

## Meeting of the Audit Committee

4.00 pm on Thursday, 13 June 2019  
in 1B16 - Technopark, SE1 6LN

### Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
8.	Continuous audit phase 2 audit report (PwC)	3 - 46	JM
11.	SBA follow up (PwC)	47 - 92	JM
22.	PwC Risk Benchmarking report	93 - 106	JS

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# Agenda Item 8

	CONFIDENTIAL
Paper title:	Internal Audit - Continuous audit phase 2
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	Pricewaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Recommendation:	The Executive is requested to note the report and its findings

## Summary

Overall, there has been a minor deterioration in performance (a few one-off exceptions) but the total number of exceptions continues to be on a downward trend.

## Recommendation

The Committee is requested to note this report

*(Full report in appendix/supplement)*

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# *Internal Audit Report 2018/19*

## Continuous Auditing: Key Financial Systems 2018/19 – Phase 2

*London South Bank  
University*

*May 2019*

*Final*

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*Findings*

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*Appendices*

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

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### Distribution list

For action: Natalie Ferer, Group Financial Controller

For information: Richard Flatman, Group Chief Financial Officer  
Audit Committee

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# Executive summary



## System Summaries

Overall, there has been a minor deterioration in performance of key financial systems in the current period. However fewer exceptions were identified across the systems compared with the previous period, and in particular, the performance of Accounts Receivable has improved to a green risk rating due to only one minor exception identified. The risk rating for Payroll and Accounts Payable also remains green due to fewer exceptions identified, and for those identified they were low risk. The risk rating for Cash and General Ledger has been downgraded to amber as we identified instances where a cash collection was not authorised, unreconciled items over 6 months and a staff member having inappropriate user access to student data within the QLX and QLS systems (although their last login was in 2014 the risk remains). Our ratings are based on the number and severity of findings noted for controls tested as part of the programme.

The below summary does not include control design issues which are individually risk rated. We identified only one control design finding, which is rated as low risk and is related to unreconciled items from the Payroll to General Ledger reconciliation.

Our detailed findings are set out in Findings section of this report, starting on page 5. Our rating criteria are set out at Appendix A.

System / Rating	P2 2018/19	P1 2018/19	P2 2017/18	P1 2017/18	P2 2016/17	P1 2016/17	P2 2015/16	P1 2015/16	Trend
<b>Payroll</b>	● Green	● Green	● Amber	● Red	● Amber	● Amber	● Amber	● Green	↔
<b>Accounts Payable</b>	● Green	● Green	● Green	● Amber	● Amber	● Green	● Green	● Green	↔
<b>Accounts Receivable</b>	● Green	● Amber	● Amber	● Green	● Green	● Green	● Green	● Green	↑
<b>Cash</b>	● Amber	● Green	● Green	● Green	● Green	● Amber	● Green	● Green	↓
<b>General Ledger</b>	● Amber	● Green	● Green	● Green	● Green	● Amber	● Green	● Green	↓

## Background and scope



### Background

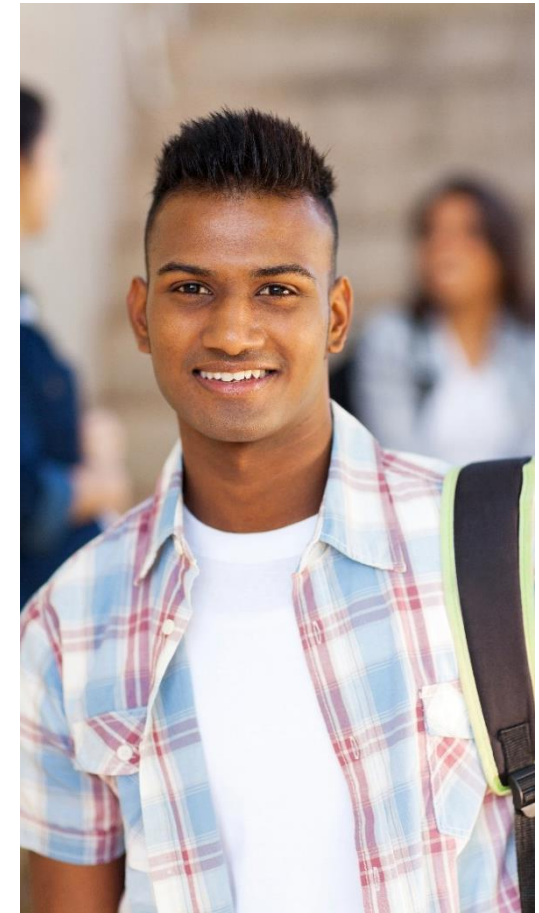
The purpose of our Continuous Auditing programme is to test key controls on an on-going basis to assess whether they are operating effectively and to flag areas and/or report transactions that appear to circumvent controls. The systems included within the scope of our work in 2018/19 are:

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

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

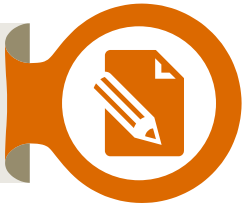
### Performance Ratings

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





## Detailed Findings



### Payroll

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
P1 Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.	<span style="color: green;">●</span>	N/A	<span style="color: green;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>

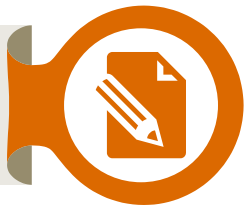
## Detailed Findings



### Payroll

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
P2 Leaver documentation, including evidence of line manager approval, is received from Human Resources upon notification of resignation or redundancy.	●	<ul style="list-style-type: none"> <li>For 1 / 20 leavers (5%) had received back payments, 2 months after their leaving date.</li> </ul> <p>Management confirm that this was due to late confirmation from the person's line manager, who informed them of the resignation 10 days after the individual had left.</p> <p><b>Management response:</b></p> <p>This was caused through Line Management failing to notify HR before the person left. The resignation was processed as soon as it was received (1 day after being notified). We will ensure that the Deans and Directors will remind all Line Managers to notify HR according to the leave period as stated within the University policy.</p> <p><b>Responsibility for action:</b></p> <p>Dave Lee, Head of HR</p>	●	●	●	●
P3 The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.	●	N/A	●	●	●	●

## Detailed Findings

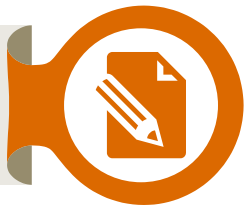


### Payroll

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
P4 Exception reports are produced and reviewed as part of month-end procedures, before the payment run is authorised.*	●	N/A	●	●	●	●
P5 Variation forms, with supporting documentation, are received prior to any changes being made to standing data.	●	N/A	●	●	●	●

\* 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.

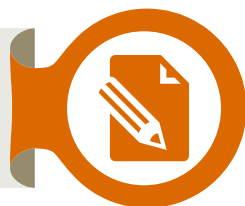
## Detailed Findings



### Payroll

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
P6 Access to the payroll system is restricted to appropriate personnel.	●	N/A	●	●	●	●
P7 Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	●	N/A	●	●	●	●

## Detailed Findings



### Payroll

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
P8 Monthly reconciliations are performed between the general ledger and the payroll system. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	<span style="color: red;">●</span>	A control design exception has been identified. Please see finding 1 on page 10.	<span style="color: red;">●</span>	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: red;">●</span>
P9 Expenses are supported by appropriately authorised claim forms.	<span style="color: green;">●</span>	N/A	<span style="color: green;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>

**P8: Unreconciled items from GL to Payroll reconciliations.**

*Control Design*

**1**

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**Finding rating**

**Rating**

**Low**

**Findings**

Currently there is no requirement to resolve unreconciled items from the monthly reconciliations between the general ledger and payroll.

Our testing of the 10 ledger accounts, identified 4 accounts where they were unreconciled items from November 2012 to September 2017, with amounts ranging from £213.38 to £15,604.93.

Best practice would be to ensure there are no unreconciled items longer than 6 months.

**Implications**

Information transferred from the payroll system to the main accounting system is not complete and accurate.

**Agreed action**

- a) Review and investigate the current unreconciled items and ensure these are resolved.
- b) Consider implementing a timeline in which unreconciled items must be resolved by.

**Responsible person/title:**

Rebecca Warren, Head of Financial Accounting

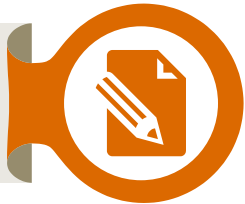
**Target date:**

31<sup>st</sup> July 2019

**Reference number:**

1

## Detailed Findings



### Accounts Payable

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
AP1 Authorised documentation must be received prior to the creating a new or amending a supplier record.	●	N/A	●	●	●	●
AP2 Invoices are approved for payment by an appropriately authorised individual.	●	N/A	●	●	●	●
AP3 Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.	●	N/A	●	●	●	●

## Detailed Findings



### Accounts Payable

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
AP4 BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	●	N/A	●	●	●	●
AP5 Agresso does not allow duplicate suppliers.	●	N/A	●	●	●	●



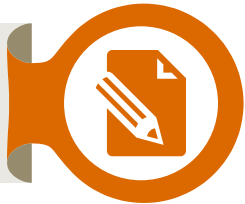
## Detailed Findings



### Accounts Payable

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
AP6 Weekly reconciliations are performed between the general ledger and the creditors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	<span style="color: green;">●</span>	N/A	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: red;">●</span>

## Detailed Findings



### Accounts Receivable

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
AR1 Credit checks are performed on new customer accounts upon request, prior to the commitment of service.	●	N/A	●	●	●	●
AR2 Invoices are properly authorised on Agresso in line with the authorised signatory register.	●	<ul style="list-style-type: none"> <li>1 of 25 invoices took 20 days to be raised rather than the 2 days required per University policy.</li> </ul> <p>Management confirm this was due to the invoice having to be issued in foreign currency rather than GBP.</p> <p><b>Management response and Action:</b></p> <p>This was an unusual request to raise an invoice in a currency rather than GBP and therefore was processed outside of the accounting system. If similar circumstances arise in the future, the invoice should still be raised within the standard 2 days.</p> <p><b>Owner and due date:</b></p> <p>Julian Rigby, Head of Financial Processing – 28<sup>th</sup> June 2019</p>	●	●	●	●

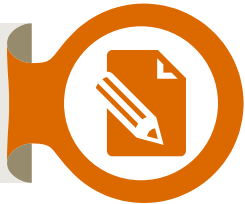
## Detailed Findings



### Accounts Receivable

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
AR3 Commercial debt: reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	●	N/A	●	●	●	●
AR4 Student debt: reminder letters are sent in respect of overdue fees on a monthly basis in line with policy.	●	N/A	●	●	●	●
AR5 Debts are written off following appropriate review and authorisation.	●	N/A	●	●	●	●

## Detailed Findings



### Accounts Receivable

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
AR6 Monthly reconciliations are performed between the debtors balance on the general ledger and QLX.	●	N/A	●	●	●	●
AR7 Monthly reconciliations are performed between the debtors balance per QLX to QLS.	●	N/A	●	●	●	●

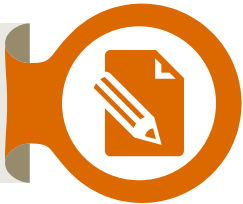
## Detailed Findings



### Accounts Receivable

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
AR8 Monthly reconciliations are performed between the General Ledger and the debtors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	●	N/A	●	●	●	●

