dealt with. This has been in place since October 2013.</p> <p>In addition, we have made online training available to staff to educate them and help them identify "phishing" emails so they respond appropriately.</p> <p>The ability to block access to any sites referenced in "phishing" emails for the purpose of collecting user data has been created and tested.</p>	<p>A. 31/12/2014 B. 31/12/2014 C. Implemented</p>
IT Controls and Phishing	<p>A. A logical security policy will be written and implemented. LSBU is currently tendering to appoint a Managed Security Service provider and they will be consulted to ensure that an appropriate policy is put in place.</p> <p>B. Following agreement of the Security Policy, the password strength and maximum age will be adjusted. Steps have already been taken to prevent users from re-using their old password immediately.</p> <p>C. Security logs will be exported to an external server as</p>	High	<p>A. The Managed Security Service (MSS) contract has been placed with Data Integration / Xchanging.</p> <p>B. The Security Policy has not been agreed. Following agreement of the Security Policy, the password strength and maximum age will be adjusted. Steps have already been taken to prevent users from re-using their old password immediately.</p> <p>C. The MSS is now fully operational.</p> <p>D. The usage of the "Install" privileged account password has been</p>	<p>A. Implemented B. 31/12/2014 C. Implemented D. Implemented</p>

	<p>part of the Managed Security Service and this will also include a forensic element to follow-up on incidents.</p> <p>D. The use of privileged account passwords that don't expire will be examined and expiration dates set. The "Install" account will be stopped from being used.</p> <p>Original due date: 30/09/2013</p>		stopped	
OIA	<p>The University is already working with faculties to iron out inconsistencies of approach. This will be further facilitated through the Student Records Development Team, who will ensure a follow-up review of process at the end of semester 1, to monitor progress and further eliminate inconsistency.</p> <p>Original due date: 28/02/2014</p>	Advisory	The action has been delayed due to the changes to faculties set in hand after the report was delivered. LSBU is currently working with the supplier (iCasework) to implement their appeals solution, but extenuating circumstances have been identified as a phase 2 element to be delivered during 2014/15. This was necessary in order to reduce risk to the appeals component of the work.	31/10/2014
OIA	<p>A. A forthcoming review of the procedure will change the wording to reflect the fact that a few courses do not require the check.</p> <p>B. All students declaring a disability are communicated with to promote DSA and to invite them to make an appointment with the service. There is much publicity and communication already in place to drive students to make appointments with the DDS Team. The process, beyond the point of admission, however, is not formal, and a more comprehensive communications plan is being considered.</p> <p>C. A review will look at changing the procedure, which is at present impossible to comply with. Students declare a disability at admission, but not its complexity, and even if the pre-entry form is completed, it does not always draw the full complexity of a case out. At the moment Advisers will invite a Course Director to an initial meeting if the needs are clearly complex from the pre-entry form, but for students whose complexity emerges at the meeting or later, they will involve the Course Director in another way. A review of procedures will formalise the involvement of the Course Director.</p> <p>D. Adviser Appointments are automatically booked for 20 days after the assessment, to allow time for the report to be written. We find it unusual for the</p>	Advisory	The action has been delayed due to the changes to faculties set in hand after the report was delivered. LSBU is currently working with the supplier (iCasework) to implement their appeals solution, but extenuating circumstances have been identified as a phase 2 element to be delivered during 2014/15. This was necessary in order to reduce risk to the appeals component of the work.	31/10/2014

	<p>report not to have been written in time, and, given the number of students is 5, suggest that the reason for missing the deadline is most likely to be that the students did not attend the feedback appointment and another, later appointment had to be made. This would record the feedback as late. The wording of the procedure will be amended.</p> <p>E. The lack of signed data protection forms is regrettable. We will look at the process again, and consider whether this is something that might be dealt with at enrolment.</p> <p>Original due date:</p> <p>A. 30/11/2013</p> <p>B. N/a</p> <p>C. 31/07/2014</p> <p>D. 30/11/ 2013</p> <p>E. 31/08/2014</p>			
OIA	<p>In relation to the handling of student complaints, the executive's aim is to achieve informal resolution at Stage 1 by the Pro Dean of the relevant faculty. This means the complaint is resolved in a timely way, allowing the student to prioritise their studies and avoids entrenchment in the later stages of the formal process. With this in mind, the following actions will be taken to mitigate the risks identified.</p> <p>A. The complaints procedure requires the complaint to be handled by a senior manager within the relevant faculty. The complaints team will provide a refresher session for the four Pro Deans responsible for student complaints (plus their nominees) to cover best practice.</p> <p>B. Under the complaints procedure, it is best practice for decisions affecting students to be made at the level of Pro Dean or above. The refresher session will address this point.</p> <p>C. The complaints team will review the time limits and deadlines in the complaints procedure and make a recommendation to Academic Board as to whether they are fit for purpose or otherwise. The intention of the complaints procedure is that the handling of the</p>	Advisory	<p>A. The Student Complaints Officer has had meetings with each Faculty to discuss all issues. The Pro Deans, Heads of Department, Faculty Managers and administrative support staff of each Faculty now understand that London South Bank University aims to resolve all internal complaints informally at Stage 1 and that a sufficiently senior member of staff is to lead on these resolutions. In the light of the restructuring scheduled for 2014 – moving from four Faculties to nine Schools – it was agreed that Pro Deans, Heads of Department and Faculty Managers designated by the Pro Deans were all suitable for this role. Each Faculty was enthusiastic about the variety of refresher courses scheduled for 2014/15. These courses will address best practice in complaint handling, the university's obligations under the Equality Act 2010, and advise on procedures to be followed in the complaints process (disciplinary versus fitness to practise procedures, for example). The resources identified for these courses are the OIA's Good practice framework for handling complaints and academic appeals (published in draft form in April 2014), as well as PowerPoint presentations and other guidance publications that are readily available on the OIA and QAA websites (prior to the recent publication of their Good Practice framework, the OIA used the Quality Assurance Agency's The UK Quality Code for Higher Education as the standard in determining the outcomes of their investigations). LSBU presentations and refresher courses in complaint handling will be augmented also by best practice</p>	31/10/2014

	<p>case is led by the Pro Dean of the relevant faculty. The refresher session will address how Pro Deans and their senior colleagues may review and report on progress of cases, including keeping the student informed.</p> <p>Original due date: 31/12/2013</p>		<p>frameworks published by the Office of the Parliamentary and Health Service Ombudsman, which will cover the principles of good administration, of good complaint handling, and of remedying upheld complaints.</p> <p>B. See above.</p> <p>C. None of the Faculties thought the current deadlines for the internal complaints system to be unworkable; the 20-working-day turnaround for Stage 1 complaints was considered more than adequate, and within this system provision is already in place to allow for extra time during busy exam periods or holidays. Nonetheless, LSBU is revising and updating its student complaints procedure to be in line with the OIA's new Good Practice framework (all universities have to be compliant by September 2015); this will be in place for the start of academic year 2014/15.</p>	
Payroll Implementation	<p>A system change document will be developed and any changes made to i-Trent post-implementation will be authorised appropriately and recorded for future reference.</p> <p>Original due date: 30/04/2014</p>	Advisory	<p>Following discussion with Midland HR, who undertook all of the system build, it has been agreed that the lead consultant at Midland will update the blueprints London South Bank University's behalf so that these accurately reflect the current system build. Midland HR is due to commence this work on the week commencing 25/09/2014.</p>	30/09/2014

Appendix 4: Mapping of internal audit work

Reporting responsibilities

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

<i>Audit Unit</i>	<i>Governance</i>	<i>Risk management</i>	<i>Control</i>	<i>Value for money</i>	<i>Data submission</i>
Continuous Auditing	x	x	x	X	x
Extenuating Circumstances, Academic Appeals & Other Processes that could result in a student complaint to the OIA	x	x	x	-	-
HESA Finance Return	-	-	x	-	x
Student Module Data	x	x	-	-	x
Business Continuity	x	x	x	-	-
Risk Management	x	x	-	-	-
Payroll Implementation	-	x	x	-	x
Phishing Exercise	x	x	x	-	-

Key

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

Data submission

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

Appendix 5: Performance of internal audit

Key Performance Indicators

We agreed a suite of Key Performance Indicators (KPIs) with management and the Audit Committee. Our performance against each KPI is shown in the table below.

Title	KPI	Achieved?	Narrative
Production of the Internal Audit Plan	<p>The annual internal audit plan will be produced for the June Audit Committee. The plan will be risk based and linked to London South Bank University's Risk Register.</p> <p>Once the plan is approved by the Audit Committee any further material changes must be approved by the Committee.</p>	✓	<p>The internal audit plan for 2013/14 was presented to the June 2013 Audit Committee. We have reported on plan progress throughout the year and there have been no material changes to the plan.</p> <p>The draft internal audit plan for 2014/15 was presented in June 2014. Our final 2014/15 plan has been taken to the September 2014 Audit Committee. This was compiled following a risk based approach and was linked to London South Bank University's risk register.</p>
Terms of Reference	<p>All internal audit Terms of References will be agreed with the audit sponsor at least 1 week before the fieldwork start date.</p>	✓	<p>Our final Terms of Reference for Business Continuity was issued 2 working days ahead of fieldwork. However, our draft Terms of Reference was issued 11 days before the proposed fieldwork start date. The final Terms of Reference was issued within 1 day of receiving management approval of the draft Terms of Reference.</p> <p>We were requested by management to perform an additional review of London South Bank University's procedures over complaints to the Office of the Independent Adjudicator. Our draft terms of reference was issued 7 working days ahead of fieldwork commencement and the final Terms of Reference was issued within 2 days of receiving management approval of the draft Terms of Reference.</p>
Fieldwork	<p>All audit fieldwork will be recorded on our electronic working paper system.</p>	✓	-
Exit Meeting	<p>An exit meeting will be held at the end of each audit to discuss the audit findings and recommendations with</p>	✓	-

	the audit sponsor.		
Draft Report	The draft report will be issued to the audit sponsor and Executive Director of Finance within 10 working days of the completion of fieldwork	✓	-
Management Response	The audit sponsor will provide the engagement manager with a complete written response to the internal audit report within 10 days of receipt of the draft report.	✓	Management responses for our Q1 Continuous Auditing report were not received until 17 days after our draft report was issued. This was an isolated incident as the report was released over the Christmas period when a number of staff were on annual leave.
Final Report	The final report will be issued to the audit sponsor and Executive Director of Finance within 5 working days of receiving the management response. The final report will include a schedule identifying responsibility and a timescale for implementation of the recommendations.	✓	Our Q2 Continuous Auditing report was not issued in final until 17 days after receipt of final management comments. This was an isolated incident because the Engagement Manager was on annual leave when the final management approval was received.
Audit Committee	The Engagement Manager or Head of Internal Audit will provide an internal audit update report to each Audit Committee (unless requested not to) and an internal audit annual report to the Audit Committee each year.	✓	Update reports provided at September, October, February and June Committees.
Pre Audit Committee Meetings	The engagement manager will meet with the Executive Director of Finance a minimum of 3 weeks before each Audit Committee to discuss progress and reports to be presented to the Audit Committee.	✓	-
100% of audits delivered against the plan	Progress against plan detailed in the Annual Internal Audit report. Any changes to the Internal Audit plan will be agreed with Executive Director of Finance (and the Audit Committee, where material) prior to action.	✓	-
Management Feedback >7 or above	A client satisfaction survey will be issued annually. Results will be shared with the Audit Committee, Executive Director of Finance and any results < 7 discussed and remedied.	TBC	To be issued.
Audit Committee feedback >7 or above	A client satisfaction survey will be issued annually. Results will be shared with the Audit Committee, Executive Director of Finance and any results < 7 discussed and remedied.	TBC	To be issued.

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	PAPER NO: AC.40(14)
Paper title:	Corporate Risk Register.
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	John Baker, Corporate and Business Planning Manager
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide a copy of the current Corporate Risk Register.

