

**Meeting of the Audit Committee**

**4pm\* on Thursday, 24 September 2015**  
**in 1B27, Technopark, London Road, London SE1**

\* Pre meeting with the Internal Auditors and the External Auditors at 3.30pm in 1B27, Technopark

**Agenda**

<i>No.</i>	<i>Item</i>	<i>Paper No.</i>	<i>Presenter</i>
1.	Welcome and apologies		Chair
2.	Declarations of Interest		Chair
3.	Minutes of the last meeting (for publication)	AC.31(15)	Chair
4.	Matters arising		Chair
<b>Internal Audit</b>			
5.	Progress report (to review)	AC.32(15)	PwC
<i>2014/15</i>			
6.	Internal audit report – Risk Management (to review)	AC.33(15)	PwC
7.	Internal audit report – Change Portfolio (to review)	AC.34(15)	PwC
8.	Internal audit draft annual report (to note)	AC.35(15)	PwC
<i>2015/16</i>			
9.	Final internal audit plan 2015/16 (to approve)	AC.36(15)	PwC
10.	2015/16 Continuous Auditing Financial Controls – Phase I (to review)	AC.37(15)	PwC
11.	Internal audit charter (to approve)	AC.38(15)	PwC
<b>Risk and Control</b>			
12.	Corporate Risk Report (to review)	AC.39(15)	CFO
13.	Review of Internal Controls (to approve)	AC.40(15)	CFO
<b>Other Matters</b>			
14.	Pensions assumptions (to approve)	AC.41(15)	CFO
15.	Debtor analysis (to note)	AC.42(15)	CFO

16.	Public Benefit statement (to approve)	AC.43(15)	Sec
17.	Corporate Governance statement (to approve)	AC.44(15)	Sec
18.	Anti-fraud, bribery and corruption report (to consider)	AC.45(15)	CFO
19.	Speak up report (to note)	AC.46(15)	Sec
20.	Terms of Reference (to note)	AC.47(15)	Sec
21.	Committee Business plan, 2015-16 (to approve)	AC.48(15)	Sec
22.	Matters to report to the Board following this meeting		Chair
23.	Any other business		Chair
24.	Date of next meeting: 4pm on Thursday 5 November 2015		Chair

---

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

Internal Auditors: Justin Martin and David Wildey (PwC)

External Auditors: Nick Taylor (Grant Thornton)

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

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

**Present**

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

**External Auditors**

Nick Taylor	Grant Thornton
-------------	----------------

**Internal Auditors**

Justin Martin	PricewaterhouseCoopers
Charlotte Bilsland	PricewaterhouseCoopers

**In attendance**

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

**Welcome and apologies**

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

**Declarations of Interest**

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

**Minutes of the last meeting**

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

**Matters arising**

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

**Internal audit progress report**

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

**Internal Audit report – Risk Management**

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

**Internal Audit report – Change Portfolio**

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

**Internal Audit draft annual report**

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

**Internal Audit plan 2015/16**

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

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

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

**Internal Audit Charter**

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

**Corporate Risk Register**

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

**Effectiveness of Internal Controls**

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

**Pensions Assumptions**

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

**Debtors' analysis**

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

**Public benefit statement**

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

**Corporate governance statement**

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

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

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

**Speak up report**

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

**Terms of Reference**

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

**Committee business plan**

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

**Matters to report to the Board**

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

**Any other business**

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

**Date of next meeting**

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

The Chairman closed the meeting.

Confirmed as a true record:

.....  
Chairman

	PAPER NO: AC.31(15)
Paper title:	Minutes of the meeting of 4 June 2015
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Steve Balmont, Chairman of the Audit Committee
Purpose:	To approve the minutes of the past meeting as a correct record and to approve for publication

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

### **Executive Summary**

The Committee is asked to approve the minutes of its meetings of 4 June 2015. There are no suggested redactions for publication on LSBU's website.



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

**Present**

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

**External Auditors**

David Barnes	Grant Thornton
--------------	----------------

**Internal Auditors**

Charlotte Bilsland	PricewaterhouseCoopers
Justin Martin	PricewaterhouseCoopers

**In attendance**

Prof David Phoenix	Vice Chancellor and Chief Executive
Pat Bailey	Deputy Vice Chancellor
Natalie Ferer	Financial Controller
Richard Flatman	Chief Financial Officer
Jenny Laws	Deputy Registrar ( <i>for item 14</i> )
Rob McGeechan	Director of Digital Technology Transformation ( <i>for items 5-6</i> )
Ian Mehrtens	Chief Operating Officer ( <i>for items 5-6</i> )
James Stevenson	University Secretary and Clerk to the Board of Governors
Ruth Sutton	Governance Assistant

**Welcome and apologies**

1. Apologies had been received from Shachi Blakemore and David Wildey of PricewaterhouseCoopers.

**Declarations of Interest**

2. Steve Balmont declared an interest in relation to the independent speak up helpline (minute 20 refers). Mr Balmont declared that Safecall was a subsidiary of his employer's parent company. The committee noted that he had not been involved in the procurement process.