## Detailed Findings



### Cash

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
C1 Cash takings in respect of tuition fees and student residences as recorded on QLX and KX are reconciled to cash balances held on a daily basis and discrepancies investigated.	●	N/A	●	●	●	●
C2 Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	●	<ul style="list-style-type: none"> <li>1 of 10 cash collections had no evidence of authorisation during the cash collection.</li> </ul> <p><b>Management response and Action:</b> This occurred because cash was collected from a residence at a time when only one member of staff was on duty. In future cash should only be collected by Loomis at a time when at least two members of staff are available to verify the amount being deposited.</p> <p><b>Owner and due date:</b> Julian Rigby, Head of Financial Processing – 28th June 2019</p>	●	●	●	●

## Detailed Findings



### Cash

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
C3 Cash receipting responsibility within the QLX system and KX system is restricted to appropriate individuals.	●	N/A	●	●	●	●
C4 Reconciliations are performed on a monthly basis between Agresso and the Bank Statement. These are performed by Treasury Team and reviewed on a timely basis (by the Financial Accountant), with supporting documentation. Reconciling items are investigated on a timely basis.	●	<ul style="list-style-type: none"> <li>2 of the monthly reconciliations have unreconciled items that are over 6 months old. These related to staff that have since left the organisation.</li> </ul> <p><b>Management response and Action:</b> We will review and investigate the current unreconciled items and ensure these are resolved. We will also consider implementing a timeline in which unreconciled items must be resolved by.</p> <p><b>Owner and due date:</b> Rebecca Warren, Head of Financial Accounting</p>	●	●	●	●

## Detailed Findings



### General Ledger

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
GL1 Journals must be authorised, with supporting documentation, prior to being posted on the system.	●	N/A	●	●	●	●
GL2 On a monthly basis management accounts are prepared and significant variances against budget are investigated.	●	N/A	●	●	●	●
GL3 Suspense accounts are cleared or reconciled on a quarterly basis.	●	N/A	●	●	●	●



## Detailed Findings



### General Ledger

Key Control	P2 18/19	Details on exceptions	Prior period exceptions			
			P1 18/19	P2 17/18	P1 17/18	P2 16/17
GL4 Balance sheet control accounts are cleared or reconciled on a monthly basis.	●	N/A	●	●	●	●
GL5 Access to the general ledger is restricted to appropriate personnel.	●	N/A	●	●	●	●
GL6 No single individual has access to make changes to both the QLX and QLS systems.	●	<ul style="list-style-type: none"> <li>For 1 of 2 staff members tested, they had inappropriate access to student data. Management confirmed that their last log in date was September 2014.</li> </ul> <p><b>Management response and Action:</b></p> <p>The member of staff was attached to a workgroup that was relevant to a previous role at LSBU but not their current position. This has now been removed and surplus workgroups will now be considered when reviewing system access.</p> <p><b>Owner and due date:</b></p> <p>Lisa Upton, Head of Registry – 28<sup>th</sup> June 2019</p>	●	●	●	●



**Appendix A: Basis of our  
classifications**

**Appendix B: Terms of  
reference**

**Appendix C: Limitations  
and responsibilities**

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# *Appendices*

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## Appendix A: Basis of our classifications

### System summary ratings

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

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

### Control design improvement classifications

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

**Critical**

A finding that could have a:

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

## Appendix A: Basis of our classifications

### High

A finding that could have a:

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

### Medium

A finding that could have a:

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

### Low

A finding that could have a:

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

### Advisory

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

# *Appendix B: Terms of reference*

## *Continuous Auditing: Key Financial Systems*

### *2018/19*

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

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

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## Background and audit objectives



This review is being undertaken as part of the 2018/19 internal audit plan approved by the Audit Committee.

### Background and audit objectives

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

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

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

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

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

x = area of primary focus

x = possible area of secondary focus

## Audit scope and approach (1 of 11)



### Scope

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

#### 1. Payroll and staff expenses (1 of 3)

Key control objective	Key risks	
<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>	
Key control	Reference	Key contact
Authorised and accurate new starter system tasks, received prior to an individual being entered onto the payroll system.	<b>P1</b>	Dave Lee Cryss Mennaceur
Leaver notification from Manager or HR Business Partner logged and stored on HR Service Desk.	<b>P2</b>	Dave Lee Cryss Mennaceur
The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.	<b>P3</b>	Joe McGarrity

## Audit scope and approach (2 of 11)

### 1. Payroll and staff expenses (2 of 3)

Key control	Reference	Key contact
<p>The following exception reports are produced and reviewed as part of month-end procedures, before the payment run is authorised:</p> <ul style="list-style-type: none"> <li>• Errors and warnings reports (i.e. processing issues encountered);</li> <li>• Payroll differences (difference between each element between two periods, with tolerances of between 5% and 10%);</li> <li>• Gross pay over £6,000;</li> <li>• Number of staff paid in comparison to previous month with subsequent reconciliation;</li> <li>• Element differences between two periods for overtime and bonuses; and</li> <li>• HMRC payments.</li> </ul>	<b>P4</b>	Joe McGarrity
<p>Contractual Changes - variation forms with supporting documentation are received prior to any changes being made to standing data.</p> <p>Changes to personal information - completed by employee via employee self-service, an audit trail is retained on iTrent in respect of these changes.</p> <p>Changes to bank detail – completed by employee face to face (administered by payroll)</p>	<b>P5</b>	Dave Lee Cryss Mennaceur
<p>Access to the payroll system is restricted to appropriate personnel.</p>	<b>P6</b>	Dave Lee Cryss Mennaceur
<p>Overtime claims and hourly paid work recorded on electronic timesheets have been appropriately authorised prior to payment being made.</p>	<b>P7</b>	Joe McGarrity



## Audit scope and approach (3 of 11)

### 1. Payroll and staff expenses (3 of 3)

Key control	Reference	Key contact
Monthly reconciliations are performed between the general ledger and the payroll system. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	<b>P8</b>	Rebecca Warren  Loretta Audu
Expenses are submitted with supporting evidence and appropriately authorised, prior to payment being made.	<b>P9</b>	Norda Graham

## Audit scope and approach (4 of 11)



### 2. Accounts Payable (1 of 2)

Key control objective	Key risks	
<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>	
Key control	Reference	Key contact
Authorised documentation must be received prior to the creating a new or amending a supplier record.	<b>AP1</b>	Emily Parker
Invoices are approved for payment by an appropriately authorised individual	<b>AP2</b>	Ravi Mistry Maureen Stanislaus
Invoices are matched to purchase orders for expenditure prior to payment and variances investigated.	<b>AP3</b>	Ravi Mistry Maureen Stanislaus

## Audit scope and approach (5 of 11)



### 2. Accounts Payable (2 of 2)

Key control	Reference	Key contact
BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	<b>AP4</b>	Maureen Stanislaus
Agresso does not allow duplicate suppliers.	<b>AP5</b>	Emily Parker
Weekly reconciliations are performed between the general ledger and the creditors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	<b>AP6</b>	Emily Parker

## Audit scope and approach (6 of 11)



### 3. Accounts Receivable (1 of 2)

Key control objective	Key risks	
<p>Fee income is collected on a timely basis.</p> <p>Goods or services are delivered only to credit worthy customers.</p> <p>Debts due are collected promptly.</p>	<p>Agreements are entered in to with customers prior to the performance of credit checks or credit limits are exceeded. This may mean debts are not recoverable.</p> <p>Overdue debtor balances are not identified and balances are not actively chased to ensure timely collection of debts and maximisation of income.</p> <p>Information transferred from the accounts receivable system to the main accounting system is not complete and accurate.</p>	
Key control	Reference	Key contact
Credit checks are performed on new customer accounts upon request, prior to the commitment of service.	<b>AR1</b>	Julian Rigby For testing: Ian Macleay
Invoices are properly authorised on Agresso in line with the authorised signatory register.	<b>AR2</b>	Julian Rigby For testing: Ian Macleay
Commercial debt: reminder letters are sent to debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.	<b>AR3</b>	Julian Rigby For testing: Vic Van Rensburg
Student debt: reminder letters are sent in respect of overdue fees on a monthly basis in line with policy.	<b>AR4</b>	Julian Rigby For testing: Vic Van Rensburg

## Audit scope and approach (7 of 11)



### 3. Accounts Receivable (2 of 2)

Key control	Reference	Key contact
Debts are written off following appropriate review and authorisation.	<b>AR5</b>	Julian Rigby
Monthly reconciliations are performed between the debtors balance on the general ledger and QLX.	<b>AR6</b>	Julian Rigby
Monthly reconciliations are performed between the debtors balance per QLX to QLS.	<b>AR7</b>	Julian Rigby
Monthly reconciliations are performed between the General Ledger and the debtors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation. Reconciling items are investigated on a timely basis.	<b>AR8</b>	Julian Rigby

## Audit scope and approach (8 of 11)



### 4. Cash

Key control objective	Key risks	
<p>Cash ledger balances are accurate and complete.</p> <p>Cash is not lost or misappropriated.</p>	<p>Information transferred from the accounts receivable system and student record system to the main accounting system is not complete and accurate.</p> <p>Discrepancies between the ledger and till or float records are not promptly identified and investigated. This could mean cash balances are incomplete and / or inaccurate.</p>	
Key control	Reference	Key contact
Cash takings in respect of tuition fees and student residences as recorded on QLX and KX are reconciled to cash balances held on a daily basis and discrepancies investigated.	<b>C1</b>	Vic Van Rensburg Alex Twerdochlib
Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	<b>C2</b>	Vic Van Rensburg Alex Twerdochlib
Cash receipting responsibility within the QLX system and KX system is restricted to appropriate individuals.	<b>C3</b>	Vic Van Rensburg Alex Twerdochlib
Reconciliations are performed on a monthly basis between Agresso and the Bank Statement. These are performed by the Financial Accounting Team and reviewed on a timely basis (by the Financial Accountant), with supporting documentation. Reconciling items are investigated on a timely basis.	<b>C4</b>	Rebecca Warren Loretta Audu

## Audit scope and approach (9 of 11)



### 5. General Ledger (1 of 2)

Key control objective	Key risks	
Ledger balances are valid and accurate.	<p>Invalid, incomplete or inaccurate journals are posted. This could disguise misappropriations or mean there is no evidence to support decisions made.</p> <p>Suspense accounts and balance sheet control accounts are not cleared on a timely basis.</p> <p>Segregation of duties is not maintained, this could compromise the validity and accuracy of general ledger information.</p>	
Key control	Reference	Key contact
Journals must be authorised, with supporting documentation, prior to being posted on the system.	<b>GL1</b>	Rebecca Warren Loretta Audu
<p>On a monthly basis management accounts are prepared and variances against budget are investigated. The following thresholds are applied at an account code level for investigation:</p> <ul style="list-style-type: none"> <li>• <math>\geq 10\%</math> variance between actuals and the budget or forecast where the total variance greater than £10,000</li> <li>• <math>\geq £100,000</math> variance between actuals and the budget or forecast.</li> </ul>	<b>GL2</b>	Ralph Sanders
Suspense accounts are cleared/ reconciled and reviewed on a monthly basis.	<b>GL3</b>	Rebecca Warren Loretta Audu