Executive Summary	
Context	<p>The Corporate Risk Register is a dynamic live document managed within the 4-Risk web platform.</p> <p>This record presents the details of all identified corporate risks, along with their assessments of impact and likelihood, and related control and actions as at the 16th September.</p> <p>The following summary pages present the risks against a one page matrix of impact and residual likelihood, and also details all changes and action progress updates since the last presentation of the register to Audit Committee in July.</p> <p>The risks have now been linked to the objectives of the new Corporate Strategy, and the Register now presents the risks in this format.</p>
Question	Is Audit Committee content with the action being taken to assess and manage and present corporate risk?
Conclusion & Recommendation	<p>The Executive recommends that Committee:</p> <ul style="list-style-type: none"> • Note this record

Matter previously considered by:	Operations Board	16 th September
Further approval required?		

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

Date: 17th September 2014

Author: John Baker – Corporate & Business Planning Manager

Executive Lead: Richard Flatman – Chief Financial Officer

	2: Loss of revenue if recruitment targets not met (PC)	1: Failure to position the university to effectively respond to changes in government policy & the competitive landscape (DP)	4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty / closure</i>	Impact
397: Effectiveness of delivery impaired as institution goes through restructuring process (DP)	6: Ineffective data systems provide Management Information that is not meaningful and reliable, either for internal decision or for external reporting (RF) 14: Potential loss of NHS contract income (WT) 305: Data not used / maintained securely (IM) 362: Poor staff engagement (DP) 3: Increasing pensions deficit (RF) 402: Income from 20:20 Programme unrealised (PB)	37: Potential impact of estates strategy delivery on financial position (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 do not remain engaged with technological and pedagogic developments which support students and promote progression and achievement (PC)		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 to long term.</i>	1 - Low <i>This risk is highly unlikely to occur</i>		
	Residual Likelihood			
Executive Risk Spread: VC – 3, DVC – 1, CFO – 3, PVC-S&E – 2, COO – 1, PVC/Health – 1, ExD-HR – 0, US - 0				

Changes since presentation at June Audit Committee meeting detailed below:

<i>Risk reference</i>	<i>Risk area</i>	<i>Changes made</i>
Goal 3: Real World Impact - Teaching & Learning: Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise		
398 (PC)	Academic programmes not engaged with technology or pedagogic dev.	IBM project action renamed to EDISON and action re-allocated to Francois Contreiras. New action added relating to implementing the TEL strategy objectives.
Goal 4: Real World Impact - Research & Enterprise: Delivering outstanding economic, social and cultural benefits from our intellectual capital.		
402 (PB)	2020 income growth through Research & Enterprise	Risk allocated to Pat Bailey pending Paul Ivey joining LSBU as PVC Research and External Engagement. Pipeline Action re-allocated to Yvonne Mavin on interim basis now that Bev Jullien has left. Update note is on 4-risk platform: summary: Following amendments to Raiser's Edge, cross university system now in place for creating and recording status of all commercial opportunities, which is exported into excel to enable calculation of expected value to LSBU over total project lifetime. Action kept open to ascertain that pipeline in place satisfies action requirements of 5 year long term timescale. Interim Appointment action now marked as complete now that Gurpreet Jagpal, currently Deputy Director of UCL Advances, is to join LSBU in this role in September.
Goal 7: Strategic Enabler - People & Organisation: Attracting proud, responsible staff, & valuing & rewarding their achievements.		
1 (DP)	Response to environment change	Progress notes added updating on progress to date with senior appointments: 4 of 6 Deans, and DVC and ED-HR now appointed, and due to commence roles shortly. New controls added – appointment of Ketchum as external strategic consultant & production of Horizon scanning reports by Mike Simmons - Director of Strategic Stakeholder Engagement.
362 (DP)	Staff Engagement	OSDT action closed, and documents have been provided. The current OD strategy highlights actions that are required to be taken in order to address issues that will in turn have a positive impact on Employee Engagement as an outcome measure. I have provided a document that indicates 'Least positive survey areas' and demonstrated how these will be addressed in the 'OD Strategy'. New actions added for Louise Delaney, Change Programme Comms Manager, relating to implementing the Comms strategy for the Change Programme.
397 (DP)	Restructuring impact on service	2 New Actions – Creation of report format for Creating the Schools project Opportunities ,Risks &

		Issues for Ops Board, and high level action tracker for transition activities and gaps.
Goal 8: Strategic Enabler - Infrastructure: Investing in first class facilities and outcome focused services, responsive to academic needs.		
2 (PC)	Recruitment & income targets including International	Partnership strategy action now allocated to Tere Daly. International strategy re-allocated to Jenni Parsons pending arrival of Paul Ivey.
3 (RF)	Pensions deficit	No changes made.
6 (RF)	Ineffective data	Master Data Action Progress update from David Swayne, prior to leaving LSBU. The IBM project has analysed student data using the master data management tool and highlighted a number of issues that need to be resolved. Francois is responsible for the implementation of the MDM tool, but Andrew Fisher is the business lead for that piece of the work and is taking the day-to-day decisions, Kind regards. David. Action now allocated to Francois Contreiras. FMI Restructure action now complete. New action around development of PID for ICT strategy / architecture project for Ian Mehrtens
14 (JE)	Loss of NHS income	No changes made.
37 (RF)	Estates strategy £ impact	No changes made. (Action update notes present on 4-Risk system reported previously)
305 (IM)	Data Security	Risk title amended to data access and storage for clarity as regards risk #6. New action around awareness raising of issues and enforcement action through Line Management for staff non-compliance – via staff Organisation and People . Action on mobile devices recorded as complete. Part 2 update from OSDT. The University does have is the online resource on Data Protection implemented in 2010. To date 1969 staff have been given access to the data protection e-learning portal and 136 staff have completed and passed. Action part 3 now completed - Rob McGeechan, ICT. “RM confirmed that all new laptops purchased by LSBU since October ‘12 are encrypted with Sophos software before being issued to staff. A program to install the security retrospectively on existing equipment is ongoing and due for completion before the end of 2014. The delay is due to a dependency on staff making devices available to be updated but after the year end no access to LSBU services will be allowed for unencrypted laptops. MobileIron is the standard tool now used to remotely manage and configure any mobile phones or tablets that access University data or systems, both University and privately owned. “

Corporate Level - Risk Register

Date	18/09/2014
Risk Status	Open
Corporate Objective	A 15-20 #3 Real World Impact - Teaching & Learning: Ensuring teaching is highly applied, professionally accredited & linked to research & enterprise
Risk Area	Corporate

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
398	Academic programmes do not remain engaged with technological and pedagogic developments which support students and promote progression and achievement Risk Owner: Phil Cardew Last Updated: 18/09/2014	<p>Cause & Effect:</p> <p>Cause: LSBU does not effectively exploit the learning potential of new technologies. Curriculum do not adapt sufficiently to give students the knowledge 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>	2 3 Medium	Delivery of the Teaching Enhanced Learning Strategy (TEL) through Academic Board and related committees.	2 2 Medium	<p>Actively pursue the long term objectives of the TEL strategy:</p> <ol style="list-style-type: none"> 1. Promote active learning methods that go beyond a 'filing cabinet' use of a VLE; 2. Promote electronic submission, assessment and feedback; 3. Promote aspects of staff development focused towards developing effective and technology enhanced learner-centred approaches to curriculum design, learning and assessment; 4. Support all staff in professional development and other learning and teaching activities; 5. Identify common technologies and develop information repositories; 6. Actively engage students in the further development of the VLE and in evaluating the use of technology in support of learning. <p>Person Responsible: Phil Cardew To be implemented by: 30/09/2015</p> <hr/> <p>Implement 'Exceptional Student Experience' aspect of the EDISON Investment program to deliver a step change in the institutional use of personal in year data to drive communications to students concerning their academic performance.</p> <p>Person Responsible: Francois Contreiras To be implemented by: 31/07/2015</p>

Corporate Level - Risk Register

Date	18/09/2014
Risk Status	Open
Corporate Objective	A 15-20 #4 Real World Impact – Research & Enterprise: Delivering outstanding economic, social and cultural benefits from our intellectual capital.
Risk Area	Corporate

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
402	<p>New income expectations from 16/20 programme are not met</p> <p>Risk Owner: Phil Cardew</p> <p>Last Updated: 21/08/2014</p>	<p>Cause & Effect:</p> <p>Cause: Academic staff Fail to engage with research and enterprise activities that have potential to deliver additional income. Enterprise department encounter resistance from academic staff to a more commercial approach or are not able to provide the support or development required. The outcome of the REF is not as positive as was hoped.</p> <p>Effect: Income growth expectations of the 5 year forecast are unrealised. Research funding opportunities are harder to come by. A market based approach to costing academic activity to slow to develop.</p>	<p>3 2</p> <p>High</p>	<p>Reports on the 16-20 Challenge Programme (Financial & Narrative) will be provided to each Executive Meeting to aid constant scrutiny of this initiative and review of progress against 5 year income targets.</p> <hr/> <p>Enterprise Business Plan & strategy submitted for approval annually to SBUEL Board (which has 2 Non-Executive Directors) for monitoring & quarterly updates provided at LSBU Board meetings.</p>	<p>3 1</p> <p>Medium</p>	<p>16/20 Pipeline: research, identify, prioritise & develop a range of major long term Research & Enterprise investment opportunities with potential to generate significant income and contribution over 5 years, progress to be reported to Executive monthly.</p> <p>Person Responsible: Yvonne Mavin</p> <p>To be implemented by: 31/07/2014</p>

Corporate Level - Risk Register

Date	18/09/2014
Risk Status	Open
Corporate Objective	A 15-20 #7 Strategic Enabler - People & Organisation: Attracting proud, responsible staff, & valuing & rewarding their achievements.
Risk Area	Corporate

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
1	<p>Failure to position the university to effectively respond to changes in government policy and the competitive landscape</p> <p>Risk Owner: David Phoenix</p> <p>Last Updated: 18/09/2014</p>	<p>Cause & Effect:</p> <p>Causes:</p> <ul style="list-style-type: none"> - Changes to fees and funding models - Increased competition from Private Providers - Government policy changes and SNC cap removal - Failure to anticipate change - Failure to position (politically) - Failure to position (capacity/structure) - Failure to improve League Table position <p>Effects:</p> <ul style="list-style-type: none"> - Further loss of public funding - Loss of HEFCE contract numbers - Failure to recruit students - Business model becomes unsustainable 	<p>4 3</p> <p>Critical</p>	<p>Ketchum appointed to advise LSBU on the ongoing changes to the political environment for higher education & its external communications in response to these changes.</p> <hr/> <p>Financial controls (inc. forecasting/modelling, restructure) to enable achievement of operating surplus target</p> <hr/> <p>Regular scrutiny of press packs by Board & Executive to monitor Institutional Esteem, and direct PR activity as appropriate.</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 & Success Strategy for 14/15 through OFFA</p> <hr/> <p>Modelling work regularly updated to establish a fee position net of fee waivers less than £7500 for the 12/13 entry cohort, using allocation of fee waivers and bursaries as required.</p>	<p>4 1</p> <p>High</p>	<p>Realign academic offering to market through restructuring of Faculties into Schools, and appointment of 6 new Deans of School.</p> <p>Person Responsible: David Phoenix</p> <p>To be implemented by: 29/08/2014</p> <hr/> <p>Full review of organisational processes to ensure clarity of roles and functions, and alignment with key deliverables of Corporate Delivery plan.</p> <p>Person Responsible: David Phoenix</p> <p>To be implemented by: 31/07/2015</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
362	Poor staff engagement with University	<p>Cause & Effect:</p> <p>Causes:</p> <ul style="list-style-type: none"> •Bureaucracy involved in decision making at the University •No teamwork amongst departments at the University •Staff feeling that they do not receive relevant information directly linked to them and their jobs •Poor pay and reward packages •Poor diversity and inclusion practises <p>Effects:</p> <ul style="list-style-type: none"> •Decreased customer (student) satisfaction •Overall University performance decreases •Low staff satisfaction results •Increased staff turnover •Quality of service delivered decreases 	3 3 High	<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>	3 2 High	<p>Develop and launch Stakeholder Change Network in conjunction with HR</p> <p>Person Responsible: Louise Delaney</p> <p>To be implemented by: 28/11/2014</p> <hr/> <p>Develop Key Message Cascade Framework for Face-to-Face dissemination of staff communications relating to the Corporate Change Programme from the Operations Board.</p> <p>Person Responsible: Louise Delaney</p> <p>To be implemented by: 23/10/2014</p> <hr/> <p>Establish Change Programme Microsite linked to existing Staff Gateway to provide all relevant change programme materials to staff as detailed in Programme Comms Strategy.</p> <p>Person Responsible: Louise Delaney</p> <p>To be implemented by: 31/10/2014</p> <hr/> <p>Launch Behavioural Framework & embed within HR processes and documents at start of 14/15 Academic Year</p> <p>Person Responsible: Mike Molan</p> <p>To be implemented by: 15/10/2014</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
397	Effectiveness of delivery impaired as Institution goes through restructuring process Risk Owner: David Phoenix Last Updated: 17/09/2014	<p>Cause & Effect:</p> <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. In turn this can cause high performing staff to seek employment elsewhere, which can cause skills shortages and loss to the institutional knowledge base. Service levels - to staff and students - could be impacted negatively by teams trying to deliver business as usual whilst also going through the change process. Data reliability might be impaired if the translation process encounters issues such as limitations with the flexibility of existing software solutions, unforeseen time or money resource implications or error in the relocation process.</p>	3 3 High	<p>The Executive team have taken a Project Management Approach to the Change, appointing as Executive Director of HR an expert on Organisational change, and freeing up staff from within the organisation to act as a change team for the Programme Director, whom reports directly to the Executive.</p> <hr/> <p>The Executive have developed a Communications Strategy to ensure significant consultation with internal and external stakeholders.</p> <hr/> <p>New Professional Service groupings will be created from existing business units to minimise impact on service delivery.</p>	3 2 High	<p>New action - 15 Change Programme Projects to be monitored by the Executive through the Project Office, with regular updates to the Board.</p> <p>Person Responsible: Amir Rashid To be implemented by: 30/03/2015</p> <hr/> <p>Oversee assembly of a high level action tracker (to be monitored at Operations Board) to provide assurance that the activities necessary to implement the transition to schools and professional service functions are being progressed.</p> <p>a) Identifying the key activities that have been progressed in individual areas b) Noting when the activity was complete, or is due for completion; c) Any gaps which will need to be addressed</p> <p>Person Responsible: David Phoenix To be implemented by: 09/10/2014</p> <hr/> <p>Establish a format for a regular report to the Operations Board on the opportunities risks and issues to business as usual in the "Creating the Schools" project</p> <p>Person Responsible: Pat Bailey To be implemented by: 18/11/2014</p>