**Minutes of the last meeting**

3. The minutes of the meeting held on 26 February 2015 were approved (paper **AC.14(15)**) subject to the proposed redactions.

**Matters arising**

4. The committee noted that following a tender process PricewaterhouseCoopers had been re-appointed as Internal Auditor.

*Rob McGeechan and Ian Mehrtens entered the meeting*

**Data Security update report**

5. The committee discussed an update on data security (paper **AC.15(15)**), which set out actions being taken to improve data security following an Internal Audit report. The committee noted that a dedicated Head of Information Security had now been appointed.
6. The committee requested the Executive to closely monitor data security and the implementation of internal audit recommendations in this area.

*Rob McGeechan and Ian Mehrtens left the meeting*

**External audit plan**

7. The committee approved the external audit plan proposed by Grant Thornton for the year ending 31 July 2015 (paper **AC.16(15)**).

**Accounting policy under new SORP**

8. The committee approved the changes in accounting policies and financial reporting for financial year 2015/16 under FRS102 and the new Statement of Recommended Practice (SORP) for the education sector (paper **AC.17(15)**).

**Annual bad debt write-off**

9. The committee approved the write-off of tuition fee debt of £690,093 (paper **AC.18(15)**).
10. The committee requested further analysis of the outstanding debtors and the underlying causes.

**Indicative pensions assumptions**

11. The CFO reported that he expected to receive indicative assumptions to be used by the Local Government Pension Scheme actuaries in mid-June 2015 (paper **AC.19(15)**). The assumptions would be circulated to committee members via email for comment.

**Internal Audit progress report**

12. The committee noted the internal audit progress report (paper **AC.20(15)**).

**Internal Audit report – Financial continuous auditing report (Jan – Apr)**

13. The committee noted the financial continuous auditing report (Jan – Apr) (paper **AC.21(15)**).

**Internal Audit report – Student data continuous auditing report (Nov – Mar)**

*Jenny Laws entered the meeting*

14. The committee welcomed the second internal audit report on student data continuous auditing (paper **AC.22(15)**), which had been given a medium risk rating. The Deputy Registrar confirmed the approach was constructive.

*Jenny Laws left the meeting*

**Internal Audit plan, 2015/16**

15. The committee discussed the internal audit plan for 2015/16 in detail (paper **AC.23(15)**). The Executive would consider additional changes and bring back the final plan for approval in September 2015.

**Risk Register**

16. The committee noted the corporate risk register (paper **AC.24(15)**).

**Anti-fraud policy**

17. The committee approved the revised anti-fraud policy (paper **AC.25(15)**) which reiterated the University's zero tolerance approach to fraud.

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

18. The committee noted the anti-fraud, bribery and corruption report (paper **AC.26(15)**).

**Speak up policy review and helpline**

19. The committee approved the revised speak up policy (paper **AC.27(15)**) and the appointment of Safecall to provide an independent helpline for employees.
20. The committee requested a review of effectiveness of the helpline in 12 months and whether to extend it to students.

**Speak up report**

21. The committee noted the speak up report (paper **AC.28(15)**). There had been one speak up matter had been raised with the Chairman, which was referred to the grievance procedure.

**Closure of Projects within the Change Programme**

22. The committee noted the closure of several projects under the Change Programme.
23. The committee noted that there where relevant there would be post project reviews for projects within the Change Programme.

**TRAC(T) Return**

24. The committee ratified the TRAC(T) return (paper **AC.30(15)**), which had been reviewed in detail by a member of the committee and submitted to HEFCE.

**Matters to report to the Board**

25. The committee requested that the following items be reported to the Board meeting of 9 July 2015: data security update report; accounting policy under new SORP; internal audit plan 2015/16; anti-fraud policy review; speak up policy review and helpline; and the closure of projects within the Change Programme.

**Any Other Business**

**26. Post Investment Reviews**

Following the Governance Effectiveness Review discussion at the meeting of the Board of Governors of 14 May 2015, the committee confirmed that post-investment reviews should be considered at the new Major Projects and Investments Committee from September 2015 onwards. Significant deviations from business case or concerns would be referred to the Audit Committee.

**Date of next meeting**

27. It was noted that the next meeting would be at 4pm on Thursday 24 September 2015.

The Chairman closed the meeting.