## Audit scope and approach (10 of 11)



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### 5. General Ledger (2 of 2)

Key control	Reference	Key contact
Balance sheet control accounts are cleared/ reconciled and reviewed on a monthly basis.	<b>GL4</b>	Rebecca Warren Loretta Audu
Access to the general ledger is restricted to appropriate personnel.	<b>GL5</b>	Ravi Mistry Lisa Upton
No single individual has access to make changes to both the QLX and QLS systems.	<b>GL6</b>	Lisa Upton



## Audit scope and approach (11 of 11)



### *Limitations of scope*

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

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

### *Audit approach*

We will undertake our testing twice a year, covering the following testing periods during 2018/19:

- Phase 1: 01 January 2018 – 30 June 2018
- Phase 2: 01 July 2018 – 31 December 2018



## Internal audit team



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### Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 <a href="mailto:justin.f.martin@pwc.com">justin.f.martin@pwc.com</a>
Amy Chiu	Engagement Manager	07843 330 912 <a href="mailto:amy.chiu@pwc.com">amy.chiu@pwc.com</a>
Janak Savjani	Engagement Supervisor	07802 660 974 <a href="mailto:janak.j.savjani@pwc.com">janak.j.savjani@pwc.com</a>
Daniel Ishchuk	Continuous Auditing Technician	<a href="mailto:daniel.ishchuk@pwc.com">daniel.ishchuk@pwc.com</a>



## Key contacts



### Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Group Chief Financial Officer (Audit Sponsor)	0207 815 6301 <a href="mailto:richard.flatman@lsbu.ac.uk">richard.flatman@lsbu.ac.uk</a>	Review and approve terms of reference
Richard Duke	Director of Strategy and Planning	<a href="mailto:duker3@lsbu.ac.uk">duker3@lsbu.ac.uk</a>	Review draft report Review and approve final report
Natalie Ferer	Group Financial Controller	0207 815 6316 <a href="mailto:ferern@lsbu.ac.uk">ferern@lsbu.ac.uk</a>	Hold initial scoping meeting
Markos Koumaditis	Acting Director of People and Organisation	<a href="mailto:markos.koumaditis@lsbu.ac.uk">markos.koumaditis@lsbu.ac.uk</a>	Review and meet to discuss issues arising and develop management responses and action plan
Joe McGarrity	Head of Payroll and Pensions	<a href="mailto:mcgarrij@lsbu.ac.uk">mcgarrij@lsbu.ac.uk</a>	Audit contact
Dave Lee	Head of HR Operations	<a href="mailto:leed10@lsbu.ac.uk">leed10@lsbu.ac.uk</a>	Audit contact
Cryss Mennaceur	HR Services Manager	<a href="mailto:mennacec@lsbu.ac.uk">mennacec@lsbu.ac.uk</a>	Audit contact
Norda Graham	Payroll Clerk	<a href="mailto:grahamn4@lsbu.ac.uk">grahamn4@lsbu.ac.uk</a>	Audit contact
Maureen Stanislaus	Payments Team Leader	<a href="mailto:stanism@lsbu.ac.uk">stanism@lsbu.ac.uk</a>	Audit contact
Julian Rigby	Head of Financial Processing	<a href="mailto:rigbyj@lsbu.ac.uk">rigbyj@lsbu.ac.uk</a>	Audit contact
Lisa Upton	Head of Registry	<a href="mailto:uptonl@lsbu.ac.uk">uptonl@lsbu.ac.uk</a>	Audit contact

## Key contacts

### Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Vic Van Rensburg	Income Team Leader	<a href="mailto:vanrensv@lsbu.ac.uk">vanrensv@lsbu.ac.uk</a>	Audit contact
Ralph Sanders	Financial Planning Manager	<a href="mailto:sanderr4@lsbu.ac.uk">sanderr4@lsbu.ac.uk</a>	Audit contact
Brian Wiltshire	Payments Manager	<a href="mailto:wiltshbl@lsbu.ac.uk">wiltshbl@lsbu.ac.uk</a>	Audit contact
Penny Green	Head of Procurement	<a href="mailto:greenp7@lsbu.ac.uk">greenp7@lsbu.ac.uk</a>	Audit contact
Emily Parker	Procurement Services Operations Manager	<a href="mailto:parkere7@lsbu.ac.uk">parkere7@lsbu.ac.uk</a>	Audit contact
Ravi Mistry	Financial Systems Manager	<a href="mailto:mistryrm@lsbu.ac.uk">mistryrm@lsbu.ac.uk</a>	Audit contact
Rebecca Warren	Financial Accountant	<a href="mailto:warrenra@lsbu.ac.uk">warrenra@lsbu.ac.uk</a>	Audit contact
Alex Twerdochlib	Finance Apprentice	<a href="mailto:twerdoca@lsbu.ac.uk">twerdoca@lsbu.ac.uk</a>	Audit contact
Loretta Audu	Financial Accountant	<a href="mailto:audul@lsbu.ac.uk">audul@lsbu.ac.uk</a>	Audit contact

# Timetable



## Timetable

	Phase 1	Phase 2
Fieldwork start (Part 1)	09/07/2018	04/02/2019
Fieldwork completed (Part 1)	13/07/2018	15/02/2019
Fieldwork start (Part 2 – HR)	20/08/2018	(Included above)
Fieldwork completed (Part 2 - HR)	22/08/2018	(Included above)
Draft report to client	05/09/2018	01/03/2019
Response from client	19/09/2018	15/03/2019
Final report to client	26/09/2018	22/03/2019

Agreed timescales are subject to the following assumptions:

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

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



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	CONFIDENTIAL
Paper title:	Internal Audit – South Bank Academies
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	Pricewaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Recommendation:	The Committee is requested to note the report and its findings

## Summary

The Trust has made good progress in implementing the agreed actions from our previous audit. For the key financial controls, they have implemented 10 of 15 controls (67%) and where 4 of the 5 remaining actions are not due for implementation as agreed from their set target date (for these actions, we have provided an update on its progress). However, 1 of the 4 actions had been implemented at one of the schools, even though it was not due.

The remaining action from the 5, is partially implemented. For the other areas, 4 of 5 actions have been implemented with the remaining low risk action for Safeguarding remaining open and due to be implemented in Q4. This is due to requiring board approval for their new process.

### **Recommendation:**

The Committee is requested to note this report

*(Full report in appendix/supplement)*

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# *Internal Audit Report 2018/19*

## South Bank Academy Trust – Follow up on prior audit

*London South Bank  
University*

*June 2019*

*Final*

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*Appendices*

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

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## Distribution list

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

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For information: Richard Flatman, Group Chief Financial Officer  
Audit Committee

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## Executive summary (1 of 2)



### Background and approach

Our review on the South Bank Academy Trust between Q1 and Q2 2018/19, focused on the following areas:

- Key financial controls across the five areas (AP, AR, Payroll, Cash and General Ledger)
- Budgeting and Financial Monitoring
- Safeguarding

The review identified 15 control design gaps (63%) out of 24 expected controls, across 4 of 5 key financial control areas. The exceptions related to both Academies and wider Trust oversight by the University. This was a significant number of control gaps and exceptions, which resulted in this area being classified as *high* risk. Furthermore three medium risk findings were also identified for Budgeting and Financial Monitoring, and one low risk and one advisory finding for Safeguarding.

The purpose of our review was to perform a follow up on the agreed management actions and recommendations; and to provide an update for the University in Q3. Since our fieldwork, the Academy Trust had recruited the Trust Business Manager to act as a bridge between LSBU and the Trust including overseeing the implementation for some of the actions. This had been a vacant role during our fieldwork and was considered to be one the main root causes.

Alongside this follow up review, we also performed a review on the Trust’s Risk Management and Value for Money controls and processes. This is reported in a separate cover.

### Overall conclusion








The Trust has made good progress in implementing the agreed actions from our previous audit. For the key financial controls, they have implemented 10 of 15 controls (67%) and where 4 of the 5 remaining actions are not due for implementation as agreed from their set target date (for these actions, we have provided an update on its progress). However 1 of the 4 actions had been implemented at one of the schools, even though it was not due.

The remaining action from the 5, is partially implemented. For the other areas, 4 of 5 actions have been implemented with the remaining low risk action for Safeguarding remaining open and due to be implemented in Q4. This is due to requiring board approval for their new process.

Please see the summary table on the next page for more details.

## Executive summary (2 of 2)

The table below summarises the total number of exceptions that were identified from our previous review and is updated for the total number of action evidenced as completed or remains outstanding. The Trust has made good progress and there are only 6 actions that remain open, where 4 actions are not due for implementation (from the agreed target date) and 1 action that is partially implemented. The other action remaining is low risk.

Scope areas	University Academy of Engineering South Bank in Southwark (UAESB)	South Bank Engineering UTC	Total control design issues identified	Follow up – Number of actions completed	Follow up – Number of actions open	Completion Status
<b>1. Key Financial Controls – Control design</b>						
<b>Payroll</b>	 Green (0)	 Green (0)	-	N/A	N/A	N/A
<b>Accounts Payable</b>	 Red (5)	 Red (6)	6	3	1 - (Partially implemented) 2 - (Not due)	
<b>Accounts Receivable</b>	 Red (3)	 Amber (2)	3	1	2 - (Not due)	
<b>Cash</b>	 Red (3)	 Red (3)	3	3	-	
<b>General Ledger</b>	 Red (3)	 Red (3)	3	3	-	
<b>2. Budgeting and Financial Monitoring</b>	 Amber (3)	 Amber (3)	3	3	-	
<b>3. Safeguarding</b>	 Green (2)	 Green (1)	2	1	1 (Low risk)	

## Background and scope



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

### Background and audit objectives

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

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

This internal audit had followed up on the 20 exceptions identified from the audit in September 2018. The exceptions have been identified across Key Financial Controls, Budgeting and Financial Monitoring and Student Safeguarding. Additionally, we will also review the controls and processes in place at the Trust for Risk Management and Value For Money.

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

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

X = area of primary focus

x = possible area of secondary focus

## Detailed Findings – Key Financial Controls – Control Design

### 1. Accounts Payable (1 of 8)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>AP1</b> Supplier Due Diligence:</p> <p>Prior to approval, new suppliers are properly vetted through supplier due diligence checks.</p>	●	●	<ul style="list-style-type: none"> <li>Both Academies do not have a formalised approach to supplier due diligence. There is no defined minimum level of checks required to be performed prior to supplier set up.</li> </ul> <p><b>Management response</b></p> <p>A supplier request form has been put in place which should be authorised at Trust Level.</p> <p><u>Responsibility for action:</u></p> <ul style="list-style-type: none"> <li>Clym Cunnington, Trust Business Manager</li> <li>Sharlyn Villamayor, School Finance Officer, UAESB</li> <li>Natasha Padmore, School Finance Officer , UTC</li> </ul> <p><u>Date:</u></p> <p>In place since fieldwork finished.</p>	●	Implemented for both schools– no further action required.