Corporate Level - Risk Register

Date	18/09/2014
Risk Status	Open
Corporate Objective	A 15-20 #8 Strategic Enabler – Infrastructure: Investing in first class facilities underpinned by outcome focused services responsive to academic need
Risk Area	Corporate

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
2	Loss of revenue if recruitment targets not met Risk Owner: Phil Cardew Last Updated: 12/09/2014	<p>Cause & Effect:</p> <p>Causes:</p> <ul style="list-style-type: none"> - Changes to fees mechanisms for UGFT - Increased competition (removal of SNC cap in 15/16) - Failure to develop and communicate brand & lsbu graduate attributes - Lack of accurate real-time reporting mechanisms - LSBU late entrant to international student market and fails to catch-up - Poor league table position - Portfolio or modes of delivery do not reflect market need - Tighter tariff policy during clearing <p>Effects:</p> <ul style="list-style-type: none"> - Under recruitment - Loss of HEFCE contract numbers - Failure to meet income targets for non-HEFCE students 	4 3 Critical	<p>Report on student recruitment presented to every monthly Executive meeting and also reviewed by Board of Governors</p> <hr/> <p>League Table action plan & related actions and monitoring by the HESA Board</p> <hr/> <p>Modelling of student recruitment numbers, including worse case scenarios which aid the planning process.</p> <hr/> <p>Differentiated campaigns started for postgraduate and part-time students</p>	4 2 Critical	<p>Business Intelligence Unit to produce analysis / reports for Executive to guide internal process and reporting changes with the aim of supporting League Table score improvement.</p> <p>Person Responsible: James Stevenson</p> <p>To be implemented by: 29/08/2014</p> <hr/> <p>Develop partnership strategy for working with local schools</p> <p>Person Responsible: Tere Daly</p> <p>To be implemented by: 30/09/2014</p> <hr/> <p>Develop strategy for LSBU Graduate Attributes at all award levels to ensure continued course competitiveness, to be generated through the learning pathway.</p> <p>Person Responsible: Phil Cardew</p> <p>To be implemented by: 30/11/2014</p> <hr/> <p>International strategy to be refocused into an Internationalisation Plan to deliver a step-change in recruitment at both UG and PG.</p> <p>Person Responsible: Jennifer Parsons</p> <p>To be implemented by: 30/09/2014</p> <hr/> <p>Support and engage with University Academy of Engineering & support development of University Technical College.</p> <p>Person Responsible: Rao Bhamidimarri</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
To be implemented by: 28/11/2014						
3	Staff pension scheme deficit increases Risk Owner: Richard Flatman Last Updated: 11/08/2014	<p>Cause & Effect:</p> <p>Causes:</p> <ul style="list-style-type: none"> - Increased life expectancies - Reductions to long term bond yields, which drive the discount rate - Poor stock market performance - Poor performance of the LPFA fund manager relative to the market - TPS/USS schemes may also become subject to FRS17 accounting <p>Effects:</p> <ul style="list-style-type: none"> - Increased I&E pension cost means other resources are restricted further if a surplus is to be maintained - Balance sheet is weakened and may move to a net liabilities position, though pension liability is disregarded by HEFCE - Significant cash injections into schemes may be required in the long term 	3 3 High	<p>Switch of inflator from RPI to CPI (expected to be lower in the long term)</p> <hr/> <p>Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars</p> <hr/> <p>Regular valuation of pension scheme (actuarial and FRS 17).</p> <hr/> <p>Regular Reporting to HR committee.</p> <hr/> <p>DC pension scheme now established for SBUEL staff.</p> <hr/> <p>Tight control of staff costs in all areas (and reported to committee and Board via agreed KPIs)</p> <hr/> <p>New LPFA scheme, effective April 2014</p> <hr/> <p>Strict control on early access to pension at redundancy/restructure</p> <hr/> <p>Active monitoring in year of trends in discount rate, life expectancy assumptions etc to ensure year-end adjustments are minimised</p>	3 2 High	<p>Ongoing participation in sector discussions regarding employer categorisation.</p> <p>Person Responsible: Richard Flatman</p> <p>To be implemented by: 31/03/2015</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
6	<p>Ineffective data systems provide Management Information that is not meaningful and reliable, either for internal decision or for external reporting</p> <p>Risk Owner: Richard Flatman</p> <p>Last Updated: 18/09/2014</p>	<p>Cause & Effect:</p> <p>Causes:</p> <ul style="list-style-type: none"> - Data in systems is inaccurate - Data systems are insufficient to support effective delivery of linked management information - Resource constraints & insufficient staff capability delay system improvement - unclear data during clearing - Lack of data quality control and assurance mechanisms <p>Effects:</p> <ul style="list-style-type: none"> - Insufficient evidence to support effective decision-making at all levels - Inability to track trends or benchmark performance - Internal management information insufficient to verify external reporting - over-recruitment penalties - HESA/HESES returns not credible - League table position impaired by wrong data - UKBA licence revocation if conditions not satisfied = loss of £8m+ revenue/year, & reputation damage - Failure to satisfy requirements of Professional, Statutory and Regulatory bodies (NHS, course accreditation etc) 	<p>3 3</p> <p>High</p>	<p>Regular Engagement with internal auditors & 3 year IA cycle to systematically check data in key systems (and related processes):</p> <ul style="list-style-type: none"> - Finance (including student fees) - Student data (& data Quality) - HR systems - Space management systems - UKBA requirements & compliance <hr/> <p>Systematic data quality checks of staff returns by HR in conjunction with faculties.</p> <hr/> <p>Engagement between International Office, Registry & Faculties to ensure UKVI requirement compliance, specifically regarding:</p> <ul style="list-style-type: none"> - Visa applications and issue of Certificate of Acceptance to Study - English language requirements - Reporting of absence or withdrawal <hr/> <p>Systematic data quality checks of student returns by Registry in conjunction with faculties.</p> <hr/> <p>International Office runs annual cycle of training events with staff to ensure knowledge of & compliance with UKVI processes.</p>	<p>3 2</p> <p>High</p>	<p>Develop TOR for Internal Audit review of Home Office HTS Compliance during Student Data review in 14-15 Continuous Audit Programme.</p> <p>Person Responsible: Richard Flatman</p> <p>To be implemented by: 31/10/2014</p> <hr/> <p>Manual attendance monitoring system to be implemented on monthly basis for international students whilst SAM/SPOC reporting & system issues addressed in conjunction with Registry & School Admin teams.</p> <p>For details of the project team and plan see the note attached to this risk (31/07/2014) and project SharePoint site.</p> <p>As a result of carrying out the project issues relating to the performance of the LSBU network have become apparent. There is a risk that poor network performance will result in ID card data not being transferred to the database, queues of students at turnstiles resulting in security staff opening gates to let students in resulting in loss of data (this has happened in the past). The ICT Network team should carry out a survey of the network to identify bottlenecks and resolve these.</p> <p>Person Responsible: Mike Molan</p> <p>To be implemented by: 31/10/2014</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
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Construct a 'master data view' for all student data as part of EDISON & report system exceptions, including:

- * Student Demographic Data
- * Student Engagement / Progression
- * Admissions & Enrolment
- * Curriculum
- * Timetable & Estate teaching spaces
- * VLE usage
- * Finance Records

Person Responsible: Francois Contreiras

To be implemented by: 30/05/2014

Oversee production of PID for ICT Strategy / Architecture Change Programme Project - to address system mapping issues and an approach to data warehousing.