Confirmed as a true record:

.....  
Chairman

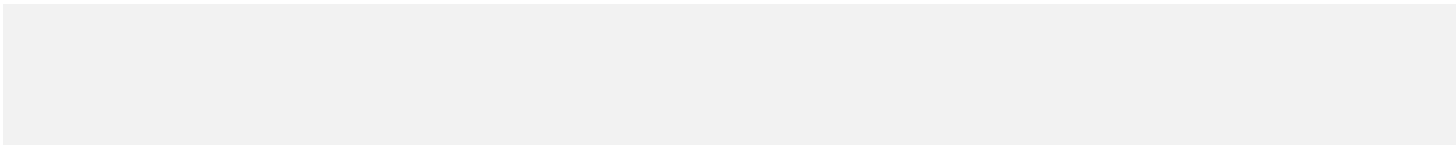
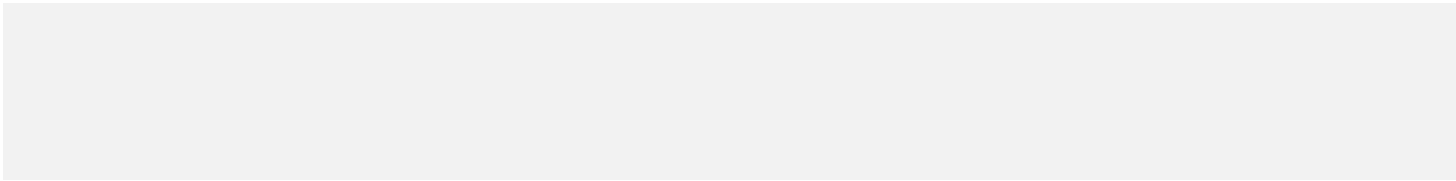


# Committee Action Points

18 September 2015

12:35:51

Committee	Date	Minute	Action	Person Res	Status	
Audit	04/06/2015	6	Executive to closely monitor data security and the implementation of internal audit recommendations in this area.	CFO	Ongoing - internal audit follow up reports shared with the Operations Team	<input checked="" type="checkbox"/> Completed
Audit	04/06/2015	10	Further analysis of the outstanding debtors and the underlying causes to audit committee meeting	CFO	On agenda - 24 Sept 2015	<input checked="" type="checkbox"/> Completed
Audit	04/06/2015	20	Review of effectiveness of the speak up helpline in Sept 2015 and whether to extend it to students.	Secretary	On forward plan	<input type="checkbox"/> Completed
Audit	04/06/2015	11	Pension assumptions circulated to committee members	CFO	On agenda - 24 Sept 2015	<input checked="" type="checkbox"/> Completed
Audit	04/06/2015	15	Executive to review draft internal audit plan. Final plan to Audit Committee meeting of 24 Sept 2015 for approval	CFO	On agenda - 24 Sept 2015	<input checked="" type="checkbox"/> Completed



	PAPER NO: AC.32(15)
Paper title:	14/15 & 15/16 Internal Audit: Progress Report
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	PricewaterhouseCoopers, Internal Auditors
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide an update on progress against the internal audit plan for 14/15, and for 15/16.
Recommendation:	That the committee notes the report

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

### **Executive Summary**

The attached report provides a summary of the internal audit plan progress for 14/15, and an update on 15/16.

The 14/15 plan is now 100% complete, in line with the agreed profile of work, with the reports on risk management, and the review of the Change Portfolio being presented to this Audit Committee, along with the annual internal audit opinion.

14% of the 15/16 plan is now complete, with the first report on the continuous audit of key financial systems being presented here, which shows green results across all areas.

83% of actions from previous reports falling due at this point had been implemented. The only action not implemented has been closed and relates to a recommendation not agreed by management.

The other matters referred to in the report include details of a recent LSBU intern visit to the PWC offices and 2 insight publications provided for reference in appendix 3.



*London South Bank  
University*

Internal Audit  
Progress Report  
2015/16

September 2015

London South Bank  
University

# ***Table of Contents***

<b><i>Overview</i></b>	<b>2</b>
<b><i>Reporting Activity and Progress</i></b>	<b>3</b>
<b><i>Appendix 1 – Plan Progress</i></b>	<b>5</b>
<b><i>Appendix 2 – Follow Up</i></b>	<b>7</b>
<b><i>Appendix 3 – Recent PwC publications</i></b>	<b>11</b>

This report has been prepared by PwC in accordance with our contract dated 15/05/2015.

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

# Overview

## Progress Summary

We have completed 100% of our internal audit programme for 2014/15 and 14% of our internal audit programme for 2015/16, which is in line with the agreed profile for our work. An outturn statement detailing assignments undertaken and actual activity for 2014/15 and 2015/16 is shown in Appendix 1.