## Detailed Findings – Key Financial Controls – Control Design

### 1. Accounts Payable (2 of 8)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>AP2</b> Supplier Set up:</p> <p>(1 of 2) Documentation must be reviewed with authorisation prior to creating a new supplier record.</p>	●	●	<ul style="list-style-type: none"> <li>Where supplier details have been obtained via email or a call, there is no independent sign off from the supplier to confirm the accuracy and completeness of details provided.</li> <li>The Finance Officer can set suppliers up in the accounting system and can also raise PO's, therefore an segregation of duties issue arises.</li> </ul> <p><b>UAESB</b></p> <ul style="list-style-type: none"> <li>New Supplier Form' is not required to be completed for 'one-off' suppliers.</li> <li>No monitoring controls are in place to ensure where a 'one-off' supplier is used again, the 'New Supplier Form' process is initiated, completed and approved.</li> </ul> <p><b>SBE UTC</b></p> <ul style="list-style-type: none"> <li>There is no documentation to define the individuals responsible for approving 'New Supplier Forms'. This is particularly important for when the Principal is absent.</li> </ul>	●	<p><b>Partially implemented</b></p> <p>Although new suppliers are approved at Trust level, it was confirmed by the Finance Officers that changes to supplier details are not required to be approved at Trust level.</p> <p><u>Management response:</u></p> <p>A supplier details change form was introduced in March and rolled out to the Finance team in each school. There were no changes to supplier details in the period of the audit; and hence no centrally or locally held record. The form shows that the Finance Officers, the Trust Finance Manager and the Trust Business Manager must authorise it centrally.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager 3 June 2019</p> <p><u>Date:</u> Implemented</p>



## Detailed Findings – Key Financial Controls – Control Design

### 1. Accounts Payable (3 of 8)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>AP2</b> Supplier Set up:</p> <p>(2 of 2) Documentation must be reviewed with authorisation prior to creating a new supplier record.</p>	●	●	<p><b>Management response:</b></p> <p>A new supplier form is required for all suppliers, even if it is expected that they will only be used once. The form should be approved at Trust level.</p> <p>The issue around segregation of duties is addressed by a) new supplier and amendments to existing suppliers should be authorised at Trust level, and b) while the Finance Officer can raise a requisition, it should be approved inline with letters of delegation before a PO is created.</p> <p><u>Responsibility for action:</u></p> <p>Clym Cunnington, Trust Business Manager</p> <p>Sharlyn Villamayor, School Finance Officer, UAESB</p> <p>Natasha Padmore, School Finance Officer , UTC</p> <p><u>Date:</u></p> <p>In place since fieldwork finished.</p>	●	See update on previous page.



## Detailed Findings – Key Financial Controls – Control Design

### 1. Accounts Payable (4 of 8)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>AP3</b> Supplier Changes:</p> <p>Documentation must be reviewed with authorisation prior to amending a new supplier record, especially for bank account changes.</p>	●	●	<ul style="list-style-type: none"> <li>There is no process in place to approve supplier changes, by an authorised individual, prior to the change being reflected directly in the accounting system.</li> <li>Finance Officers can amend supplier details in the accounting system and also raise PO's, which is segregation of duties issue.</li> <li>There is no process to log or maintain evidence of the calls made by either Academy with the supplier to confirm and validate the changes to be processed.</li> </ul> <p><b>UAESB</b></p> <ul style="list-style-type: none"> <li>Email documentation of the supplier change being requested is not maintained for all supplier change requests processed.</li> <li>No listing is maintained of all supplier changes processed and this therefore gives rise to a completeness issue.</li> </ul> <p><b>Management response:</b></p> <p>Same as AP2. In addition a list of supplier changes will be maintained and checked by Trust staff when supplier payments are authorised.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31<sup>st</sup> January 2019</p>	●	<p><b>Partially implemented</b></p> <p>There is no list of supplier changes that is maintained and checked by Trust staff as per the recommendation.</p> <p>The Finance Officers would call the Trust staff to inform them of changes but there is no record kept of this call.</p> <p><u>Management response:</u></p> <p>There is a centrally held list which is currently empty as there was no supplier changes needed in the period covered by the audit. Supplier change forms show the process used and the contact method used to verify change details. These are stored with the payment run invoices at Trust level.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> Implemented. 3 June 2019</p>



## Detailed Findings – Key Financial Controls – Control Design

### 1. Accounts Payable (5 of 8)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<b>AP5</b> PO Authorisation: Purchases are pre-approved either through a PO or manually before purchase.	●	●	<ul style="list-style-type: none"> <li>No defined PO policy exists to outline the types of spend where PO's are required/not required and the approval limits in place for PO authorisation.</li> </ul> <p><b>Management response:</b></p> <p>The list of purchases that do not require a PO will be clarified and set out in the Trusts financial procedures. Approval limits, in line with the Trust Scheme of delegation, will be confirmed annually in the Letters of Delegation issued to School Head Teachers and other senior staff within the Trust.</p> <p><u>Responsibility for action:</u></p> <p>Natalie Ferer, Financial Controller</p> <p>Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 30<sup>th</sup> November 2018</p>	●	Implemented for both schools – no further action required.



## Detailed Findings – Key Financial Controls – Control Design

### 1. Accounts Payable (6 of 8)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>AP6</b> Invoice Receipt &amp; Authorisation:</p> <p>Invoices are approved for payment by an appropriately authorised individual.</p> <p>Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.</p>	●	●	<ul style="list-style-type: none"> <li>There is no documented evidence of the 3 way match process. Once invoices are received, they are manually matched to the corresponding POs but there is no evidence of this being performed and PO numbers are not recorded on the invoices. Therefore there is limited assurance on the invoice being matched to the correct pre-approved spend.</li> <li>There is no formalised documentation in place to outline who is authorised to approve invoices and the limits/thresholds set.</li> </ul> <p><b>Management response:</b></p> <p>Finance officers in the schools have been retrained to ensure that POs are matched against invoices and this process is documented by entering the PO number on the physical invoice. Going forward we are investigating automation of this process through the accounting system, PS Financials.</p> <p>The scheme of delegation for approval of POs and purchase invoices will be clarified in written financial procedures and will be confirmed annually in the Letters of Delegation issued to School Head Teachers and other senior staff within the Trust, as mentioned in AP5 above.</p>	<p>N/A</p> <p>This action is not due.</p> <p>However the action has been implemented at SBE UTC.</p>	<p><b>Not due – update only.</b></p> <p>UAESA has not implemented the action but it is implemented SBE UTC .</p> <p>For UAESB, invoices that require a PO, when entered on PS Financials, do not generate a barcode that can be scanned and attached to the PO as a way of matching the two.</p> <p>Further to this, currently PO numbers are not entered on the physical invoice and no documented matching exercise is performed.</p>



## Detailed Findings – Key Financial Controls – Control Design

### 1. Accounts Payable (7 of 8)

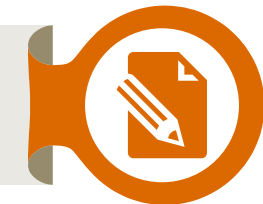
Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>AP7</b> Goods Receipt: Goods receipt notes are approved by either the requestor or the finance officer.</p>	<span style="color: green;">●</span>	<span style="color: red;">●</span>	<p><b>SBE UTC</b></p> <ul style="list-style-type: none"> <li>No evidence exists of the physical goods receipt note to PO matching process, which is performed outside of the accounting system.</li> </ul> <p><b>Management response:</b></p> <p>Finance officers in the schools have been retrained to ensure that goods receipt notes are matched against POs and that this process is documented by entering the PO number on the goods receipt note as well as the invoice.</p> <p><u>Responsibility for Action:</u> Clym Cunningham, Trust Business Manager</p> <p><u>Date:</u> 30<sup>th</sup> April 2019</p>	<p>N/A</p> <p>This action is not due</p>	<p><b>Not due – update only.</b></p> <p>Currently there is no physical evidence of matching the GRN to the PO, as GRNs are not always received (similar to the LSBU).</p> <p>However this process is superseded by the required PO and invoice approval process. Budget holders will be advised that when they are authorising an invoice for payment then they are responsible for ensuring that the goods or service has been received.</p> <ol style="list-style-type: none"> <li>Invoices are signed by the budget holder and the Principal to indicate that the goods have been received.</li> <li>Scanned signed invoices, authorised POs and any GRN (if received) are all scanned into the PSF finance system.</li> </ol>



## Detailed Findings – Key Financial Controls – Control Design

### 1. Accounts Payable (8 of 8)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>AP8</b> Payment Processing (BACS):</p> <p>BACS payment runs are reviewed by the appropriate individuals and properly approved prior to release of Academy funds.</p> <p>Cross checks are made back to vendor masterfile data in the accounting system to ensure supplier payment details are accurate and complete.</p>	●	●	<ul style="list-style-type: none"> <li>Unauthorised changes made to supplier details in the accounting system, these will also be live in the banking system.</li> </ul> <p><b>SBE UTC</b></p> <ul style="list-style-type: none"> <li>There is no alternative authoriser for the physical payment listing in the absence of the principal.</li> </ul> <p><b>South Bank Academy Trust / LSBU</b></p> <ul style="list-style-type: none"> <li>The Financial Controller of LSBU does not receive the physical invoices when making her secondary approval of the payment listing. The completeness of her approval is therefore limited.</li> </ul> <p><b>Management response:</b></p> <p>This process has now been changed so that the Trust Business Manager checks each payment batch include matching of PO to invoice, scrutiny of expenses and authorisation limits. The Financial Controller, when she is asked to authorise a payment, will check that this review has taken place and can request sight of specific payments that she request.</p> <p><u>Responsibility for action:</u> Clym Cunningham, Trust Business Manager</p> <p><u>Date:</u> In place since fieldwork finished. 30<sup>th</sup> November 2018</p>	●	Implemented for both schools– no further action required.



## Detailed Findings – Key Financial Controls – Control Design

### 2. Accounts Receivable (1 of 3)



Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>AR1</b> Income:</p> <p>Any income received by the Academy is properly and appropriately recorded, logged and monitored to ensure the collectability and the appropriate follow up on any significant overdue balances.</p> <p>Accurate and detailed records are maintained by finance staff to track amounts committed and amounts recovered for example, school trips or school dinners (inside or outside of applicable systems).</p>	●	●	<p><b>UAESB</b></p> <ul style="list-style-type: none"> <li>There is no formalised or documented approach to debt collection and monitoring of ParentPay overdrawn balances- this is where students have been charged for school meals, but parents have not loaded funds to the online system to pay for this.</li> <li>There is no formalised process in place to ensure that amounts committed for school trips by students are reconciled back to both cash balances subsequently received or funds loaded onto the ParentPay system online.</li> <li>No controls exist or are in place to regularly monitor ParentPay balances on a student by student basis to ensure the appropriate follow up on any negative (credit) balances on ParentPay accounts.</li> </ul> <p><b>Management response:</b></p> <p>A process is being put together and will be formalised, ensuring that amounts received are clearly documented, recorded on the accounting system and reconciled to Parent Pay. A process will also be put in place to chase up and take action when payment is not received as expected.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager <u>Date:</u> 31<sup>st</sup> May 2019</p>	N/A  This action is not due.	<p><b>Not due – update only</b></p> <p>ParentPay training is expected to be conducted in the next month (April) and after this the Finance Officer will be responsible for the monitoring and chasing of ParentPay debts after subsequent training has been received.</p>

## Detailed Findings – Key Financial Controls – Control Design

### 2. Accounts Receivable (2 of 3)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<b>AR2</b> Debt (AR) Monitoring: Debts are regularly monitored by finance staff to ensure appropriate chasing and follow up on any significantly overdue balances.	●	●	<b>UAESB</b> There is no defined process in place for the ongoing monitoring of debt balances, particularly those relating to school dinners on the ParentPay system.  <b>Management response:</b> Same as AR1 for Parent Pay receipts. In addition the Trust Business Manager will review all debts with school staff and agree action when amounts remain unpaid.  <u>Responsibility for action:</u> Clym Cunningham, Trust Business Manager  <u>Date:</u> 31 <sup>st</sup> May 2019	N/A This action is not due.	<b>Not due – update only</b> The formalised process will be going to the Board in June 2019 for discussion.  The Trust are currently in the process of reconciling the debt balances for students with who is eligible for free school meals to clear many of the accounts that have been wrongly apportioned a debt balance.