Person Responsible: Ian Mehrrens

To be implemented by: 31/10/2014

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
14	Loss of NHS contract income	<p>Cause & Effect: Cause: NHS financial challenges/ structural change is resulting in a total review of educational comissioning by Health Education England with an expected overall 40% reduction in available funding. In addition late decision making over community programmes. Plus London Educational Contracts last intake September 2014 (apart from physio and adult nursing) and possible retenders or preferably a return to National Framework Failure to recruit to target inspite of increased applications due to low numeracy and literacy pass rates. Failure to maintain student numbers on the contract resulting in clawback Effect: Reduction in income Reduced staff numbers Negative impact on reputation</p>	3 3 High	<p>Named Customer Manager roles with NHS Trusts, CCGs and HEE.</p> <hr/> <p>Monitor quality of courses (QCPM and NMC) annually in autumn (QCPM) and winter (NMC)</p> <hr/> <p>Support with numeracy and literacy test preparation Develop BSc Health and Social Care by September 2015 for applicants not meeting course tariffs requirments and to support PGDip recruitment.</p> <hr/> <p>Regular contact with HEE DEQs, None Medical Deans and commissioning contract managers.</p>	3 3 High	<p>Attend consultation events with CoD and HEE (review of LEC and NF, NHS Pre-reg contract benchmark price / move to Outcome Based Commissioning could = drop in NHS income)</p> <p>Person Responsible: Warren Turner To be implemented by: 15/11/2014</p> <hr/> <p>Continue contract discussions with HEE/ LETB's as LEC last intake for all by Physio and adult nursing September 2014. Attempt to extend contracts or revert to National Framework</p> <p>Person Responsible: Warren Turner To be implemented by: 01/11/2014</p> <hr/> <p>Ensure a quality campus in each HEE/ LETB area. Plan for none renewal of Havering lease in 2018. Negotiate re inclusion in Care City plans with NELFT and Barking</p> <p>Person Responsible: Warren Turner To be implemented by: 01/11/2014</p> <hr/> <p>Grow into new markets for medical and private sector CPPD provision</p> <p>Person Responsible: Warren Turner To be implemented by: 30/10/2014</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
						<p>Develop opportunities for further International 'in-country' activity in Malaysia, Singapore, Hong Kong, India and Saudi.</p> <p>Person Responsible: Mary Lovegrove</p> <p>To be implemented by: 30/12/2014</p> <hr/> <p>Increase uptake in band 1-4 activity Support Trusts in seeking external (non NHS) funding</p> <p>Person Responsible: Sheelagh Mealing</p> <p>To be implemented by: 01/12/2014</p> <hr/> <p>Improve NSS participation & scores Develop action plans for Departments and Faculty from results of 2014 NSS</p> <p>Person Responsible: Sue Mullaney</p> <p>To be implemented by: 30/10/2014</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
37	Negative impact of estates strategy delivery on financial position	<p>Cause & Effect:</p> <p>Causes:</p> <ul style="list-style-type: none"> - Poor project controls - Lack of capacity to manage/deliver projects - Reduction in agreed/assumed capital funding - Reduction in other government funding <p>Effects:</p> <ul style="list-style-type: none"> - Adverse financial impact - Reputational damage - Reduced surplus - Planned improvement to student experience not delivered - Inability to attract new students 	3 3 High	<p>Regular Reports are provided to both P&R and the Board on planned capital expenditure.</p> <hr/> <p>Full Business Cases prepared; using guidance and process approved by Executive - including clarity on cost and funding, for each element of Estates Strategy, and approved by Board of Governors where cost = >£1M.</p> <hr/> <p>ncluding all capital spend. Guidance developed as part of new process.</p> <hr/> <p>Clear requirement (including authority levels) for all major (>£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 & management accounts and regular Board reports.</p> <hr/> <p>LSBU Project methodology & Estates & Facilities Dept project controls, including Governance arrangements applied to all Capex projects.</p>	3 1 Medium	<p>The Terraces Project completed the Anchor Projects in the current development plan, but the potential acquisition of Hugh Astor Court (Peabody Building) on Keyworth Street opens up the opportunity for the redevelopment of the North West quarter & creation of a clear University 'front door'.</p> <p>Plans have been shared with Executive and Governors, and now need to be developed and cross referenced with the Capex schedule of the Five year plan.</p> <hr/> <p>Person Responsible: Ian Mehrtens To be implemented by: 30/11/2013</p> <hr/> <p>Complete report on the final negotiations for the Student Centre. Update: the 12 month defects liability period has past & we're working through the final defect list. No progress on Final Account completion until works are done to ensure completion. POE due by Feb 14.</p> <hr/> <p>Person Responsible: Ian Mehrtens To be implemented by: 30/04/2013</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
305	Student & corporate data not accessed and stored securely or appropriately Risk Owner: Ian Mehrtens Last Updated: 18/09/2014	Cause & Effect: 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) Effect: Reputational damage, regulatory failure, undermining of academic credibility or compromise of competitive advantage.	3 2 High	Responsibility for control over data protection risks at an institutional level allocated to Director of ICT.	3 2 High	To develop a strategy to enable pop up screen type messages, to deliver and track critical corporate communications to staff outside of e-mail, if possible working with the Marketing project which aims to restructure the staff gateway towards an enterprise content management home for key documents, records and processes. Person Responsible: Rob McGeechan To be implemented by: 26/12/2014 <hr/> Liaise with new HR Deputy Director-Organisational Development to consider and deliver strategy to increase awareness of this risk to all staff, especially including the dangers of phishing and enforcement action for non-compliance with university policy. Person Responsible: Mandy Eddolls To be implemented by: 31/10/2014

	PAPER NO: AC.41(14)
Paper title:	Annual review of Effectiveness: Statement of Internal Controls
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	John Baker, Corporate & Business Planning Manager
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To set out the full compliance statement on internal control for approval and inclusion in the year-end financial accounts and to set out the assurance sources in support of the full compliance statement.

Executive Summary	
Context	This paper presents the annual review of effectiveness of the University's system of internal control and underpins the internal control statement in the annual report and accounts. This paper is in draft form at this stage, until the approval of the financial statements, and will require further confirmation that no changes are required at the next meeting on the 30 th October.
Question	Are we able to provide a full compliance statement on internal control in the statutory financial accounts?
Conclusion & Recommendation	<p>The proposed statement is a "full compliance" statement for the period under review. Please refer to section 1 of the report for the summary/justification of the full compliance statement.</p> <p>The executive recommends that Committee:</p> <ul style="list-style-type: none"> • Notes this report • Approves the annual compliance statement in appendix 1 (subject to final review immediately before approval of accounts).

Matter previously considered by:	Operations Board	16 th September
Further approval	Audit Committee	On: 30 th October 2014

London South Bank University

required?	(final review to confirm no further changes)	
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London South Bank University

System of Internal Controls

Annual Review of Effectiveness
Year ended 31 July 2014

CONTENTS

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

Appendix

1. Draft Statement on Internal Control
2. Corporate Risk Register as at 5th September 2014

1. Executive Summary

This report documents the progress that has been made to our system of internal control and to our risk management processes over the past year. A copy of the proposed statement of full compliance for the year ended 31 July 2014 is enclosed as Appendix 1.

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

Effective risk management:

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

In making this assessment and a full compliance statement for the period under review (for the year ended 31 July 2014 and up to the date of approval of the financial statements) the following assurance sources have been taken into account:

HEFCE

- The most recent risk assessment, as reported by HEFCE in its letter to LSBU dated 7th April 2014 (and as reported to Board and Audit Committee at subsequent meetings) confirms that LSBU is “not at higher risk at this time”. The Executive is not aware of any issues which would currently change that rating
- HEFCE carried out an assurance visit to LSBU on 12 July 2011, which is conducted every 5 years. The overall conclusion from the review was the highest assurance rating possible “*that, at this time we (HEFCE) are able to*

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

Internal Audit

- The programme of internal audit work for the year ended 31 July 2014 was aligned to the corporate risk framework to provide assurance on the effectiveness of controls in key risk areas.
- The 13/14 internal audit programme included a review of risk management. Corporate Risk is regularly reported to the Executive and the Board of Governors and Audit Committee. Operational risk registers continued to be monitored closely by the Executive through the Quarterly Business Review meetings.

The conclusions from internal audit work are discussed in more detail in section 5 of this report. No critical risk findings were identified in 2013/14. Only 2 high risk findings were identified in 2013/14, and except for these the opinion of the internal auditors is that London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over Risk management, control and governance, and Value for money processes.

Internal Governance

- The Corporate Risk Register is aligned to the Corporate Strategy, and is reviewed by the Executive on a monthly basis and updated regularly. It has recently been re-structured to align to the new corporate strategy 2015/2020.
- The Corporate Risk Register has been submitted to every meeting of the Board of Governors and the Audit Committee.
- In addition to the Risk Register, regular reports have been submitted to Audit committee/Board demonstrating progress on projects/actions related to key corporate risks.
- There have been no major breakdowns in controls during the year.
- Regular fraud updates/reports have been provided to each meeting of the Audit Committee. No significant frauds have occurred.
- No significant issues have arisen as a result of the University's external reporting processes.

2. Annual Review Process

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

The two elements of effective monitoring are:

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

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

3. Changes in the nature and extent of significant risks

The Corporate Risk Register has been subject to monthly review by the Executive and has been updated as appropriate. The Risk Register has been aligned with the University's Corporate Strategy for 2020.

The main changes to the corporate risk register have been the addition of new risks relating to the structural transition of the institution.

The current Corporate Risk Register is attached at Appendix 2. The principal risks facing the University relate to student recruitment and the potential future loss of NHS income. These risks are discussed in more detail in the University's financial statements.

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

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

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

5. Results of internal audit work for 2013/14

The University's Internal Auditors for the period under review were PricewaterhouseCoopers LLP (PwC) and their opinion for 2013/14 is set out in their internal audit annual report.

The PwC opinion for 2013/14 is based on their assessment of whether the controls in place support the achievement of management's objectives as set out in their Internal Audit Risk Assessment and Internal Audit Plan 2013/14.

They have completed the program of internal audit work for the financial year ended 31 July 2014, and their opinion is:

Our opinion is based on our assessment of whether the controls in place support the achievement of management's objectives as set out in our Internal Audit Risk Assessment and Internal Audit Plan 2013/14.

We have completed the program of internal audit work for the financial year ended 31/07/2014, and except for the areas noted in below, we believe London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over:

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

Our review of Risk Management (draft) has been assigned a low risk rating and our audit fieldwork shows that there has been an improvement in the core control and governance environment. Although there were some ongoing control issues, particularly relating to payroll controls during the year, our most recent Continuous Auditing report, did not identify any exceptions providing some assurance that the control environment surrounding key financial systems has stabilised and is operating effectively.

Only two high risk findings have been raised in 2013/14. Both of these relate to control issues which are specific to the processing of Student Module Data. We have also noted some control issues surrounding IT, as part of our Phishing review which we believe has implications on London South Bank University's control framework.

Our work over value for money indicates that the processes in place to ensure value for money is achieved are in accordance with good practice, for example: establishment of a value for money working group; alignment to business planning and corporate plan; and adherence to financial controls.

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

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

Board of Governors	Report	Purpose
8 th July 2014	Key performance indicators	To note a progress report from the Vice Chancellor
	Risk Strategy & Appetite	To approve these documents
	Corporate risk register	To note a report from the Executive Director of Finance
	Hefce Annual Mid Year Accountability Return	To approve the return to Hefce including the 5 year forecast.
22 nd May 2014	Key Performance Indicators	To consider the Vice Chancellor's report and note developments
	Corporate risk register	To consider a report from the Executive Director of Finance
20 th March 2014	Corporate risk register	To note and update report from the Executive Director of Finance
	Key performance indicators	To consider the Vice Chancellor's report and note developments
	External Reporting (HESES HESA) progress report	To note progress report by Pro-Vice Chancellor (Academic)
21 st November 2013	Corporate risk register	To note and update report from the Executive Director of Finance
	Key performance indicators	To consider the Vice Chancellor's report and note developments
	Annual report from Audit	To note report from the Chair of Audit

21 st November 2013	Committee	Committee
	Audit Committee report on the accounts	To note report from the Chair of Audit Committee
	Annual report and financial statements for year ended 31 July 2013	To approve report from the Executive Director of Finance
	Report from the Policy and Resources Committee on the accounts	To note report from the Chair of Policy and Resources Committee
	External Audit key issues memorandum	To note report from the External Auditors (Grant Thornton)
	HEFCE annual accountability return	To note report from the Executive Director of Finance
17 th October 2013	Corporate risk register	To note detailed annual review from the Executive Director of Finance
	Key performance indicators	To consider the Vice Chancellor's report and note developments
	Corporate Governance Statement	To approve

Audit Committee	Report	Purpose
12 th June 2014	Corporate risk report	To consider the report on corporate risks from the Executive Director of Finance
	Risk Strategy & Appetite	To approve these documents
	Internal Audit progress report 2013/14	To note report from internal auditors on audit progress for 2013/14
	Internal Audit Reports 2013/14:	To note reports completed from 2013/14 internal audit plan
	<ul style="list-style-type: none"> • Business Continuity • Payroll Project Implementation • IT Security & Phishing 	

12 th June 2014	<ul style="list-style-type: none"> • Continuous Audit Quarters 2 & 3 • TRAC reporting 	
	Internal Audit plan 2014/15 & Re-Tender	To preview plan from internal auditors for activity in 2014/15
	External audit plan for 2014/15	To approve plan from external auditors
6 th February 2014	Corporate risk report	To consider the report on corporate risks from the Executive Director of Finance
	Internal Audit progress report 2013/14	To note report from internal auditors on audit progress for 2013/14
	Internal Audit Reports 2013/14:	To note reports completed from 2013/14 internal audit plan
	<ul style="list-style-type: none"> • HESA Finance Return • Student Module Data • Continuous Audit Q1 	
	Internal Audit Key Performance Indicators	To approve report from internal auditors
31 st October 2013	Corporate risk report	To consider the report on corporate risks and mitigating actions
	External Reporting (HESES HESA) progress report	To note progress report by Pro-Vice Chancellor (Academic)
	Draft report and accounts for year ended 31 July 2013	To consider the report from the Executive Director of Finance
	Internal audit annual report	To note report from internal auditors
	Internal Audit OIA report	To report on audit into circumstances leading to an OIA complaint.
	Internal audit progress report	To note report from internal auditors on audit progress for 2013/14
	Audit Committee Annual Report	To approve the Audit Committee Annual Report
	HEFCE assurance report	To note a report from HEFCE

26 th September 2013	Corporate risk report	To consider the report on corporate risks and mitigating actions
	Annual report on effectiveness internal controls	To consider the report from the Executive Director of Finance
	Internal Audit Reports	To note reports on various 2012/13 audit plan areas
	<ul style="list-style-type: none"> • Continuous Audit Q4 12/13 • Progress Report 	
	External Reporting (HESES HESA) progress report	To note progress report by Pro-Vice Chancellor (Academic)

Policy and Resources	Report	Purpose
24 th June 2014	Key performance indicators update	To consider the corporate plan KPIs progress report
6 th May 2014	Key performance indicators update	To consider the corporate plan KPIs progress report
4 th March 2014	Key performance indicators update	To consider the corporate plan KPIs progress report
12 th November 2013	Key performance indicators update	To consider the corporate plan KPIs progress report
1 st October 13	Key performance indicators update	To consider the corporate plan KPIs progress report

In addition:

The Audit Committee will have reviewed the following reports at meetings in September 2014 and October 2014 before the accounts are signed:

- The financial statements, including the Statement of Internal Control
- final annual report of the internal auditors for the year ended 31 July 2014
- External auditor's Key Issues memorandum (KIM).