For this Audit Committee, we present:

- Three final reports:
  - Risk Management - 2014/15
  - Change Portfolio - 2014/15
  - Continuous Audit: Key Financial Systems - Period One – 2015/16
- Our draft 2014/15 Annual Internal Audit Opinion
- Our draft 2015/16 Internal Audit Charter
- Our proposed final 2015/16 Internal Audit Plan

## Findings of our Follow Up Work

We have undertaken follow up work on actions with an implementation date of 31/08/2015 or sooner. We have discussed with management the progress made in implementing actions falling due in this period. Where the finding had a priority of low or advisory, we have accepted management's assurances of their implementation; otherwise, we have sought evidence to support their response.

A total of six agreed actions have been followed up this quarter. Five of these have been implemented (83%). One other finding has been closed; this relates to a finding which was not agreed by management; we have reflected this in our Annual Internal Audit Opinion. Progress details are summarised at Appendix 2.

## Other Matters

In July, we hosted six London South Bank University interns at our PwC Embankment Office where we introduced them to PwC, provided details on the PwC graduate scheme and invited three of our junior staff to share their first year of experience with a professional services firm.

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. Our Higher Education Centre of Excellence and the PwC's Public Sector Research Centre (PSRC) produce a range of research and are the leading centres for insights, opinion and research on good practice in the higher education sector. We have included a summary of key publications at Appendix 3. We are happy to provide electronic or hard copy versions of these documents at your request.

## Recommendations

- That the Audit Committee **notes** the progress made against our 2014/15 and 2015/16 Internal Audit Programme.
- That the Audit Committee **comments** on our reports of Risk Management, Change Portfolio and Continuous Auditing: Key Financial Systems – Period One.
- That the Audit Committee **comments** on our draft 2014/15 Internal Audit Opinion
- That the Audit Committee **approves** the 2015/16 Internal Audit Charter and proposed final 2015/16 Internal Audit Plan.

# Reporting Activity and Progress

## Final reports issued since the previous meeting

### Risk Management – Low Risk

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

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

- Roles and responsibilities for risk management are defined with dedicated Risk Champions who maintain oversight of organisational risks and the Executive Board assuming responsibilities for corporate risks.
- The corporate risk register is reviewed and discussed at monthly Operations Board meetings and there is a process in place to escalate fundamental organisational risks up to Executive level;
- LSBU have a Risk Strategy and Risk Appetite statement in place.

We have identified one *medium risk* finding:

- We tested a sample of 5 Professional Service Department (PSD) and 2 School operational risk registers to confirm that these were being completed in full and reviewed on a timely basis. We identified a number of instances where the risk registers did not appear to be complete or had not been reviewed for over six months.

We also identified two *low risk* findings regarding some clarifications which could be included within the Risk Strategy and consistency of meeting minutes.

### Change Portfolio – Medium Risk

Our review of the Change Portfolio (the Portfolio) identified a number of areas of good practice, including:


























- The Portfolio itself was established as an interim vehicle to ensure that there remained controls in place whilst the new programme and project management office was developed; and
- Resource requirements identification and justification for the International Applications project demonstrates particular good practice, the learning of which could be applied across other projects in the future.

The following *medium risk* findings have been raised:

- The Portfolio's role is well understood but the key supporting activities that underpin this role were not fully defined at the time of our fieldwork. Without this in place, there may not be a clear and consistent understanding of the controls the Portfolio management team is intended to own and provide. This also means there are no processes to ensure that lessons learnt are captured to support continuous improvement and the development of the new programme and project management office;
- Benefits management controls could be strengthened by having more guidance on benefit identification, benefits reporting and the demonstration of benefits realisation. Without these areas management may not be able to ensure that the Portfolio activities support the realisation planned project benefits;
- We were unable to identify within the approval documentation sampled how stakeholders had been involved and engaged throughout the approval process for projects. This may mean that the Portfolio management team is not able to determine to what extent the relevant stakeholders have endorsed the design or purpose of the planned projects and, consequently, how likely they were to support the projects as they progress; and
- The four project approval documents we reviewed, did not appear to have a consistent approach to reporting and specifying project resource requirements to the management team. As a result, management may not have oversight of a consistent set of resource information upon which to determine a true resource cost against which to measure benefits.

## *Continuous Auditing: Key Financial Systems - Period One*

Performance has improved this period; the number of exceptions has reduced and all control design findings have been implemented.

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

### *Payroll*

- No exceptions noted.

### *Accounts Receivable*

- No exceptions noted.

### *Cash*

- No exceptions noted.
- Both control design issues from the previous period of testing have been resolved.

### *Accounts Payable*

- 1/20 new supplier forms had not been authorised by a second employee.
- 2/20 supplier amendment forms did not have supporting documentation to confirm that the change was valid and processed accurately.

### *General Ledger*

- 1/25 journals did not have any supporting documentation so we could not confirm if the journal was valid.