## Detailed Findings – Key Financial Controls – Control Design

### 2. Accounts Receivable (3 of 3)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>AR3</b> Debt (AR) Reporting:</p> <p>Debt balances are adequately reported on, in sufficient detail, to give senior finance staff required visibility and oversight on such balances.</p>	●	●	<p>There is no regular process in place for both Academies to accurately report debt balances to the Trust, for inclusion in the management accounts reporting process.</p> <p>This decreases visibility and understanding on the source of such balances, thus not enabling Trust management or the Trust Board to make effective decisions on the follow up and investigation of Academy debt.</p> <p><b>Management response:</b></p> <p>An updated month end checklist has been introduced which includes an Aged Debtor and which will be reported as part of the management accounts.</p> <p><b>Responsibility for action:</b> Clym Cunnington, Trust Business Manager</p> <p><b>Date:</b> 31<sup>st</sup> May 2019</p>	●	Implemented for both schools– no further action required.





## Detailed Findings – Key Financial Controls – Control Design

### 3. Cash (1 of 3)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>C1</b> Bank Reconciliations:</p> <p>Bank reconciliations are performed on a regular, periodic basis to reconcile ledger balances to bank balances. These are reviewed by the appropriate authority and there is sufficient follow up on any discrepancies/reconciling items.</p>	●	●	<p><b>South Bank Academy Trust / LSBU</b></p> <ul style="list-style-type: none"> <li>Two segregation of duties issues exist:                             <ul style="list-style-type: none"> <li>Bank reconciliations are prepared by staff who have journal posting access in the accounting system.</li> <li>The reviewer of bank reconciliations also has journal posting access in the accounting system.</li> </ul> </li> <li>Bank reconciliations may get signed off and approved by inappropriate staff that do not have knowledge on Academy bank account balances and movements.</li> </ul> <p><b>Management response:</b></p> <p>Bank reconciliations will continue to be reviewed monthly by members of the University Finance team to ensure appropriate segregation of duties.</p> <p><u>Responsibility for action:</u> Natalie Ferer, Financial Controller</p> <p><u>Date:</u> 30<sup>th</sup> November 2018</p>	●	Implemented for both schools– no further action required.

## Detailed Findings – Key Financial Controls – Control Design

### 3. Cash (2 of 3)

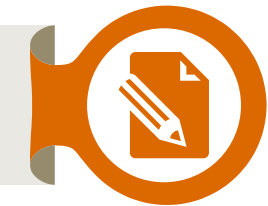


Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>C2</b> GL Posting Access:</p> <p>Access to post to the cash GL in the accounting system is restricted to those with appropriate authority (Bank reconciliation preparers and reviewers should not have such access).</p>	●	●	<p><b>South Bank Academy Trust / LSBU</b></p> <ul style="list-style-type: none"> <li>The Trust does not have a process in place to regularly review user access to the accounting system to ensure the appropriate people have the appropriate access rights, in line with their specific roles &amp; responsibilities.</li> </ul> <p><b>Management response:</b></p> <p>A periodic review of system access will be put in place to ensure that access is appropriate and up to date and that staff who have left or moved roles have their access removed or changed.</p> <p><u>Responsibility for action:</u> Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31<sup>st</sup> January 2019</p>	●	Implemented for both schools– no further action required.

## Detailed Findings – Key Financial Controls – Control Design


### 3. Cash (3 of 3)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<b>C4</b> Bank Mandate: An up to date bank mandate is maintained by Trust management to outline who is responsible for approving payments in the banking system.	N/A	N/A	<b>South Bank Academy Trust / LSBU</b> <ul style="list-style-type: none"> <li>An up to date bank mandate is not maintained by Trust management and there is therefore lack of documentation available to show the authorised individuals responsible for approving payments in the banking system.</li> </ul> <p><b>Management response:</b></p> <p>Since this review took place, Lloyds have confirmed the bank mandate they hold. Going forward a list will be kept of staff who are listed on the bank mandate and those set up as users on the Lloyds online banking system as well as their access, roles and signing limits.</p> <p><u>Responsibility for action:</u></p> <p>Natalie Ferer, Financial Controller</p> <p>Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31<sup>st</sup> December 2018</p>	●	Implemented at the Trust – no further action required



## Detailed Findings – Key Financial Controls – Control Design

### 4. General Ledger (1 of 3)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>GL1</b> General Ledger Review:</p> <p>An overall review of the GL is performed on a regular (monthly/quarterly) basis by someone of the appropriate authority and seniority.</p>	N/A	N/A	<p><b>South Bank Academy Trust / LSBU</b></p> <ul style="list-style-type: none"> <li>The month end checklist review of all balance sheet and income statement accounts of the Trust is not performed regularly by the Financial Controller. Therefore no assurance of GL balances was obtained before reporting.</li> </ul> <p><b>Management response:</b></p> <p>The month end check list has been updated . It will be completed and reviewed at each month end.</p> <p><u>Responsibility for action:</u></p> <p>Natalie Ferer, Financial Controller</p> <p>Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 30<sup>th</sup> November 2018</p>		Implemented at the Trust–no further action required



## Detailed Findings – Key Financial Controls – Control Design

### 4. General Ledger (2 of 3)



Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<b>GL2</b> GL Posting Access:  Access to post to the cash GL in the accounting system is restricted to those with appropriate authority (Bank reconciliation preparers and reviewers should not have such access).	●	●	<ul style="list-style-type: none"> <li>There is no regular review of user access to the banking system to ensure that individuals have the right access levels in the system based on their roles and responsibilities within each Academy.</li> </ul> <p><b>Management response:</b></p> <p>As with control C4, a list will be kept of staff who are set up as users on the Lloyds online banking system as well as their access, roles and signing limits. This will be reviewed as and when staff changes take place.</p> <p><u>Responsibility for action:</u></p> <p>Natalie Ferer, Financial Controller</p> <p>Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 31<sup>st</sup> December 2018</p>	●	Implemented for both schools– no further action required.

## Detailed Findings – Key Financial Controls – Control Design

### 4. General Ledger (3 of 3)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p><b>GL3</b> Journal Posting Review:</p> <p>All journals posted in the accounting system are subject to review and approval at month end, to ensure accuracy and completeness of journal postings, and by extension, ledger balances.</p>	N/A	N/A	<p><b>South Bank Academy Trust / LSBU</b></p> <ul style="list-style-type: none"> <li>No evidence of journal reviews are kept by the Finance team at LSBU.</li> <li>Journals are not physically signed off and approved prior to posting in the accounting system.</li> <li>There is no month end journal review performed, by someone independent who does not have posting access in PS Financials. As such, completeness of monthly journal postings cannot be assured. As no secondary action is required in the system to approve individual journals, the risk surrounding this issue is further enhanced.</li> </ul>	<span style="color: green;">●</span>	Implemented at the Trust – no further action required.

**Management response:**

The feasibility of automating Journal approval on PS financials will be investigated. In the meantime a monthly list of journals will be produced and reviewed as part of the month end process.

Responsibility for action:

Natalie Ferer, Financial Controller

Clym Cunnington, Trust Business Manager

Date: 31<sup>st</sup> January 2019 (for update on current process and system automation)



## Detailed Findings – Budgeting and Financial Monitoring – Control Design

### Budgeting and Financial Monitoring (1 of 3)



Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<b>1</b> Budget Setting and Approval <b>Rating:</b> Medium risk	N/A	N/A	<b>South Bank Academy Trust / LSBU</b> <ul style="list-style-type: none"> <li>The Trust does not have a formal approval process in place, that also reviews the departmental budget set by each Academy Principal. This would help facilitate an effective budget setting process.</li> <li>At the time of our audit, the recruited Trust Business Manager had not started and this had presented a communication and reporting gap between the Trust and the Academy for a number of months.</li> </ul> <p><b>Management response:</b></p> <p>A formal cycle of budget setting , approval , monitoring and forecasting will be put in place. In addition we are in the process of setting up live budget information on PS Financials as well as establishing monthly management information for budget managers across the Trust.</p> <p><u>Responsibility for action:</u></p> <p>Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 28th February 2019</p>	●	Implemented at the Trust–no further action required.

## Detailed Findings – Budgeting and Financial Monitoring – Control Design

### Budgeting and Financial Monitoring (2 of 3)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p>2 Budget Tracking and Monitoring</p> <p><b>Rating:</b> Medium risk</p>	●	●	<ul style="list-style-type: none"> <li>Both Academies do not have real time visibility of the budget through their system PS Financials, due to limited system capability. The cost centres on the system are also incorrectly inputted.</li> <li>Due to this, there has been no monitoring in place due to system ability and the inaccuracies on the system.</li> </ul> <p><b>Management response:</b></p> <p>As with Finding 1, we are in the process of setting up live budget information on PS Financials as well as establishing monthly management information for budget managers across the Trust.</p> <p><u>Responsibility for action:</u></p> <p>Clym Cunningham, Trust Business Manager</p> <p><u>Date:</u> 28th February 2019</p>	●	Implemented for both schools– no further action required.





## Detailed Findings – Budgeting and Financial Monitoring – Control Design

### Budgeting and Financial Monitoring (3 of 3)



Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<b>3</b> Management Accounts reporting <b>Rating:</b> Medium risk	N/A	N/A	<b>South Bank Academy Trust / LSBU</b> <ul style="list-style-type: none"> <li>Regular monthly management accounts should be produced to give both the Academies and the Trust ongoing visibility of financial performance.</li> <li>Management accounts have been produced and reported to the Local Governing Body but had not been shared with the Academies or Trust.</li> </ul> <p><b>Management response:</b></p> <p>As with Findings 1 and 2, we will establish a routine of issuing monthly management information for budget managers across the Trust.</p> <p><u>Responsibility for action:</u></p> <p>Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 28th February 2019</p>	●	Implemented at the Trust – no further action required.