The Board will conduct a detailed review of the corporate risk register at its meeting in October 2014.

7. Incidence of significant control failings or weaknesses during the year

There have been no reportable incidents of significant control failings or weaknesses during the year.

The internal auditors have identified some control design and operating effectiveness issues around IT security and these are being addressed.

Regular anti-fraud reports have been submitted to each meeting of the Audit Committee.

8. Effectiveness of the University's external reporting processes

No significant issues have arisen as a result of the University's external reporting processes other than matters already covered within the Corporate Risk framework.

APPENDIX 1

Statement on Internal Control

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

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

The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2014 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

- We meet a minimum of four times a year to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Audit Committee provide oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Audit Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Audit Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Audit Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;

- An organisation-wide register of key corporate risks is maintained, together with individual risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- The Operations Board meets regularly to consider risk, assess the current exposure and keep up to date the record of key corporate risks facing the University;
- A network of risk champions exists to support risk management activity in all schools and professional service groups; Update training is provided as required to support delivery;
- Formal risk management and internal control procedures have been embedded within ongoing operations.

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

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

APPENDIX 2

Corporate Risk Register: Residual Likelihood Matrix

Date: 5th Sep 2014		Author: John Baker – Corporate & Business Planning Manager		Executive Lead: Richard Flatman – Chief Financial Officer	
					Impact
	2: Loss of revenue if recruitment targets not met (PC)	1: Failure to position the university to effectively respond to changes in government policy & the competitive landscape (DP)	4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty / closure</i>		
397: Effectiveness of delivery impaired as institution goes through restructuring process (DP)	6: Ineffective data systems provide Management Information that is not meaningful and reliable, either for internal decision or for external reporting (RF) 14: Potential loss of NHS contract income (JE) 305: Data not used / maintained securely (IM) 362: Poor staff engagement (DP) 3: Increasing pensions deficit (RF) 402: Income from 20:20 Programme unrealised (PC)	37: Potential impact of estates strategy delivery on financial position (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 do not remain engaged with technological and pedagogic developments which support students and promote progression and achievement (PC)		2 Medium <i>failure to meet operational objectives of the University</i>		
			1 Low <i>little effect on operational objectives</i>		
3 - High	2 - Medium	1 - Low			
<i>The risk is likely to occur short term</i>	<i>This risk may occur in the medium to long term.</i>	<i>This risk is highly unlikely to occur</i>			
Residual Likelihood					

	PAPER NO: AC.42(14)	
Board/Committee:	Audit Committee	
Date:	25 September 2014	
Paper title:	Tuition Fee and Sales Ledger debt write off	
Author:	Natalie Ferer, Financial Controller	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Recommendation by the Executive:	That the Committee approve the writing off of tuition fee debt which is more than 6 years old and the write off of fees owed for the University nursery dating back to 2008.	
Aspects of the corporate plan to which this will help deliver	Creating and environment in which excellence can thrive by ensuring that our underpinning business processes, systems, policies and investments create an environment that enables success	
Matter previously considered	Audit Committee	Annually
Further approval required?	N/A	
Communications – who should be made aware of the decision?	All staff involved in Finance administration and budget management.	

Executive summary

The University has a policy of writing off debt which is more than six years old, unless there is reasonable expectation that the money can be recovered. Approval is sought for the write off of £280,000 in tuition fee debtors, where all debt collection activities have been exhausted.

Approval is also sought for the write off of £114,000 of non-tuition fee sales ledger debt which relate to monies owed for nursery fees.

The Committee is requested to recommend approval of these debts in line with financial regulations, which require that Audit Committee approve the annual write off of debts where the total value exceeds £50,000. All debts included in the write-off have previously been provided for in full, so there is nil impact on the reported financial result for the year.

1. Tuition Fee Ledger

The proposed amount of write-off on the tuition fee ledger is £279,531. This represents total coverage of all debts six years and over. These have previously been fully provided for in the provision for bad debts. All attempts to recover these debts, including referral to a debt collection agency, have been exhausted.

This balance does not include those students that have made arrangements to settle their debts via monthly instalment repayments where there is reasonable expectation that these will be paid.

If in the future a student requires a certificate or transcript, or wishes to enrol for further courses, they will need to settle their debts before documents are issued or enrolments completed.

Debts by academic and financial period are detailed below:

Year	07/08	06/07	05/06	04/05	03/04	Total
Debt at 31/07/14	114,652	197,002	4,337	9,745	2,288	328,024
Instalment Plans	23,536	17,801	3,910	2,221	1,025	48,493
Write-off	91,116	179,201	427	7,524	1,263	279,531

2. Sales Ledger (Non-tuition fee debt)

The proposed amount of write-off on the sales ledger is £114,000. These debts relate to unpaid nursery fees which we were not able to collect after the University nursery closed in August 2008. These debts have previously been fully provided for in the provision for bad debt.

3. Recommendation

It is recommended that the committee approve the write off of tuition fee and other debt, the total write off being £393,531.

	PAPER NO: AC.43(14)	
Board/Committee:	Audit Committee	
Date:	25 September 2014	
Paper title:	Assumptions used for the LSBU FRS17 report at 31/7/14	
Author:	Natalie Ferer, Financial Controller	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Recommendation by the Executive:	The Executive recommend that the committee approves the assumptions made by the LPFA scheme actuaries, Barnet Waddington, for FRS17 disclosures.	
Aspect of the Corporate Plan to which this will help deliver?	Statutory financial reporting.	
Matter previously considered by:	Audit Committee	Annually
Further approval required?	n/a	n/a
Communications – who should be made aware of the decision?	N/A	

Executive summary

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

Indicative assumptions for the LSBU FRS17 report at 31/7/14 have already been circulated to members of committee. The final assumptions have now been received and are set out herein.

We have taken advice from Grant Thornton, the University's auditors, and they have confirmed that the assumptions used are acceptable and that they are happy for these to be used when preparing the FRS17 report. We have also had a detailed discussion

with Barnett Waddingham, the scheme actuaries and we are comfortable with the assumptions.

Some minor changes have been made since circulation of the indicative assumptions but the real discount rate (which is the net of the discount rate and CPI and which has a significant effect on the scale of the reported scheme deficit) remains unchanged.

Assumptions

Based on the member data for the 2013 valuation of the fund, the actuaries estimate the liability duration for South Bank University to be 19 years.

following advice by Grant Thornton, the report for London South Bank University has been prepared using standard scheme assumptions which are summarised below:

	31/7/14	31/7/13	31/7/12
	LSBU		
RPI increases	3.5%	3.3%	2.6%
CPI increases	2.7%	2.5%	1.8%
Salary increases	4.6%	4.2%	3.5%
Pension increases	2.7%	2.5%	1.8%
Discount rate	4.2%	4.7%	3.9%

More detailed analysis of the assumptions are contained in Appendix 1 and 2

Recommendation

The Committee is asked to note and approve the assumptions.

Subject FRS17 final assumptions for 31 July 2014

Background

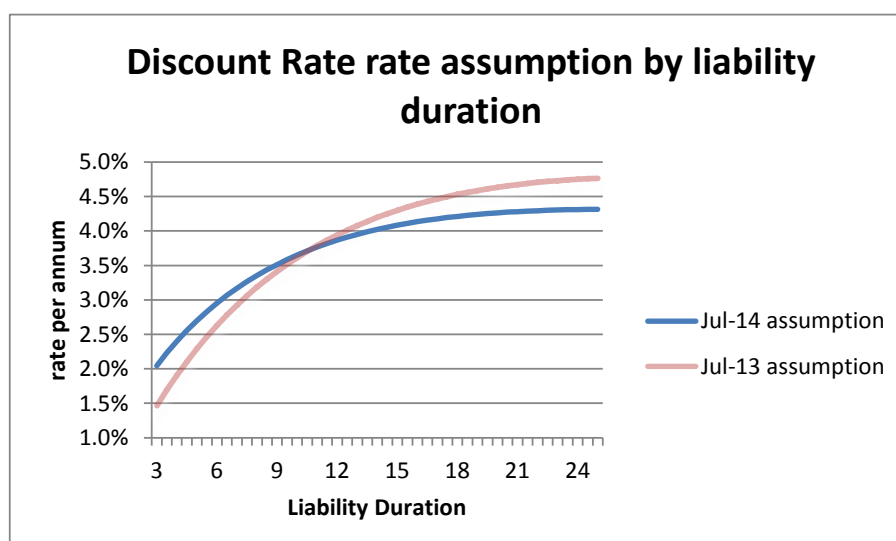
We have been asked to provide the assumptions that will be adopted for the FRS17 disclosures at 31 July 2014.

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

Discount Rate

Our standard approach for the July 2014 exercise will be to use the point on the annualised Merrill Lynch AA rated corporate bond yield curve based on the estimated duration of each employer's liabilities. For employers with an estimated duration of greater than 25 years, we will use the 25 year point on the curve. This is the same approach as last year.

The graph below shows the assumption by liability duration at 31 July 2014, together with the standard assumption at 31 July 2013.



Our reports will disclose our estimate of each employer's liability duration.

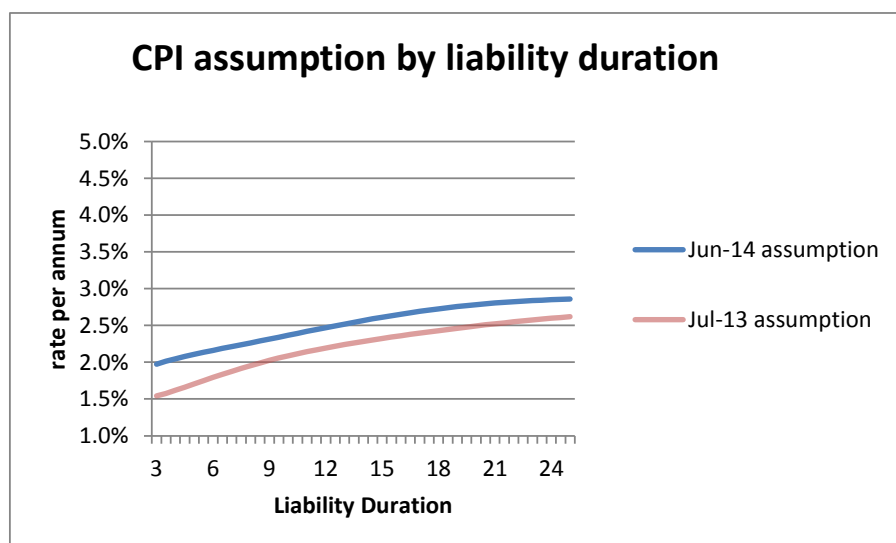
Inflation and Salary Increases

Our starting point for inflation will be to take the rate at each employer's duration implied by the Bank of England's future RPI inflation curve which is based on the difference in conventional and index-linked gilt yields. This is the same approach as was taken for the July 2013 exercise.

This measure has historically overestimated future increases in the RPI and so, in the past, we have made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so our standard assumption this year will be that the inflation risk premium is zero but we would be happy to consider alternative assumptions on request.