# Appendix 1 – Plan Progress

2014/15

Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
<b>Quarter 1: August 2014 – October 2014</b>											
<b>Continuous Auditing: Key Financial Systems - May 2014 to July 2014</b>											
14 (14)	06/08/2014	11/08/2014	22/08/2014	08/09/2014	N/A	1	-	-	-	1	-
<b>Change Programme – Phase 1</b>											
6 (6)	12/08/2014	13/08/2014	04/09/2014	16/10/2014	Medium	5	-	-	2	3	-
<b>Quarter 2: November 2014 – January 2015</b>											
<b>Continuous Auditing: Key Financial Systems - August 2014 to December 2014</b>											
13 (13)	06/08/2014	19/01/2015	28/01/2015	12/02/2015	N/A	3	-	1	1	1	-
<b>Continuous Auditing: Student Data - August 2014 to October 2014</b>											
15 (15)	07/11/2014	10/11/2014	21/11/2014	16/01/2015	N/A	-	-	-	-	-	-
<b>Data Security</b>											
10 (10)	14/01/2015	19/01/2015	23/01/2015	12/02/2015	High	6	-	3	3	-	-
<b>Quarter 3: February 2015 – April 2015</b>											
<b>Continuous Auditing : Student Data - November 2014 to March 2015</b>											
15 (15)	07/11/2014	20/04/2015	08/05/2015	26/05/2015	N/A	-	-	-	-	-	-
<b>Quarter 4: May 2015 – July 2015</b>											
<b>Continuous Auditing: Key Financial Systems - January 2015 – April 2015</b>											
13 (13)	06/08/2014	29/04/2015	08/05/2015	27/05/2015	N/A	-	-	-	-	-	-
<b>Change Portfolio</b>											
9 (9)	08/06/2015	22/06/2015	21/07/2015	17/09/2015	Medium	4	-	-	4	-	-
<b>Risk Management</b>											
10 (10)	18/08/2015	24/08/2015	03/09/2015	09/09/2015	Low	3	-	-	1	2	-
<b>Other</b>											
20 (20)	Planning, contract management, reporting, value for money and follow up										
<b>Total</b>	<b>125 (125)</b>										

2015/16

Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
<b>Quarter 1: August 2015 – October 2015</b>											
<b>Continuous Auditing: Key Financial Systems - May 2015 to July 2015</b>											
14 (14)	06/08/2014	17/08/2015	21/08/2015	08/09/2015	N/A	-	-	-	-	-	
<b>Quarter 2: November 2015 – January 2016</b>											
<b>Management Information: Data Quality</b>											
10 (0)											
<b>Continuous Auditing: Student Data - August 2015 to October 2015</b>											
15 (0)											
<b>HR System Implementation</b>											
10 (0)											
<b>Research and Enterprise Contracts</b>											
10 (10)											
<b>Quarter 3: February 2015 – April 2015</b>											
<b>Continuous Auditing: Key Financial Systems - August 2015 to December 2015</b>											
15 (0)											
<b>Continuous Auditing : Student Data - November 2015 to March 2016</b>											
15 (0)											
<b>Quarter 4: May 2015 – July 2015</b>											
<b>Risk Management</b>											
5 (0)											
<b>Value for Money</b>											
5 (0)											
<b>Information Security</b>											
10 (0)											
<b>Other</b>											
15 (3)	Planning, contract management, reporting, value for money and follow up										
<b>Total</b>	<b>125 (17)</b>										

# Appendix 2 – Follow Up

## Implemented

Review	Agreed action	Risk rating	Status	Original due date
Data Security – 2014/15	We will produce a schedule for regular review and audit of Administration rights and ensure evidence of this is retained.	● <b>Medium</b>	Active Directory (AD) has been audited as of 08/05/2015.  Results of the audit have fed into a remediation process currently with Systems and Network team leader; Sarah Oyet 11/05/2015. In addition, an AD audit policy is being written as part of the overall ICT Auditing policy.  The University is currently operating a 6 month review model, the last review took place in May where the total number of top level administrators was reduced by 9 (from 23 to 14) either through disabling or revocation of rights. This is currently an informal process, it will be integrated into the Account management Policy.	30/06/2015
Data Security – 2014/15	Estates will produce a policy on physical security.  ICT and Estates will work together to identify access rights for all areas holding ICT equipment and ensure that access to these areas is restricted.	● <b>High</b>	Physical access to DC has been restricted to a small number of engineers and technical roles. Access to the DC from third parties is now authorised through Trevor Osbourne and Sarah Oyet and actioned by Security. Security hold a set of visitor cards that have access to the DC.	30/06/2015
Data Security – 2014/15	We will agree responsibilities for policy making in this area and consolidate all current documents into one. This will include reviewing our encryption policies and assessing the use of the disclaimer form to 'opt out' of encryption and determine whether this is allowable going forward.  We will review the listing of incomplete encryptions and remind users to ensure that these are up-to-date so they are actively encrypted.	● <b>High</b>	<u>Policies and Procedures</u>  The password policy has been rewritten, awaiting formal acceptance and adoption by the business. As this is an ICT policy, approval is only necessary from Head of Information Security, Head of ICT and Director of Digital. However, as this is an operational policy it will be necessary to put this in front of team leaders for helpdesk, network and server support before adoption to ensure compliance and compatibility. The password policy is being ratified at the next ARR senior management team meeting on 08/09/2015.	30/06/2015