## Detailed Findings – Safeguarding– Control Design

### Safeguarding (1 of 2)

Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
<p>4 Safeguarding at UAESB Policies and Procedures</p> <p><b>Rating:</b> Low risk</p>	●	●	<ul style="list-style-type: none"> <li>The policies and procedures available for Safeguarding at UAESB have not been kept up to date and in line with their annual review and update as stated for January – February 2017.</li> <li>There is a lack of overall governance in place for the Academy’s policies and procedure documents to be reviewed, ratified and for any changes to be approved.</li> </ul> <p><b>Management response:</b></p> <p>Safeguarding policies at the Trust are currently being updated. This will include an annual requirement for staff training .</p> <p><u>Responsibility for action:</u></p> <p>Clym Cunnington, Trust Business Manager</p> <p><u>Date:</u> 30<sup>th</sup> November 2018</p>	●	<p>Safeguarding Policies are in the process of being reviewed and updated, and will presented to the Board in July 2019.</p> <p><u>Responsibility for action:</u></p> <p>Dan Cundy, Executive Principal, SBE UTC</p> <p><u>Date:</u> 31st July 2019</p>



## Detailed Findings – Safeguarding– Control Design

### Safeguarding (2 of 2)



Key Control	UAESB	SBE UTC	Control design issue identified	Status	Update from Follow up
5 Wider Governance	N/A	N/A	<p><b>South Bank Academy Trust / LSBU</b></p> <ul style="list-style-type: none"> <li>Although safeguarding measures are embedded at both Academies, we would recommend that the overall Trust considers implementing a wider governance structure for this subject matter.</li> <li>This will allow for a more strategic overview of the safeguarding measures in place at both Academies and to provide wider support and assurance on, for example, the Academies' alignment with wider government requirements and regulations.</li> </ul> <p><b>Management response:</b></p> <p>The Board is looking to introduce the right level of reporting and scrutiny at Trust level and this is likely to tie in with the appointment of independent chairs at Trust and school level.</p> <p><u>Responsibility for action:</u></p> <p>Michael Broadway, Governance Manager</p> <p><u>Date:</u> 28th February 2019</p>	<span style="color: green;">●</span>	Implemented at the Trust–no further action required.

**Rating:** Advisory risk



**Appendix A: Basis of our  
classifications**

**Appendix B: Terms of  
reference**

**Appendix C: Limitations  
and responsibilities**

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# *Appendices*

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## Appendix A: Basis of our classifications

### System summary ratings

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

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

### Control design improvement classifications

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

#### Critical

A finding that could have a:

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

## Appendix A: Basis of our classifications

### High

A finding that could have a:

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

### Medium

A finding that could have a:

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

### Low

A finding that could have a:

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

### Advisory

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



**Appendix A: Basis of our  
classifications**

**Appendix B: Terms of  
reference**

**Appendix C: Limitations  
and responsibilities**

# *Appendix B: Terms of reference*

## *South Bank Academy Trust*

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

**Page 79**

## Background and audit objectives



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

### Background and audit objectives

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

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

This internal audit will follow up on the 20 exceptions identified from the audit in September 2018. The exceptions have been identified across Key Financial Controls, Budgeting and Financial Monitoring and Student Safeguarding. Additionally, we will also review the controls and processes in place at the Trust for Risk Management and Value For Money.

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

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

X = area of primary focus

x = possible area of secondary focus



## Audit scope and approach (1 of 4)



### Scope

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

Sub-process	Control Objectives
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#### Follow up of previous review

Key Financial Controls	<p>Follow up on the 16 control design exceptions identified across the four areas:</p> <ul style="list-style-type: none"> <li>• Accounts Payable</li> <li>• Accounts Receivable</li> <li>• Cash</li> <li>• General Ledger</li> </ul>
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Budgeting and Financial Monitoring	<p>Follow up on the 3 control design exceptions identified across the following areas:</p> <ul style="list-style-type: none"> <li>• Budget Setting and Approval</li> <li>• Budget Tracking and Monitoring</li> </ul>
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Safeguarding	<p>Follow up on the 2 control design exceptions identified across the following areas:</p> <ul style="list-style-type: none"> <li>• Policies and Procedures at UAESB</li> <li>• Wider Governance</li> </ul>
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## Audit scope and approach (2 of 4)

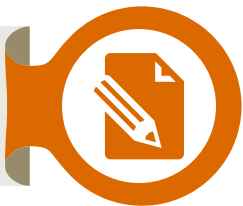


### Scope

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

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

## Audit scope and approach (3 of 4)

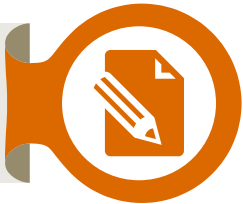


### Scope

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

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

## Audit scope and approach (4 of 4)



### *Limitations of scope*

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

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

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

We will follow up on all actions detailed in the previous report and will perform a walkthrough to validate the implementation. For actions that are not yet due, we will provide progress updates, if available. We will test the operating effectiveness of the actions in place.

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

### *Audit approach*

Our audit approach is as follows:

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



## Internal audit team and key contacts (1 of 3)



### Internal audit team

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

### Key contacts – London South Bank University

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

## Internal audit team and key contacts (2 of 3)



### Key contacts – South Bank Academy Trust

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

## Internal audit team and key contacts (3 of 3)



### Key contacts for Safeguarding scope

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

# Timetable



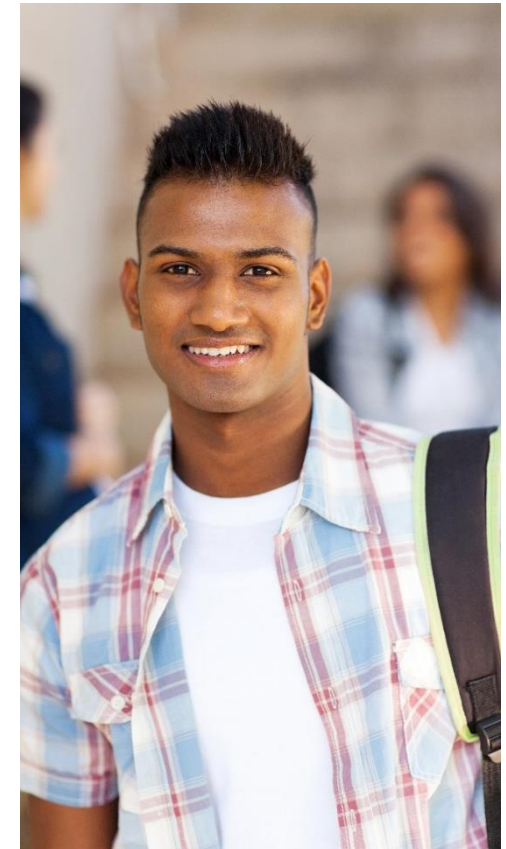
## Timetable

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

Agreed timescales are subject to the following assumptions:

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

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





## Information Request



Ahead of the audit fieldwork date, please provide:

### **Follow ups of previous audit**

- Evidence relating to the action being implemented e.g. meeting minutes, reports etc. (we will further verify during our fieldwork).

### **Risk Management**

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

### **Value for Money (VFM)**

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

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

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

## Appendix C: Limitations and responsibilities

### Limitations inherent to the internal auditor’s work

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

#### Internal control

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

#### Future periods

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

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

### Responsibilities of management and internal auditors

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

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

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

This document has been prepared only for London South Bank University and solely for the purpose and on the terms agreed with London South Bank University in our agreement dated 16 October 2017. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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

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

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	CONFIDENTIAL
Paper title:	HE Risk Benchmarking Report
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	Pricewaterhouse Coopers
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Recommendation:	The Committee is requested to note the report

## Summary

Please find attached the annual PwC report on the key risks and trends identified for 2018-19 across the Higher Education sector.

PWC perform an annual benchmarking exercise of the risk registers within their HE portfolio and have outlined the common themes, comparisons with prior years and the types of challenges within each theme.

## Recommendation

The Committee is requested to note this report.

*(Full report in appendix/supplement)*

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# Managing Risk in Higher Education

Higher Education Sector Risk Profile 2019

April 2019





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# Introduction and scope

**“Arguably the Higher Education (HE) sector is going through one of its most turbulent periods for a generation.” That is how we opened our risk benchmarking report in 2018. Fast forward 12 months and, if anything, the risks relating to the HE operating environment have increased.**

As we publish this, uncertainty continues to be at the front and centre of people’s minds. Brexit is creating uncertainty in the HE risk environment, not least because of the effect it is having on the Government’s ability to progress other policy areas. Take Philip Augar’s review into Post-18 Education, for example. It was due in January and is yet to be published. Likely to launch later this year, it is expected to recommend a reduction of annual tuition fees to £7,500.

Alongside this potential fee reduction, inflationary pressures on operating costs and pensions, and a possible reduction in research funding (arguably both possible consequences of Brexit) could also have an enormous impact on the financial sustainability of a number of institutions. As the student recruitment market becomes increasingly competitive, this could lead to a perfect financial storm. The challenge for universities now is to maintain a level of financial sustainability that enables them to keep making the necessary investments to meet student expectations, deliver world class research and maintain a global standing.

But it is not just financial uncertainty that senior managers and governing bodies will be concerned with. The regulatory environment continues to evolve and has set universities a number of challenges. The new Office for Students (OfS) continues to emphasise value for money, despite uncertainty (that word again) on what this actually means in practice.

Universities need to maintain and improve their performance in the Teaching Excellence Framework (TEF), while also preparing for the Research Excellence Framework (REF2021) and responding to the introduction of Data Futures. They will have to meet increasing expectations from students, whether fees are cut or not. New consumer laws have led to an increase in complaints, appeals and legal action by students. In addition institutions are having to respond to the increasing risks around student welfare, in particular mental health.

With all of this going on, a key issue that is often overlooked is management stretch and ensuring that there is capacity to respond to risks and opportunities. Interestingly, this did not appear in our findings, but agility is an essential characteristic of a successful university in this new environment. If you are a member of a governing body, are you alive to this threat?

Understanding the challenges an institution faces and consequently being able to target resources with a proportionate approach is a key benefit of an effective risk management framework. Whilst it is human nature to focus on managing down risk, the most successful organisations have the ability and willingness to take measured risks and recognise opportunities as they arise. It may be time for institutions to take a more nuanced approach to their risk appetite to reflect this.

Having said that, we are seeing improvements in universities’ approaches. For example having a specific risk appetite against each individual strategic risk, rather than having an overarching risk appetite trying to capture all possible activities and risk areas universities may encounter. This paper aims to examine the risks faced by the sector, and understand how individuals and institutions are responding and adapting accordingly.

## Our sample, scope and methodology

We reviewed the risk registers of 35 Higher Education institutions. For each institution, we examined the issues cited, identified those similar in nature and grouped them by theme. The average likelihood of a risk materialising, and its possible impact were then calculated. That way we could determine the greatest threats to an institution and how serious each risk is. The detailed findings of our analysis are set out in the remainder of this paper. We’ve also included commentary on the top themes, a comparison with prior years, and the types of individual challenges included within each theme.

# Risks and trends 2019

## Year on year trends

The table below summarises the top five themes for the last five years, providing an overview of how they have evolved. Student recruitment has been a recurring theme and in 2019 accounts for three spaces in the top five - touching on international, postgraduate and undergraduate recruitment. However the subject of pensions remains the highest ranked risk. Financial sustainability generally and the diversification of income are also in the top ten. Business continuity (including cyber security) rounds out the top five. This area has steadily been moving up the registers over the last few years and it’s entry into the top five probably indicates a

growing general awareness of the threat from both cyber attacks and business continuity risks.