The indexation of pensions in the public sector is expected to be in line with CPI. Unlike RPI, there are very few traded CPI instruments and so a price can't be directly observed in the market. We therefore base our CPI assumption on the assumption we make for RPI and we assume that it will, on average, be 0.8% per annum less than RPI. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods. This is the same difference as last year.

The following graph shows our assumptions for CPI inflation by liability duration at 31 July 2014.



Our starting point for the salary increase assumption will be that made for the 2013 triennial valuation. The salary increase assumption will be a combination of a short and long term salary increase. Short term salary increases will be assumed to be equal to CPI and last until 31 March 2015. Long term salary increases will be 1.0% per annum above RPI. This is similar to the assumption last year which was 0.9% above RPI for all future years.

As last year, we anticipate that a few employers will request alternative assumptions.

Mortality

The mortality assumption we will adopt for this year's accounting disclosures will be the mortality assumptions provided by Club Vita in line with those disclosed in the 2013 funding valuation for the LPFA Pension Fund. We will also make an allowance for future improvement factors in line with the 2012 CMI model with a long term assumption of 1.5% per annum. The previous assumption was older Club Vita tables and lower improvements so this is likely to increase the life expectancies for most employers.

Club Vita analyse mortality on an individual level and so the mortality assumptions should much better reflect employer membership structure than a single assumption for the Fund.

Combined effect on liabilities

The table below describes the likely effects for employers at 5 year duration points, based on market conditions at 31 July 2014.

Term	Effect of changes in financial assumptions on employer's liabilities
5 years	Very little change
10 years	0-5% increase in liabilities
15 years	5-10% increase in liabilities
20 years	10-15% increase in liabilities
25 years	15-20% increase in liabilities

We will also incorporate the results of the 2013 actuarial valuation of the Fund into the disclosures this year, meaning that the membership experience of each employer over the period since the previous Fund valuation in 2010 will also affect the liabilities.

Assets and overall deficit

We have data for the LPFA's asset returns for the period to 31 May 2014 which showed a return of just under 3% for the 10 month period. Markets have slightly fallen since that date so this relative underperformance compared to the assumed return used in last year's calculations of 5%-6% is likely to increase the deficit further.

Overall, based on current market conditions, we believe that most employers will see their deficits increase this year due to the market changes described above, with the most significant effect being for those employers with long term liabilities (e.g. those with mainly active members). This will not necessarily be true for some employers as the membership experience brought through from the 2013 actuarial valuation may have improved their position to cancel the negative markets effect. However, experience may also have been negative and this may compound the effects of the market.

If you have any questions please contact your usual team member.

Barnett Waddingham LLP
7 August 2014

4. Actuarial Methods and Assumptions

Valuation Approach

To assess the value of the Employer's liabilities at 31 July 2014, we have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with FRS17.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 July 2014 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 July 2014 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share we have rolled forward the assets allocated to the Employer at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

Valuation Method

As required under FRS17 we have used the projected unit method of valuation to calculate the service cost.

Demographic/Statistical Assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are;

Life Expectancy from age 65 (years)	31 July 2014	31 July 2013
Retiring today		
Males	21.8	20.9
Females	25.0	23.9
Retiring in 20 years		
Males	24.2	22.9
Females	27.2	25.8

We have also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Financial Assumptions

The financial assumptions used for the purposes of the FRS17 calculations are as follows:

Assumptions as at	31 July 2014		31 July 2013		31 July 2012	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI increases	3.5%	-	3.3%	-	2.6%	-
CPI increases	2.7%	-0.8%	2.5%	-0.8%	1.8%	-0.8%
Salary increases	4.5%	1.0%	4.2%	0.9%	3.5%	0.9%
Pension increases	2.7%	-0.8%	2.5%	-0.8%	1.8%	-0.8%
Discount rate	4.2%	0.7%	4.7%	1.4%	3.9%	1.3%

These assumptions are set with reference to market conditions at 31 July 2014.

Our estimate of the duration of the Employer's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of FRS17 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 19 year point on the BoE spot inflation curve. This is consistent with the approach used at the last accounting date.

This measure has historically overestimated future increases in the RPI and so, in the past, we have made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so we have made no such deduction at 31 July 2014. The RPI assumption is therefore 3.5%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.7%. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to increase at 1.8% per annum above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset classes as at the beginning of the period (i.e. as at 1 August 2014) for the year to 31 July 2015. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an allowance for defaults) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields. We have adopted the following expected returns.

Asset Class	Expected Return at		
	1 Aug 2014	1 Aug 2013	1 Aug 2012
	% p.a.	% p.a.	% p.a.
Equities	6.7%	6.4%	5.6%
LDI/Cashflow matching	3.4%	3.4%	n/a
Target Return Portfolio	6.1%	4.9%	4.3%
Alternative Assets	n/a	5.4%	4.6%
Infrastructure	6.3%	n/a	n/a
Commodities	6.1%	n/a	n/a
Property	5.6%	n/a	n/a
Cash	3.2%	0.5%	0.5%
Total	5.8%	5.5%	5.2%

Past Service Costs/Gains

Past service costs can arise when the Employer awards additional discretionary benefits such as added years and other forms of augmentation of benefits. A change to benefits may result in either a past service cost or a past service gain.

We are not aware of any additional benefits which were granted over the year ended 31 July 2014.

Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that 3 former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits relative to those reserved for under FRS17 is calculated at £104,000

Settlements

We are not aware of any liabilities being settled at a cost materially different to the FRS17 reserve during the year.

	CONFIDENTIAL	PAPER NO: AC.44(14)
Paper title:	Cultural exchange associates at the Confucius Institute	
Committee	Audit Committee	
Date of meeting:	25 September 2014	
Author:	Michael Simmons, Director of Strategic Stakeholder Engagement	
Executive sponsor:	Prof David Phoenix, Vice Chancellor	
Purpose:	To update on the status of cultural exchange associates of the Confucius Institute for Traditional Chinese Medicine at LSBU (CI)	

Executive Summary	
Context	The Executive has reviewed the status of the exchange associates of the CI
Question	What is the status of the CI associates?
Conclusion & Recommendation	That LSBU complies with UKV&I rules and that from October 2014, the CI associates will be sponsored by Hanban and not LSBU. To note the report.

Matter previously considered by:	N/A	
Further approval required?	N/A	On:

Summary

1. Each year there are approximately 50 Chinese Nationals sponsored for UK visas on LSBU's UK Visa and Immigration (UKVI) licence, to deliver Confucius Institute programmes at LSBU. These are not LSBU employees but

London South Bank University

funded by allowances paid directly by Hanban (a Chinese government agency).

2. In early July 2014, following investigation, it appeared that there was one Chinese national CI associate at LSBU who was funded by Hanban but was not sponsored by LSBU for the necessary UK Visa & Immigration Tier 5 work experience visa. This individual had been active at the CI for some 8 years. He was paid directly by Hanban in the normal way however, he had apparently secured a new visa independent of our usual arrangements.
3. As we were not able to verify this individual's visa we immediately barred them (and their spouse, who had previously worked at the CI) from LSBU and notified Hanban.
4. We obtained from Hanban lists of all the teachers and volunteers they were funding and who they believed to be supporting the CI at LSBU. We found no further individuals that Hanban was funding who held visas that were not sponsored by LSBU.
5. From October 2014, the visa arrangement for Chinese nationals for all Confucius Institutes in the UK, including LSBU, will change. LSBU will no longer sponsor the associates under LSBU's UK V&I licence. Instead, the associates will be sponsored by Hanban UK under a new scheme agreed between Hanban and UKV&I. Teachers and volunteers will be sponsored for two years after which they will return to China.
6. The review of existing CI staff, their visas and the Hanban sponsorship arrangements means that current arrangements are not in breach of UKV&I requirements.

*Director of Strategic Stakeholder Engagement
18th September 2014*

London South Bank University

	PAPER NO: AC.45(14)	
Board/Committee:	Audit Committee	
Date:	25 September 2014	
Paper title:	Anti fraud, bribery and corruption report	
Author:	Richard Flatman, Chief Financial Officer	
Executive sponsor:	Richard Flatman, Chief Financial Officer	
Recommendation by the Executive:	The Executive recommends that Audit committee note the position as reported below.	
Aspect of the Corporate Plan to which this will help deliver?	Creating an environment in which excellence can thrive.	
Matter previously considered by:	Audit Committee	At each meeting
Further approval required?	N/A	
Communications – who should be made aware of the decision?	N/A	

Executive summary

This paper is presented to each meeting of Audit Committee to alert members to any instances of fraud, bribery or corruption arising in the period since committee last met.

One matter has been reported since the last meeting:

The possible misuse of a purchasing card by an employee has been investigated. The most serious matter concerns five personal transactions made using the card. The employee has reimbursed the University for the full amount of £1,341.32 and therefore there is no financial loss to the University. The investigation concluded that there was no evidence of any other financial irregularities linked to this case and the Fraud Response Plan was not invoked. The employee's purchasing card has been cancelled and the matter is being dealt with under the University's disciplinary procedure.

Previous matters reported:

This Committee was notified in February 2014 of a potential fraud in ESBE whereby 24 students had their 2012/13 student records falsely amended by a Faculty Administrator. Evidence was found to suggest that students may have made payments to the administrator in return for records being changed. The employee has since resigned and the matter was reported to the police.

On 2nd September the University received an update from the Metropolitan Police saying that The Crown Prosecution Service has reviewed the matter and they want to prosecute the ex-employee under the Bribery Act. They are currently waiting for the required consent of the Director of Public Prosecutions before they proceed. The Police have confirmed that they will not seek to prosecute the students involved but they want to treat them as witnesses. They have said they are likely to ask for statements from a number of members of staff and students.

	PAPER NO: AC.46(14)
Paper title:	Speak up report
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To update the committee on any speak up matters raised since the last meeting

Executive Summary	
Context	The speak up policy enables employees and students to report any concerns about malpractice, helping to create an open and ethical culture in the workplace.
Question	Have any new speak up matters been raised since the last meeting?
Conclusion & Recommendation	One matter was raised in relation to the Confucius Institute, which has been closed. There is also a separate matter that was reported direct to Andrew Owen in relation to a member of staff. This is also closed.

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

	PAPER NO: AC.47(14)
Paper title:	Speak up review
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Andrew Owen, Chairman of Audit Committee
Purpose:	To approve the use of a independent helpline for students and staff for speak up matters

Executive Summary	
Context	Speak up is one aspect of developing a climate of personal responsibility and ethical conduct by staff / stakeholders. The audit committee requested a review of the current arrangements for speak up at its last meeting.
Question	Should the University use an independent helpline to improve use of the speak up process?
Conclusion & Recommendation	The committee is requested to approve the use of an independent helpline

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

Speak Up review

1. The fully revised “speak up” policy was approved by the Board of Governors on 15th July 2010. The policy was communicated to all staff in an e-mail from the Vice Chancellor. The policy is available on the staff and student gateways.
2. Since its complete revision in July 2010, there has been seven matters raised under the speak up policy (these include an e-mail enquiry that was not pursued, a matter raised by a student who was referred to the internal student complaints procedure, and a matter raised by an employee who was referred to the grievance and probation procedures).
3. The current policy is attached in the appendix and is recommended to continue for the next year, subject to one matter, as follows.
4. At the previous meeting of the Audit Committee (minute 32 of 12 June 2014 refers), members queried the effectiveness of the speak up policy. Although there is an independent route to the Chairman of the Audit Committee (see paragraph 4.1 below), there may be a “block” to using it because there is no direct access to the Chairman.
5. In order to enhance the existing independent reporting route, it is possible to pay an external, independent organisation for a reporting telephone service. The service would be advertised to students and staff so that they could seek advice about whether to raise a speak up matter and, if necessary, report concerns.
6. Organisations providing the service include: Public Concern at Work, Expolink and Safecall. A range of services are offered from a basic advice line to a bespoke service, including an annual audit. (A guideline to cost for , say, a 3 year contract is an annual retainer of c.£3,000 + c.25p per employee p.a. Precise information on costs will be considered as part of any mini-tender exercise by the Executive).
7. The advantage of an external helpline service is that it is perceived to be truly independent from management and may encourage students and employees to raise “speak up” concerns more readily. The suppliers have experience of filtering matters that are not genuine speak up issues and so this should not lead to a rise in vexatious or spurious complaints.