	<p>This will include ensuring that accountability for data loss is understood at individual level.</p>		<p>Technical restrictions in the CAMs system means the University can't enforce complex passwords and the University is currently looking for a technical solution. There isn't an indicative date for the password complexity issue in CAMs, however that problem should be solved by the wider implementation of IAMs/ISIM. If the complexity problem hasn't been solved by the implementation of IAMs/ISIM, we'll move forwards with increasing the password length instead.</p> <p><u>Domain users</u></p> <p>The overall number of domain administrators has been reduced from 23 to 15.</p> <p><u>Encryption</u></p> <p>The decision has been made that no further 'opt-outs' will exist for the encryption policy, all staff will have encrypted machines unless a severe technical limitation exists.</p> <p>In addition the Encryption policy is currently in draft, awaiting review from stakeholders in the ICT services and ARR teams on 08/09/2015.</p>	
<p>Business Continuity – 13/14</p>	<p>We will develop a detailed programme plan with completion dates for approval by the Business Continuity Steering Group (BCSG). Achievement against this will be monitored via a high level RAG chart which will be published periodically to relevant parties.</p> <p>The BCSG Terms of Reference will be updated to reflect a wider scope of activities. This will include coordination of exercises and review of business continuity risk. To be incorporated within suggested management action #1. The production of a BCM programme plan, aligned to the strategy identified in the BCM Framework will provide a clear indication of the activities required. The BCSG will manage an actions log to ensure delivery of the programme, holding management to account where activities are not completed and escalating issues where required.</p>	<p>● <b>Medium</b></p>	<p>The meeting of the BCSG in June identified that dashboard data and rag rating reports about Business Continuity will be supplied to and monitored by the Executive Operations Group on a quarterly basis.</p> <p>In addition, Business Continuity will feature in the Annual Health, Safety and Resilience Report which is submitted to the Executive Operations Group and then the Board of Governors in July each year.</p> <p>A decision was made that the strategic overview of BC Risks, scenario testing programme plans and the results of any such tests and management direction will be overseen by the Executive Operations Group.</p> <p>The first report will be provided to the Executive Operations Group in November 2015.</p> <p>A programme of scenario testing has commenced, with exercises taking place on 4 August, 5 August, 12 August and 14 August across each of the 4 Halls of Residence.</p>	<p>30/09/2014 31/01/2015 30/06/2015</p>

<p>Business Continuity – 13/14</p>	<p>Strategic Business Impact Analyses will be conducted involving senior management to identify which products and services should be prioritised for recovery. Recovery objectives will be agreed. This will drive the top down approach to ensuring support of the University’s overarching and strategic capabilities</p> <p>As previously planned, recovery point objectives (RPOs) will now be included within business impact analyses (BIAs). Once all BIAs and BCPs have been completed, the results of these will be consolidated for ICT in order to provide clearer guidance in respect of RPOs.</p> <p>A BCM Risk Register will be maintained and reviewed as a standing item at the BCSG. We will use the University’s 4Risk software to establish a risk register as a basis for further decisions and action.</p>	<p>● <b>Medium</b></p>	<p>The BCSG agreed a prioritised order of Recovery in June 2015. The Business Continuity Co-Ordinator will be working with the new School Executive Administrators who came into post on 1 August to ensure RPOs are included in BIAs. This will be completed by November 2015.</p> <p>The Executive Operations Group will receive quarterly information on the status of all aspects of Resilience Planning.</p> <p>Following the restructure from faculties into schools, the BCM Risk Register will now be monitored by the Executive Operations Group (EOG) and forms a part of a data dashboard approach.</p> <p>The first business continuity management risk report is scheduled for November. Entries will be made to the 4-Risk system following confirmation.</p> <p>The ongoing analysis of business continuity risks is being incrementally cascaded to the newly created School Executive Administrators (SEAs) and professional service group equivalents. The BCSG has already identified the critical University activities, as per 3.0 within the attached BCM steering group recommendations. Key risk dependency elements of these have been identified as:</p> <ul style="list-style-type: none"> <li>• Loss of Premises</li> <li>• Loss of IT systems</li> <li>• Unavailability of people</li> <li>• Third party supplier failure</li> <li>• Other school specific potential incidents.</li> </ul> <p>Critical business impact analyses and business continuity plans are already in place.</p> <p>The BCM Risk Register will include:</p> <ul style="list-style-type: none"> <li>• BC plans are in place and are reviewed on a regular basis</li> <li>• Schools Executive Administrators and Professional Service Group equivalents have a suitable forum for discussing BC</li> <li>• A system is in place to carry out scenario testing and to report lessons learned.</li> </ul>	<p>31/12/2014 30/06/2015</p>
------------------------------------	--	----------------------------	---	----------------------------------