Perhaps surprisingly, given the current focus on Brexit, government policy and political landscape drops out of the top five. This may show that institutions are articulating the risks more specifically, rather than summarising them under the theme of general uncertainty. For example, the potential impact on student recruitment and income streams, such as research funding could both be categorised as potential outcomes of Brexit.

	2015	2016	2017	2018	2019
1	Student recruitment	Student recruitment and financial sustainability	Government policy and political landscape	Pensions	Pensions
2	Research funding and quality	Government policy, public funding and sector reform	Brexit	Government policy / political landscape	International student recruitment
3	Pension deficits and affordability	Investment in IT, cyber security, data and management information	Financial - sustainability	Student Recruitment	Business continuity / Cyber security
4	Tuition fee pricing	Significant investment and transformational change programmes	Student recruitment	Reputation	Postgraduate student recruitment
5	Information systems and technology	Research funding and quality	Organisational change and transformation programmes	Information Security / Cyber security	Undergraduate student recruitment

## Key risks facing the sector

### Financial Sustainability (including pensions)

Financial sustainability is the golden thread which runs through most institutions' risk registers, be that threats to funding, inflationary pressures on costs or an increasingly competitive market for student recruitment and research funding. Ultimately this all impacts an institutions' long term sustainability.

Once again, pensions are perceived as the highest risk to the sector. This is not a surprise, given the unexpected 7% increase in contributions to the Teachers' Pension Scheme (TPS), and the ongoing uncertainty in relation to the Universities Superannuation Scheme (USS). Many commentators believe the pressures on pension contributions will be the final straw that pushes a number of institutions into severe financial difficulties.

When it comes to financial sustainability, two common themes in the risk registers are diversifying income and the potential reduction in research income. Income diversification means different things to different people, but it is time for institutions to start thinking more innovatively about how to achieve this. A more nuanced approach to risk appetite could prove beneficial. Institutions may also have to re-assess their research strategies to attract alternative funding and to retain high quality researchers. This should include a focus on junior research staff, so that they can develop the skills to operate in a more competitive funding environment.

# 7%

Unexpected 7% increase in contributions to the Teachers' Pension Scheme (TPS)

### Student Recruitment

Amid all this uncertainty, the risk of under recruiting remains a constant. This year, however, the breadth of the risk is more extensive – with international, postgraduate and undergraduate recruitment all identified as problem areas.

The competitiveness of the student recruitment market has never been higher, but in 2019, applications for entry saw their first increase since 2016. This is predominantly as a result of a rise in applications from international students. UK student applications fell slightly. Looking forward, many assume the impact of Brexit and the potential adverse effect on the UK's reputation will result in a fall in international students. At the moment though, this does not seem to be the case. Any decline in demand might also be offset by a favourable exchange rate.

Increasingly universities are not just worried about getting students through the door but also about how to keep them. We are seeing increasing resources being targeted at understanding the factors impacting student retention, as institutions seek to increase the effectiveness of student support networks, particularly for first year undergraduates. The risks around recruitment also encompass the need to maintain entry requirements, another nod to the fact that retention is as important as recruiting the student in the first place.

### Business Continuity / Cyber Security

Business continuity and cyber security continues to move up our top five. As suggested last year, this is probably because institutions are becoming more aware of the cyber security threat, but it also reflects the increasingly risky world we now live in. A number of institutions have refreshed the institutional knowledge of continuity plans to help manage any significant disruption to operations which may be caused as a result of a "no deal" Brexit. Whilst institutions have developed business continuity frameworks, we have observed that many are struggling to ensure that the awareness of plans, roles and responsibilities are embedded throughout the whole

organisation. Similarly, whilst many institutions have beefed up their technical defences against cyber attacks, the biggest risk comes from the human element. Again, institutions are working hard to increase awareness amongst staff of the do's and don'ts of cyber and information security.

### Campus Deterioration / Lack of investment in infrastructure

The potential deterioration of campus facilities and the struggle to invest in infrastructure is a by-product of overarching financial uncertainty. We see this appearing more and more on registers. This suggests that, as well as short term financial performance, universities are concerned that increasing costs and a squeeze on income could limit future investment. The lack of available funds for investment coupled with increasing demands from students, and a need to invest in research facilities to attract world class staff in a post-Brexit era, makes it easy to understand why institutions are so concerned.

It is worth noting however that The Association of University Directors of Estates (AUDE) Estates Management Report 2018<sup>1</sup> notes that capital expenditure has exceeded £3 billion per year for the last three years. It suggests that "the overall standard of the university estate is higher than it has ever been." So whilst we automatically think of capital investment as being made in bricks and mortar, this risk could actually reflect the need for investment in digital and technology.

In March 2018 the OfS published research that showed 77% of students believe that tuition fees should fund IT resources and that 81% consider learning resources as very important in demonstrating value for money. We polled over 100 of our own 2018 graduate intake and found that current students are indeed very tech-savvy and increasingly keen on tech-enabled learning<sup>1</sup>.

As this becomes the norm, universities need to constantly review and evolve their IT provision and technology to meet student expectations. Common expectations for future facilities include interactive lectures where students participate on their own devices, the use of virtual reality, better apps to record attendance, and online collaboration tools to enable students to meet virtually.

### Other areas of note

**The external / political environment** only just scrapes into the top ten. As mentioned earlier, this may be because it is a theme that permeates all areas of the sector and universities are articulating the impacts of this overarching risk more specifically, for example in the form of issues around recruitment and financial sustainability.

Whilst **regulatory and legislative compliance** is prominently cited, it appears that many institutions feel that they already manage this well, with likelihood scores being the lowest of all the risks included in our analysis.

**Reputation** is still an issue, but has dropped in significance since last year. However, with the sector under increasing scrutiny, particularly over value for money, this is one area where we believe institutions need to be particularly cognisant. It is imperative that universities are able to demonstrate clearly to all stakeholders the value they bring to the economy and society as a whole.

**Graduate employability** is starting to appear on more risk registers and is one of the OfS's primary regulatory objectives. Alongside this, there is an increasing perception (rightly or wrongly) that employability is a key element of whether students receive value for money for the fees they pay. With a potential economic downturn predicted by many in 2019, it is clear why this is starting to move up the risk agenda.

<sup>1</sup> (Student Expectations of IT and Technology, November 2018 <https://www.pwc.co.uk/industries/government-public-sector/education/he-perspectives/student-expectations-it-technology.html>.)

**Other common risk areas include:**

- **Academic quality** - potentially a response to the more litigious nature of students but also the revised regulatory framework and registration requirements
- **Staff welfare (including the risk of industrial action)** - not surprisingly the threat of industrial action remains in the top ten although we are seeing more emphasis on staff welfare within registers
- **Lack of IT transformation / development** - there is an increasing recognition that IT and digital can be a key element of achieving competitive advantage, we mention the expectations of students above and there is an increasing need for universities to be technologically savvy in terms of communication (with current and potential students); the facilities available but also embedding the latest theory and application of technology within courses themselves. There is an increasing need to achieve efficiencies and the transformation of back office systems is seen as a way of achieving this whilst also improving the student journey
- **Widening participation** - again another key focus for the regulator is widening participation but also improving outcomes for those students from disadvantaged backgrounds
- Student experience (including support, satisfaction and welfare), given the current environment, it is slightly surprising that the student experience is not more prominent in risk registers, in fact this area has never been in the top five of our analysis. Given the focus of the Regulator, the more demanding student of today and the current debate on students and mental health we would expect this risk to be increasing in nature.

**Occurrence of risks**

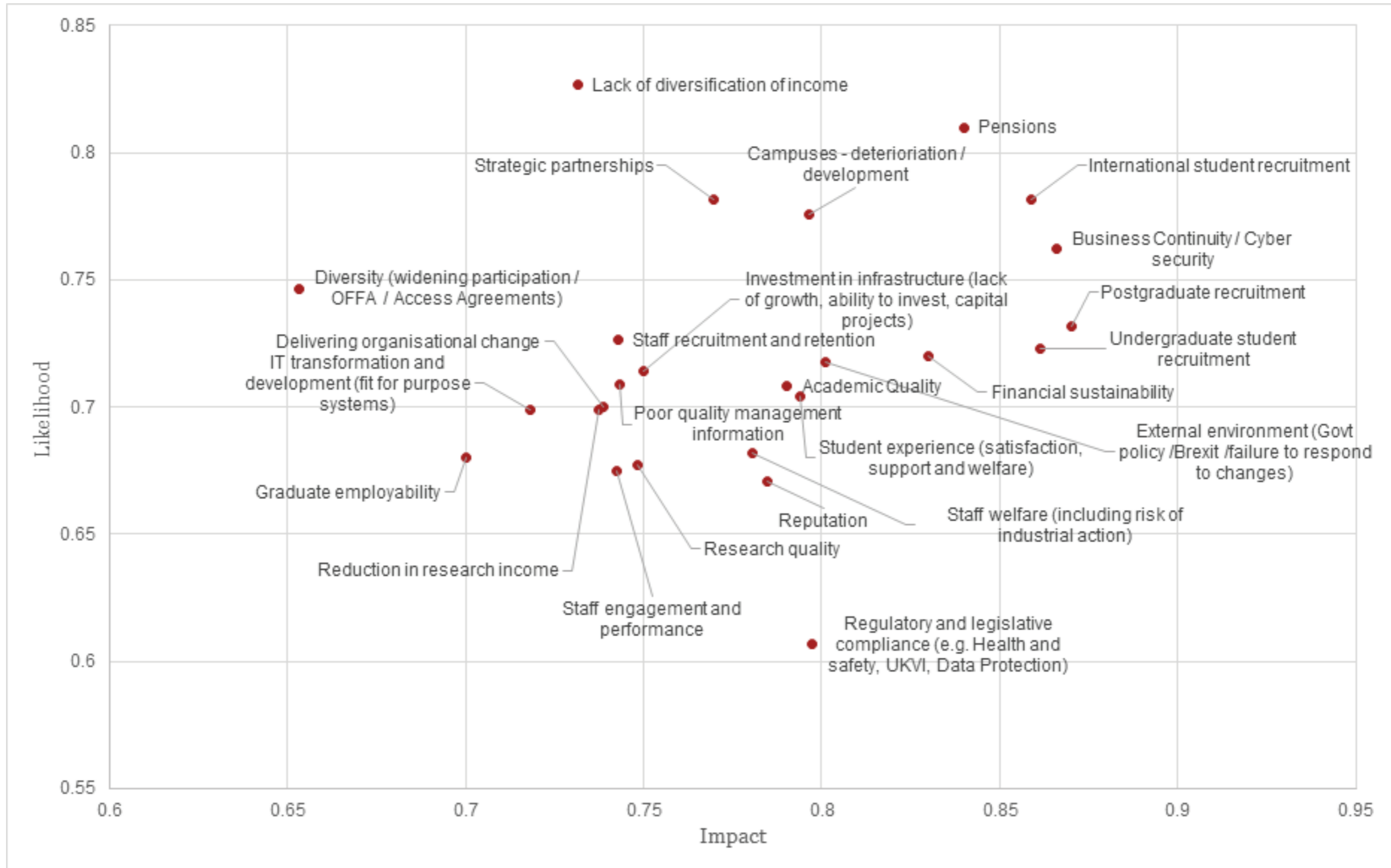
Whilst our analysis is based upon averaging out risk ratings, it is interesting to note the number of times that issues occur on registers.