8. The Audit Committee is requested to:

- (i) approve the use of an independent helpline for students and staff and for the Executive to run a mini-tender;
- (ii) if so, approve the amendment to the current speak up policy at paragraph 4.1 below; and
- (iii) accept the executive's recommendation to continue with the rest of the current policy unchanged for another year.

Appendix

Speak up policy

1. Introduction

LSBU is committed to the highest standards of business conduct. It seeks to conduct its affairs in a responsible manner taking into account the requirements of its funding bodies, and the values identified by the Committee on Standards in Public Life.

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

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

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

2. Scope of the speak up policy

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

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

- financial malpractice, impropriety or fraud

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

3. Safeguards

3.1 Protection

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

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

3.2 Confidentiality

Your identity when making the allegation will be kept confidential to those dealing with the case only, so long as this does not hinder or frustrate any investigation or LSBU's ability to meet its legal obligations. However, the investigation process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required.

3.3 Anonymous Allegations

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

- the seriousness of the issues raised;
- the credibility of the concern;
- any supporting evidence received; and

- the likelihood of confirming the allegation from alternative credible sources.

3.4 *Untrue Allegations*

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

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

4. **Procedures for speaking up**

4.1 *Initial Step*

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

If you cannot raise the matter with your line manager or head of department (e.g. because they are the subject of the disclosure), or if you are dissatisfied with the outcome of your disclosure, you should refer the matter to any of:

- the University Secretary; or
- the Director of Human Resources; or
- the Deputy Director of Human Resources.

Alternatively, where you wish to raise the matter with someone who is outside the line management structure of LSBU, disclosure may be made to:

- the Chair of the Audit Committee, who is always an independent governor.

~~To follow this independent route, you should write to the Chair of the Audit Committee, 103 Borough Road, London, SE1 0AA (c/o the University Secretary & Clerk to the Board), marked "Personal and Confidential: please forward". The correspondence will be forwarded unopened to the Chair of the Audit Committee.~~

- [Alternative wording, if approved by the Audit Committee – the London South Bank University independent speak up advice line on {insert number}]

The Chair of the Audit Committee will respond promptly to you and will decide the course of action to be taken.

4.2 *Students on placement*

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

4.3 *Nurses, midwives and student nurses and midwives*

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

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

4.4 *Next steps*

The person receiving the initial disclosure will consider the information made available and should determine whether there is a *prima facie* case to answer, whether an investigation should take place, and if so what form it should take. Investigations may involve:

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

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

4.5 *Feedback*

The person receiving the initial disclosure will inform you, in outline, of the action already taken in response to it and what further action, if any, is to be taken.

Where a disclosure is made the person or persons against whom the disclosure is made will be told of it, and the evidence supporting it, and will be allowed to respond before any investigation, or further action, is concluded.

However, the person against whom a disclosure is made will not be told if it is likely to compromise the outcome of the investigation.

There will be an equivalent feedback process following an appeal under 4.7 below.

4.6 *Reporting of Outcomes*

A brief written report of all disclosures, not identifying individuals, and any subsequent actions taken will be made to the LSBU Audit Committee.

4.7 *Appeals*

If you are dissatisfied with the outcome of your disclosure, you have a right of appeal to an independent governor.

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

5. Monitoring and Review

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

Approved by the Board of Governors on 15th July 2010

Reviewed by the Audit Committee on 7th February 2013

Next review by September 2014

	PAPER NO: AC.48(14)
Paper title:	Audit Code of Practice
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Andrew Owen, Chairman of the Audit Committee
Purpose:	To update the committee on the revised Audit Code of Practice which forms part of the new Memorandum of Assurance and Accountability between HEIs and HEFCE

Executive Summary	
Context	The financial memorandum between HEFCE and LSBU sets out the terms and conditions for payment of HEFCE grants. It was replaced on 1 August 2014 by a new memorandum of Assurance and Accountability (MAA) which includes a revised Audit Code of Practice.
Question	What changes have been made to the Audit Code of Practice?
Conclusion & Recommendation	<p>Minor revisions have been made, including:</p> <ul style="list-style-type: none"> • Specific reference to the Student Loans Company (in addition to the Higher Education Statistics Agency and HEFCE) with regard to the Audit Committee's annual report and the opinion on the management and quality assurance of data • Strengthening the role of internal audit as a vital element in good corporate governance.

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

Audit Code of Practice

The Audit Code of Practice sets out what HEFCE require HEIs to have in place to provide themselves (and HEFCE) with adequate assurance on good governance, internal controls, risk management, achieving value for money and the management and quality assurance of data

There have some minor changes, including:

- Specific reference to the Student Loans Company (in addition to the Higher Education Statistics Agency and HEFCE) with regard to the Audit Committee's annual report and the opinion on the management and quality assurance of data
- Strengthening the role of internal audit as a vital element in good corporate governance.

The revised Audit Code of Practice is attached for information.

Annex A: Audit Code of Practice

Overview

1. In this Audit Code of Practice (the Code) the word 'must' denotes a mandatory requirement under the memorandum of assurance and accountability, whereas 'should' denotes our view of good practice.
2. The Code sets out what we require higher education institutions (HEIs) to have in place to provide themselves and us with adequate assurance on good governance, internal controls, the management of risk and achieving value for money (VFM). How these requirements are met is for HEIs to decide themselves.

Governing bodies of HEIs

3. The responsibilities of governing bodies are set out at paragraph 29 of the memorandum of assurance and accountability. Governing bodies are also responsible for the appointment and removal of external and internal auditors. Governing bodies are also responsible for appointing outsourced internal audit providers, on the advice of the Audit Committee, and for choosing to move between outsourced and insourced internal audit provision, also after taking advice from the Audit Committee. Staff appointments and terminations for insourced internal audit staff are a matter for management, with the Audit Committee advising on the appointment and termination of the Head of Internal Audit.

Audit committees in HEIs

4. Each HEI must have an audit committee which follows best practice in HE corporate governance. The audit committee is responsible for assuring the governing body about the adequacy and effectiveness of :
 - risk management, control and governance
 - VFM
 - the management and quality assurance of data.
5. The Committee of University Chairs has published detailed guidance about audit committees (HEFCE 2008/06). This reflects best governance practice, and HEFCE expects HEIs to take account of such guidance in meeting the required standards (see paragraph 12 below) or explain why the guidance is not being applied and good practice is not being followed.
6. An audit committee can undertake whatever work¹⁰ it considers necessary to fulfil its role. This should include assuring themselves about the effectiveness of their internal audit function and their external auditors. Audit committees will only be able to provide the necessary assurances if they are supported by suitably resourced internal audit and external audit functions, operating to recognised professional standards. They should also consider evidence based assurances from management.
7. Members of the audit committee must not have executive authority. Audit committees should include a minimum of three lay members of the governing body. Audit committee members should not be members of an HEI's finance committee or its equivalent. This is

¹⁰ As described in HEFCE 2008/06.

because it would create a potential conflict of interest when the audit committee is considering issues involving the finance committee. If an HEI's governing body determines that cross-representation involving one member is essential, this should be the subject of an explicit, recorded resolution, which sets out the rationale for such a decision – but it should not be an option for the chair of either committee or the chair of the governing body.

8. The committee must produce an annual report for the governing body and the accountable officer. The report must cover the financial year and include any significant issues up to the date of signing the report and its consideration of the financial statements for the year. The report must be presented to and reviewed by the governing body before the audited financial statements are signed.

9. The report must include the committee's opinion on the adequacy and effectiveness of the HEI's arrangements for:

- risk management, control and governance
- economy, efficiency and effectiveness (VFM)
- management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE and other bodies.

10. The final annual report to the governing body and the accountable officer must be shared with HEFCE each year.

Internal audit arrangements in HEIs

11. Internal audit is a vital element in good corporate governance since it provides governing bodies, audit committees and accountable officers with independent assurance about the adequacy and effectiveness of risk management, control and governance, and VFM.

12. Consequently each HEI must have a suitably resourced internal audit function which must comply with the professional standards of the Chartered Institute of Internal Auditors. Internal audit terms of reference must make clear that its scope encompasses all the HEI's activities, the whole of its risk management, control and governance, and any aspect of VFM delivery.

13. The internal audit service must produce an annual report which must relate to the financial year and include any significant issues, up to the date of preparing the report, which affect the opinions. It must be addressed to the governing body and the accountable officer and must be considered by the audit committee.

14. The report must include the internal auditor's opinions on the adequacy and effectiveness of the HEI's arrangements for:

- risk management, control and governance
- economy, efficiency and effectiveness (VFM).

15. The final annual report to the governing body must be shared with HEFCE each year.

16. The head of internal audit must have direct access to the HEI's accountable officer, the chair of the audit committee and, if necessary, the chair of the governing body.

17. Where internal audit is provided from an outside source, market testing should be undertaken at least every five years.

External audit arrangements in HEIs

18. External audit must provide an opinion to the governing body on whether funds (including public funds) have been applied for the intended purposes and on whether the financial statements provide a true and fair view of the financial results for the year. External audit must also form a view about whether an HEI is a going concern. External auditors of HEIs do not have a duty of care to HEFCE.
19. HEIs may ask external auditors to provide additional services. The audit committee must agree all significant matters with a bearing on the auditor's objectivity and independence. Additional work must not impair the independence of the external audit opinion.
20. HEIs must disclose separately, by way of a note to the financial statements, the fees paid to their external auditors for other services.
21. External auditors must issue a report (or reports, if more than one, covering different stages of the annual audit) to those charged with governance which records accounting issues and control deficiencies arising from the audit. HEFCE would expect any issues around the use of charitable assets for non-charitable purposes to be highlighted in such reports. The HEI's management must provide written responses to any recommendations made or issues raised. The report(s), including management response, is one of the annual accountability returns which must be submitted to HEFCE.
22. The report(s), with management responses, must be made available to the HEI's audit committee in time to inform the committee's annual report.

Audit report

23. The external auditors must report whether in all material respects:
 - a. The financial statements give a true and fair view of the state of the HEI's affairs, and of its income and expenditure, recognised gains and losses, and statement of cash flow for the year. They should take into account relevant statutory and other mandatory disclosure and accounting requirements, and HEFCE requirements.
 - b. The financial statements have been properly prepared in accordance with UK general accepted accounting principles and the *Statement of Recommended Practice: Accounting for Further and Higher Education*, and relevant legislation.
 - c. Funds from whatever source administered by the HEI for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation.
 - d. Funds provided by HEFCE have been applied in accordance with the memorandum of assurance and accountability and any other terms and conditions attached to them.
 - e. The requirements of HEFCE's accounts direction have been met.
24. Auditors should have regard to the specific requirements of the memorandum of assurance and accountability such as compliance with those relating to increases in financial commitments thresholds, or other issues of non-compliance, in their management letters or reports, as set out in paragraph 21 above.

25. Market testing should be undertaken at least every seven years. One named individual partner in the firm is normally responsible for the HEI's audit; he or she should not hold this position for more than ten consecutive years.

HEFCE access to auditors

26. HEFCE may wish to communicate with an HEI's external or internal auditors, particularly in connection with a HEFCE Assurance Review and should have unrestricted access to do so. This will normally be arranged through the HEI's accountable officer or representative. HEFCE will exchange letters where necessary with both parties to deal with confidentiality and the terms under which access is given.

Provision of audit services

27. Internal and external audit services must not be provided by the same firm or provider.

Auditors' access to information

28. Internal and external auditors must have unrestricted access to information – including all records, assets, personnel and premises – and be authorised to obtain whatever information and explanations the head of internal audit service or the external auditor considers necessary.

Restriction on auditors' liability

29. Where the internal audit service is provided through a contractual arrangement with an external provider, the provider may ask the HEI to agree to a restriction in the internal auditors' liability arising from any default by the auditors. Normally such liability should be without limit. However, HEIs may negotiate a restriction in liability so long as the decision is made on an informed basis and the liability remains at such a level as to provide reasonable recourse for the HEI. The governing body, through the audit committee, must be specifically notified of any request for a liability restriction.

30. HEIs must not agree to any restriction in external auditors' liability in respect of the external audit of their annual financial statements.