## Closed

Review	Agreed action	Risk rating	Status	Original due date
Change Programme – 2014/15	<p><b>PwC recommendation</b></p> <p>We would suggest that management:</p> <p>A) Expand the Risk and Issues Log to include (for Risks):</p> <ul style="list-style-type: none"> <li>• The risk cause (to supplement the risk description);</li> <li>• The treatment strategy (for example “Tolerate” or “Accept”);</li> <li>• The date of next required review (for each Risk); and</li> <li>• Any related issues.</li> </ul> <p>B) Expand the Risk and Issues log to include (for Issues):</p> <ul style="list-style-type: none"> <li>• Issue category (for example “Technical issue” or “Resource issue”);</li> <li>• The effect of the issue (to supplement the issue description);</li> <li>• The date by which the mitigation action should be completed (for every Issue); and</li> <li>• Any related risks.</li> </ul> <p><b>Management response</b></p> <p>We do not agree that adding these fields will strengthen our risk/issue approach, but will complicate it. The risk/issue management approach is designed to focus on specific problem and practical responses, rather than the more theoretical elements, for example treatment strategy. The date of the next risk review is always the next Programme Board, and dates for mitigation actions are set and tracked.</p>	<p>●</p> <p><b>Low</b></p>	<p>Management did not accept this finding. As such we have reflected this in our Annual Internal Audit Opinion and closed this finding.</p>	<p>31/12/2014</p>

# Appendix 3 – Recent PwC publications

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PwC PSRC produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

## *Pioneering the future: what you need to know about international working*



In an increasingly global world, the higher education sector in the UK is looking at opportunities for international expansion. However many institutions are unaware of the governance and regulatory requirements that they must comply with. This short video gives you the guidance and advice you will need for your pre-market entry strategy, to ensure success in your international venture.

<http://www.pwc.co.uk/government-public-sector/education/pioneering-the-future-of-higher-education-what-you-need-to-know-about-international-working.jhtml>

## *HE Matters: Spring 2015*

In this spring 2015 edition of HE Matters, we have articles considering the VAT minefield when delivering education across international borders, our annual look at the emerging themes from HE Audit Committees, and we highlight potential claims that can be made from Research & Development Expenditure Credit (RDEC).

<http://www.pwc.co.uk/government-public-sector/education/he-matters/index.jhtml>



We are happy to provide full electronic or hard copy versions of these documents at your request.

All publications can be read in full at [www.psrc.pwc.com](http://www.psrc.pwc.com).



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

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

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

	PAPER NO: AC.33(15)
Paper title:	14/15 Internal Audit: Review of Risk Management.
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	PricewaterhouseCoopers, Internal Auditors
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide the internal audit report into the adequacy of Risk Management activity at LSBU.
Recommendation:	That the committee note this report

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

### **Executive Summary**

The attached report provides the results of this review of Risk Management – undertaken as part of the planned LSBU internal audit continuous audit programme in 14/15.

The report classification is low risk, and contains three recommendations. These relate to the:

- risk strategy and process clarity
- timeliness of review of operational risk registers

process for reviewing those operational risk registers and minuting agreed actions.

*Internal Audit  
Report 2014/2015*  
Risk Management  
FINAL

September 2015

London South Bank  
University

# Contents

<b>1. Executive summary</b>	<b>4</b>
<b>2. Detailed current year findings</b>	<b>5</b>
Appendix 1. Basis of our classifications	9
Appendix 2. Terms of Reference	11
Appendix 3. Limitations and responsibilities	14

## Distribution List


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

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

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



# 1. Executive summary

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
<b>Low Risk</b>  	N/a – our 2013/14 review did not have the same scope.						
		<b>Control design</b>	0	0	0	1	0
		<b>Operating effectiveness</b>	0	0	1	1	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>0</b>

## Summary of findings

### Background

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

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

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

### Key findings

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

- Roles and responsibilities for risk management are defined with dedicated Risk Champions who maintain oversight of organisational risks and the Executive Board assuming responsibilities for corporate risks.
- The corporate risk register is reviewed and discussed at monthly Operations Board meetings and there is a process in place to escalate fundamental organisational risks up to Executive level;
- LSBU have a Risk Strategy and Risk Appetite statement in place.