The chart shows the top risks based purely on the number of registers they appear on.



	Risk Area	Occurrence (% of risk registers)
1	Undergraduate student recruitment	89%
2	Postgraduate recruitment	86%
3	International student recruitment	83%
4	Reduction in research income	80%
5	Reputation	77%
6	External environment (Govt policy /Brexit /failure to respond to changes)	74%
7	Business Continuity / Cyber security	71%
8	Student experience (satisfaction, support and welfare)	71%
9	Investment in infrastructure (lack of growth, ability to invest, capital projects)	71%
10	Research quality	71%

# 2019 Higher Education sector risk profile





## Appendix – Risk themes and subcategories

# Appendix – Risk themes and subcategories

Below we provide examples of the anonymised risks included on institutional risk registers to give some context for the individual risks within risk themes. This is not an exhaustive list, and is included for illustrative purposes.

Risk theme	Subcategories of risk
<b>Financial Sustainability (including Pensions)</b>	<ul style="list-style-type: none"> <li>Income and Expenditure: Failure to generate sufficient surplus to meet commitments and fulfil ambitions as expressed in the University Strategy.</li> <li>If the University does not address rising costs that are in excess of income growth, then there may be adverse impacts on the University's academic excellence, reputation and financial sustainability.</li> <li>Monitoring of Cash Flow: Failure to generate sufficient cash to meet the needs of the University strategy and the replacement of the estate.</li> <li>Reduction in income as a consequence of the government review of university funding and student finance.</li> <li>Meeting increased costs in payroll cost inflation and pension provision becomes financially unsustainable.</li> <li>Failure to monitor pension position leads to unexpected and unmanageable increases in required funding.</li> <li>Target cost savings are not met.</li> <li>Increasing pension costs jeopardise the University's sustainability plan.</li> <li>Increasing pensions deficit reduces flexibility.</li> <li>Failure to maintain and enhance income generation to meet the University's commitments.</li> <li>Failure to maximise organisational efficiency and effectiveness, control expenditure and achieve savings targets.</li> <li>The cost of providing the current defined benefit pension schemes may escalate to such an extent that it significantly impacts on the University's ability to invest in critical aspects of teaching quality, student experience and estate.</li> </ul>
<b>Student Recruitment and Retention (International, Postgraduate, Undergraduate)</b>	<ul style="list-style-type: none"> <li>Failure to achieve student recruitment targets.</li> <li>Attracting and retaining high quality students from diverse backgrounds.</li> <li>Failure to prevent missed opportunities afforded by the Apprenticeship Frameworks in terms of: merger arrangements; Degree Apprenticeships; and financial implication of the Apprenticeship Levy.</li> <li>Failure to achieve our Home/EU undergraduate recruitment targets which encompass number and quality.</li> <li>Failure to maintain a viable and sustainable PGR student cohort.</li> <li>The risk that the quality and number of students applying and being accepted does not meet plans and that progression and completion for existing students fails to improve significantly.</li> <li>Enquiry, application and acceptance levels threaten ability to recruit to potential numbers of appropriate quality.</li> <li>Poor portfolio planning and lack of market development threatens opportunity to recruit.</li> <li>Relaxation of sector controls leads to greater competition.</li> <li>New student intake falls below budgeted targets.</li> </ul>

Risk theme	Subcategories of risk
<b>Student Recruitment and Retention (International, Postgraduate, Undergraduate)</b> (continued)	<ul style="list-style-type: none"> <li>Student retention falls below budgeted targets for improvement.</li> <li>Revenue reduction if marketing &amp; PR does not achieve H/EU UG recruitment targets.</li> <li>Anticipated international &amp; EU student revenue unrealized.</li> <li>Failure to recruit to target home/international) due to: External factors: highly competitive, and changing, market; changes in student demographics and schools systems; international instability; UK immigration control changes; applicants' fee tolerance arising from TEF decision.</li> <li>Failure to achieve our international strategy and profile, to underpin delivery of planned growth in international student numbers.</li> <li>Failure to meet targets for increased numbers of international students both in terms of FTEs and income.</li> <li>The risk that our international student growth targets are not achieved.</li> </ul>
<b>Business Continuity/ IT (and Cyber)</b>	<ul style="list-style-type: none"> <li>IT infrastructure may not be commensurate with the standard required to ensure delivery of our strategic objectives.</li> <li>Failure to address inadequate security provisions around the control of information leading to inappropriate access, disclosure, interference.</li> <li>Risk to our reputation through cyber security attacks that undermines confidence of stakeholders and causes damage to individuals.</li> <li>Formation security controls compromised leaving University IT systems and data vulnerable, resulting in operational disruption and/or reputational damage and financial penalties.</li> <li>Failure to maintain sufficient cyber and information security leads to major data breach.</li> </ul>
<b>Lack of investment in infrastructure</b>	<ul style="list-style-type: none"> <li>If adequate research and teaching infrastructure is not developed and implemented, then our ability to operate a sustainable academic strategy and business model may be undermined.</li> <li>Failure to augment, improve and renew facilities and infrastructure in line with need.</li> <li>Insufficient capital to deliver necessary investment priorities to deliver future strategy and facilitate required academic and service improvements.</li> <li>Failure to implement the student residences strategy.</li> <li>The University has insufficient capacity to support growth and/or fulfil operational requirements for major strategic and capital projects.</li> <li>The risk that our inability to fully implement the Estates Strategy, and/or to provide an appropriate level of service to operate, maintain and sustain the required quality adversely impact students and staff.</li> <li>If adequate research and teaching infrastructure is not developed and implemented, then our ability to operate a sustainable academic strategy and business model may be undermined.</li> <li>If high-quality and fit-for-purpose processes and information systems are not provided and maintained, then our ability to deliver a high-quality student experience and excellence in research may be adversely affected.</li> </ul>

Risk theme	Subcategories of risk
<b>Brexit/The External Environment</b>	<ul style="list-style-type: none"> <li>The UK's decision to leave the EU may adversely impact upon EU staff/ student recruitment, staff retention, research income and collaborative activities.</li> <li>Continued political uncertainties and regulatory changes by the Office for Students may influence decisions on HE sector policy, regulation or funding, and significantly impede the direction and delivery of the University's strategic priorities.</li> <li>Significant political changes could lead to major changes to HE funding.</li> <li>Brexit implementation impacts staff and student recruitment/retention and research and ERDF income.</li> <li>The risk that Brexit adversely affects EU staff retention and recruitment.</li> <li>Changes in UK relationship with the EU create uncertainty, impacting partner, student &amp; funder relationships and competitiveness relative to international peers.</li> <li>Developments in UK Government policy adversely impact on universities' ability to recruit and retain staff and students or secure sufficient research funds.</li> <li>If we do not respond to changes in the external environment, then the University's performance, sustainability and reputation may be adversely affected.</li> </ul>
<b>Staff Welfare / Staff Recruitment and Retention</b>	<ul style="list-style-type: none"> <li>There is a risk that our human capital/people is not valued as our greatest asset.</li> <li>Low morale impacting on staff performance and productivity and ultimately the student experience.</li> <li>Failure to recruit and retain high performing staff.</li> <li>Failure to respond to low staff morale which results in poor retention rates or potential industrial action.</li> </ul>
<b>Student Experience (including support and welfare)</b>	<ul style="list-style-type: none"> <li>Failure to enhance our taught student experience and therefore improve student satisfaction.</li> <li>Failure to provide a high quality student experience impacts on reputation, recruitment and retention.</li> <li>If we do not maintain high-quality education, and if we do not ensure a high-quality student experience, then there may be detrimental impacts on the University's reputation and financial stability.</li> <li>Failure to provide high quality, relevant teaching programmes and support for students.</li> <li>The University may fail to meet Student Expectations of their student life and academic experience in the face of increasing HE marketization.</li> <li>A significant sector-wide rise in student wellbeing issues threatens the achievement of successful academic outcomes.</li> <li>The risk that student satisfaction relative to the sector has an adverse impact on student recruitment, reputation, including TEF outcomes, and income.</li> <li>Failure to improve the quality of the student experience.</li> </ul>
<b>Regulatory Compliance</b>	<ul style="list-style-type: none"> <li>UKVI Compliance.</li> <li>GDPR Compliance.</li> <li>There is a risk we fail to comply with regulatory body and/or legislative requirements.</li> <li>Failure to remain below the Home Office's defined levels of acceptable non-enrolment, visa refusal, and course completion rates per annum, or failure to satisfy UKVI auditors that the university meets all its responsibilities as a Tier 4 sponsor.</li> <li>The risk that a failure to monitor and manage compliance procedures (including UKVI, QAA and accreditations) result in an inability to operate or damaged reputation.</li> </ul>

Risk theme	Subcategories of risk
<b>Regulatory Compliance (continued)</b>	<ul style="list-style-type: none"> <li>The risk of a major failure or breach of health and safety legislation or policy, which is likely to give rise to injury, enforcement action, prosecution or reputational loss.</li> <li>The risk that ineffective structures, policies and procedures regarding information governance lead to a loss or improper disclosure of sensitive information, resulting in damaged reputation or significant financial, regulatory or legal impact.</li> <li>Changes to UK immigration policies and practice, and their inadequate implementation in the University lead to financial and legal penalties and impact on international staff and student recruitment.</li> </ul>
<b>Reputation</b>	<ul style="list-style-type: none"> <li>Failure to implement adequate national and international public relations and communications.</li> <li>Failure to maintain professional ethics and integrity in line with external guidelines.</li> <li>We do not respond effectively to changes in the external environment leading to a financial impact which cannot be mitigated.</li> <li>Risk of not securing positive recognition in the city, region and beyond.</li> <li>The University's reputation does not improve or is further damaged.</li> </ul>
<b>Graduate Employability</b>	<ul style="list-style-type: none"> <li>Poor graduate outcomes may damage the University's TEF result, league table position and ability to recruit students.</li> <li>Failure to embed employability skills in degrees.</li> <li>Failure to grow our work experience and internship opportunities.</li> <li>Failure to understand the skills needs of local, national and international employers.</li> <li>The risk that graduates do not achieve employment in graduate jobs in sufficient number.</li> <li>Failure to implement strategies for student employability.</li> </ul>
<b>Research Quality</b>	<ul style="list-style-type: none"> <li>Failure of research quality which affects ability to achieve desired REF2021 ranking.</li> <li>Poor research quality affects reputation, which hinders the ability to recruit high quality students and staff.</li> </ul>
<b>Strategic Partnerships</b>	<ul style="list-style-type: none"> <li>The University may suffer a reputational or financial loss if linked to unsustainable or poor quality regional/ national/ international partnerships.</li> <li>Failure to develop sufficient numbers of international partnerships at the right quality to deliver essential growth in income.</li> <li>The University's academic portfolio and partnerships are not developed or refreshed to meet market needs.</li> <li>A partnership causes the University legal, financial or reputational damage.</li> </ul>
<b>Poor Quality Management Information</b>	<ul style="list-style-type: none"> <li>Failure to maintain appropriate financial and management information systems which affects the ability to forecast and plan.</li> </ul>



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