31. For other types of work performed by the external auditors, the provider may ask the HEI to agree to a restriction in the auditors' liability arising from any default by the auditors. However, as with internal audit services, HEIs may negotiate a restriction in liability if the decision is made on an informed basis and the liability remains at such a level as to provide reasonable recourse to the HEI. The governing body, through the audit committee, should be notified of any liability restriction agreed.

Appointment, removal or resignation of internal and external auditors

32. Governing bodies are responsible for the appointment and removal of external and internal auditors. Where auditors cease to hold office for any reason, they should provide the governing body with either a statement of any circumstances connected with their removal which they consider should be brought to the governing body's attention, or a statement that there are no such circumstances. Any such statements must also be sent to HEFCE by the accountable officer.

	PAPER NO: AC.49(14)
Paper title:	University Academy of Engineering/University Technical College assurance
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Executive sponsor:	Prof David Phoenix, Vice Chancellor and Chief Executive
Purpose:	To update the committee on assurance relating to the academies

Executive Summary	
Context	<p>In order to help deliver outcome 3 of the corporate strategy, 2015-2020, the University “will sponsor and support three Academies / University Technical Colleges to help develop aspiration and enable early engagement with pupils”.</p> <p>The University Academy of Engineering South Bank opened in September 2014 and the University is planning to be lead sponsor of University Technical College Brixton.</p>
Question	In relation to the academies how does the Board gain assurance?
Conclusion & Recommendation	<p>Due to non-consolidation, audit oversight is not required by LSBU. In addition, clear internal financial controls will be in place and a memorandum of understanding will be agreed between the academies and LSBU.</p> <p>The committee is requested to note this report.</p>

Matter previously considered by:	Board	8 July 2014
Further approval required?	No	N/A

University Academy of Engineering/University Technical College assurance

At its meeting of 8 July 2014, the Board discussed the proposed relationships between LSBU and its sponsored academies – the extract of the draft minutes states:

37. The Board noted an update on the University Academy of Engineering South Bank and the University Technical College Brixton and their proposed relationship with the University (paper **BG.43(14)**).
38. The Board noted that the key benefits of sponsoring the academy and the University Technical College included raising aspirations of young people locally and creating pathways for them into higher education and employment.
39. Each school is a separate charitable company limited by guarantee. The Board approved the proposed relationship with the two schools, which would allow the University to exert influence over the schools through its right to appoint a majority of the members and directors of the Academy of Engineering and a majority of members and, in conjunction with the employer sponsors, a majority of directors of the University Technical College. The Executive did not expect to consolidate the balance sheet of either entity into LSBU's own accounts.
40. The Board noted that memoranda of understanding would set out responsibilities of LSBU and each school, and the reporting framework. The Board requested the role of LSBU's Audit Committee in relation to the two schools to be clarified.

Role of LSBU Audit Committee

The executive has reviewed the accounting treatment of each subsidiary with the external auditors. The balance sheets of the entities will not be consolidated into LSBU's own accounts. Non-consolidation removes any requirement for LSBU to have oversight of the academies' statutory audits.

Financial Control in the Academies

Each academy trust is a company limited by guarantee with its own Board of Directors, which is responsible for managing the business of the company. This includes:

- responsibility for keeping proper financial records and preparing statements in accordance with legislation and the Funding Agreement with the Department for Education;
- responsibility for ensuring audit is carried out;

In addition, there will be LSBU appointees on the boards of directors (trustees) providing direct scrutiny of the academies' activities.

Each academy trust is funded by the Department for Education through a funding agreement and subject to terms of a Financial Handbook. The Financial Handbook sets out the basic financial management, control and reporting requirements that apply to academy trusts. It describes a financial framework for trusts that reflects their accountability to Parliament and the public, and the freedoms that they can exercise in their day-to-day business. Compliance with the handbook is a condition of an academy trust's funding agreement.

Relationship between LSBU and academies

The relationship between LSBU and its sponsored academies will be regulated by Memoranda of Understanding. The key areas covered include:

- requirements for the academy trust to operate in accordance with its objects and funding agreement;
- a description of the extent of support that LSBU will be offering;
- requirements for the academy trust to maintain proper financial records and to make information available to LSBU on request;

The following wording on provision of information is included in the draft MoU (subject to agreement):

- 8.1 So that it may properly and effectively carry out its role as sponsor, LSBU may at any time require written confirmation and supporting documents from the Academy Trust:
 - 8.1.1 as LSBU requires in order for it to fulfil its own statutory and other requirements;
 - 8.1.2 to demonstrate that the Academy Trust:

London South Bank University

- (a) has in place and is observing appropriate rules, policies, procedures and other documents to allow it to comply with its legal, educational and operational requirements;
- (b) has in place appropriate arrangements for financial management and accounting; and
- (c) is operating in accordance with the Funding Documents.

Reporting

Currently, the Executive monitors the projects to establish the academies at monthly meetings.

The Board of Governors will be kept up-to-date through the Vice Chancellor's report and, if necessary, through separate reports on strategic or reputational issues.

*University Secretary
September 2014*

	PAPER NO: AC.50(14)
Paper title:	Terms of Reference
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Andrew Owen, Chairman of the Committee
Purpose:	To review the committee's terms of reference

Executive Summary	
Context	It is best practice to review committee terms of reference each year
Question	Should the committee's terms of reference be amended?
Conclusion & Recommendation	The committee's terms of reference should remain the same as last year. The committee is requested to note their terms of reference.

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

Audit Committee terms of reference

The Audit Committee's terms of reference is based on the model terms of reference 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.

London South Bank University

Following review, no changes to the terms of reference of the committee are suggested. The Governance Effectiveness Review is taking place during 2014/15 which will review the sub-committees of the Board as part of its scope.

The committee's terms of reference are attached for information. The committee is requested to note.

Membership 2014/15

Chairman

Andrew Owen (Chairman)

Independent governor members:

Steve Balmont

Douglas Denham St Pinnock

Mee Ling Ng

External co-opted member:

Shachi Patel

In attendance:

External auditors Grant Thornton

Internal auditors PricewaterhouseCoopers

Executive:

Vice Chancellor

Chief Financial Officer

University Secretary

Audit committee

Terms of reference

1. Constitution

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

2. Membership

- 2.1 The Audit Committee and its chair shall be appointed by the Board, from among its own members, and must consist of members with no executive responsibility for the management of the institution.
- 2.2 There shall be no fewer than three members; a quorum shall be at least two members.
- 2.3 The chair of the Board should not be a member of the committee.
- 2.4 Members should not have significant interests in LSBU.
- 2.5 At least one member should have recent relevant experience in finance, accounting or auditing.
- 2.6 The committee may, if it considers it necessary or desirable, co-opt members with particular expertise.
- 2.7 Members of the committee should not also be members of the finance committee (or equivalent).

3. Attendance at meetings

- 3.1 The chief executive, head of finance (or equivalent), the head of internal audit and a representative of the external auditors shall normally attend meetings where business relevant to them is to be discussed.
- 3.2 At least once a year the committee should meet with the external and internal auditors without any officers present.

4. Frequency of meetings

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

5. Authority

- 5.1 The committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the committee.
- 5.2 The committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the head of institution and/or chair of the Board. However, it may not incur direct expenditure in this respect in excess of £20,000 without the prior approval of the Board.
- 5.3 The Audit Committee will review the audit aspects of the draft annual financial statements. These aspects will include the external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' management letter. The committee should, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to the Board.

6. Secretary

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

7. Duties

- 7.1 The duties of the committee shall be to:
- 7.1.1 advise the Board on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors;
- 7.1.2 discuss with the external auditors, before the audit begins, the nature and scope of the audit;

- 7.1.3 as necessary, to hold regular discussions with the external auditors (in the absence of management where necessary);
- 7.1.4 consider and advise the Board on the appointment and terms of engagement of the internal audit service (and the head of internal audit if applicable), the audit fee, the provision of any non-audit services by the internal auditors, and any questions of resignation or dismissal of the internal auditors;
- 7.1.5 review the internal auditors' audit risk assessment, strategy and programme; consider major findings of internal audit investigations and management's response; and promote co-ordination between the internal and external auditors. The committee will monitor that the resources made available for internal audit by the executive are sufficient to meet LSBU's needs (or make a recommendation to the Board as appropriate);
- 7.1.6 keep under review the effectiveness of the risk management, control and governance arrangements, and in particular review the external auditors' management letter, the internal auditors' annual report, and management responses;
- 7.1.7 monitor the implementation of agreed audit-based recommendations, from whatever source;
- 7.1.8 monitor the proper investigation by the executive of all significant losses and that the internal and external auditors, and where appropriate the funding council's accounting officer, have been informed;
- 7.1.9 oversee the policy on anti-fraud and irregularity, including being notified of any action taken under that policy;
- 7.1.10 satisfy itself that suitable arrangements are in place to promote economy, efficiency and effectiveness;
- 7.1.11 receive any relevant reports from the National Audit Office (NAO), the funding councils and other organisations;
- 7.1.12 monitor annually the performance and effectiveness of the external and internal auditors, including any matters affecting their objectivity, and

make recommendations to the Board concerning their reappointment, where appropriate;

7.1.13 consider elements of the annual financial statements in the presence of the external auditors, including the auditors' formal opinion, the statement of members' responsibilities and the statement of internal control, in accordance with the funding councils' accounts directions;

7.1.14 in the event of the merger or dissolution of the institution, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed;

7.1.15 advise the Board of Governors on the effectiveness of the internal control system and recommend changes as necessary;

7.1.16 review regularly the financial regulations for the supervision and control of financial procedures, accounts, income and expenditure of LSBU and to advise the Board of Governors as necessary;

7.1.17 monitor compliance with relevant regulatory and legal requirements (e.g. HEFCE financial memorandum) and report to the Board of Governors as necessary;

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

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

8. Reporting procedures

8.1 The minutes (or a report) of meetings of the Audit Committee will be circulated to all members of the Board.

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

London South Bank University

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

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

Approved by the Audit Committee on 26 September 2013

Approved by the Board of Governors on 17 October 2013

	PAPER NO: AC.51(14)
Paper title:	Committee business plan
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Andrew Owen, Chairman of the Committee
Purpose:	To note the committee's annual business plan

Executive Summary	
Context	The committee's business plan is reviewed annually
Question	Should the committee's business plan be amended?
Conclusion & Recommendation	<p>The following amendments are proposed:</p> <ul style="list-style-type: none"> • A regular assurance update on external returns • Review of financial regulations to be done by the Policy and Resources Committee

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

The following amendments are proposed:

London South Bank University

- A regular assurance update on external returns
- Review of financial regulations to be done by the Policy and Resources Committee

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

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

Audit				
Topic	Sep	Nov	Feb	June
Accounting policies, estimates and judgements				X
Annual Report and Accounts		X		
Anti-fraud policy review				X
Anti-fraud, bribery and corruption report	X	X	X	X
Audit Committee, Annual Report to Board and VC		X		
Audit Committee, self assessment of performance	X			
Business plan for each committee	X			
Change programme updates	X	X	X	X
Debt write off - annual				X
External audit findings (key issues memorandum, inc. review of annual financial statements, views on control environment, related party transactions)		X		
External audit letter of representation		X		
External audit management letter		X		
External audit performance against KPI's		X		
External audit plan (inc. fees, terms of engagement, objectivity/independence, scope of audit work)				X
External auditors - consider policy in relation to non-audit services		X		
External auditors - discussion in absence of Exec		X		
External Returns report	X	X	X	X
Financial personnel succession planning			X	
Financial Regulations				X
HEFCE Risk Assessment				X
Internal audit - continuous audit reports	X	X	X	X

Audit				
Topic	Sep	Nov	Feb	June
Internal audit - progress on actions arising from internal audit reports (4Action)	X	X	X	X
Internal audit annual report	X	X		
Internal Audit plan				X
Internal Controls - review	X			
Membership and Terms of Reference - approve	X			
Pensions assumptions - indicative				X
Risk – annual detailed review	X			
Risk Register	X	X	X	X
Speak up policy - review			X	
Speak up report	X	X	X	X
SU accounts		X		
TRAC return to HEFCE to be ratified			X	
TRAC(T) return to HEFCE to be ratified				X
Value for money report, annual		X		
Ad hoc				
Reappoint internal and external auditors				
Standing Items				
Declaration of interests	X	X	X	X