We have identified the following areas where improvements could be made:

- Although there is a Risk Strategy in place, this could be updated to include further information to provide more clarity to users. For example, how risk management is used to inform decision making, how key organisational risks should be escalated and outlining how risks are managed at a project and contract level. **See finding #1.**
- We tested a sample of 5 Professional Service Department (PSD) and 2 School operational risk registers to confirm that these were being completed in full and reviewed on a timely basis. We identified a number of instances where the risk registers did not appear to be complete or had not been reviewed for over six months. **See finding #2.**
- We tested a sample of meeting minutes to confirm that risks were being proactively managed, in line with the Risk Strategy. We found that some meeting minutes were incomplete and format of meeting minutes can vary. **See finding #3.**

## 2. Detailed current year findings

### 1. Risk Strategy – Control Design

#### *Finding*

The Risk Strategy (the Strategy) states that monthly assessment of risk exposure should be made by the Executive and reported to the Audit Committee and Board of Governors. It also states that risks from operational risk registers maintained by Schools and PSDs should be escalated by Risk Champions through the normal structure of Executive team meetings but that matters of a fundamental nature should be reported immediately.

However, the Strategy does not define what a 'fundamental' risk is.

In addition, while the Strategy identifies the key stages of the Risk Management process and its objectives it does not explain how risk management is used to inform decision making. The Strategy could include a section to outline how the information is used so users can see the benefit of implementing the Strategy.

We also noted that there is no reference to how risks should be managed for projects and programmes or contracts and that the Strategy needs to be updated to reflect the 15/16 planning approach: the current Strategy states that risks are identified and managed as part of the business planning process and the top three risks should be identified in the 14/15 business plans; from discussion with management, we have noted that LSBU has moved to Local Delivery Plans, and the visions developed by each area of the University have identified top 3 challenges, which present risks to local objectives. The Strategy needs to be updated for this.

#### *Risks*

Users may not understand how to identify 'fundamental' risks. This could mean that organisational risks which impact corporate risks are not managed effectively, for example through duplication of controls.

If the benefits of risk management, and how it supports decision making, are not defined then users will not see the benefits of following the process. This may mean resources are managed ineffectively, for example through using risk management as a 'tick box' exercise, rather than directing how resources are used.

Risks at a programme and contract level may be managed inconsistently with corporate and organisational risks.

The Strategy is not up-to-date. This could mean users adopt inconsistent procedures meaning that risks are not managed in line with agreed procedure and potentially ineffective risk management processes are used.

#### *Action plan*

#### *Finding Rating*

**Low Risk**



#### *Agreed Action*

Produce revised risk strategy addressing these issues including a section linking the Strategy to the latest business planning process.

#### *Responsible person / title*

John Baker, Corporate & Business Planning Manager

#### *Target date*

30 November 2015

#### *Reference number*

1

## 2. Organisational Risk Registers – Operating Effectiveness

### Finding

Organisational risk registers are maintained at a PSD and School level. We tested a sample of 5 PSDs and 2 Schools to confirm that these are being completed fully and updated on a regular basis.

During testing we found the following exceptions:

#### Timeliness of review

Some risks do not appear to have been reviewed for over 6 months, for example:

- Estates and Academic Environment - 48/49 risks have not been reviewed since January.
- Knowledge Transfer - 14/25 risks have not been reviewed since October 2014. 10/14 have the risk owner Tim Gebbels but this individual has left the University
- Marketing and Engagement- 1/7 risk has not been reviewed since 27/01/2014.
- Academic Related Resources - The risk register does not appear to have been updated since 19/01/2015 and 1/7 risks does not appear to have been updated since 22/10/2015. 2 risks have actions which are required to be implemented during 2012, however it is unclear whether these actions have been completed or not.
- Engineering - The risk register does not appear to have been updated since 27/01/2015.

#### Completeness

The controls column is incomplete for 1 risk on the Marking and Engagement Risk Register (One Data Set).

#### Risk identification

A number of the risks including on the risk registers sampled are not 'true risks'. For example:

Marketing and Engagement includes the following as a 'risk' on the risk register:

- *Maintain HTS status with UKVI.*

This is an objective not a risk; a risk is something that may prevent the achievement of an objective.

An alternative risk which could be used is:

- *Failure to retain appropriate supporting documentation for international students.*

Business and Engineering includes the following as a 'risk' on the risk register:

- *Student Tracking and Retention Data.*


This is a risk title/area not a risk. Instead, the School should define what its objective is, for example, *to maintain complete, accurate data to track student retention rates*, and then consider what scenarios would prevent this from being achieved.

### Risks

Incomplete risk registers could indicate that risks are not being proactively managed. This could expose the University to risk.

If risks are not monitored on a timely basis, the risk profile may be incorrect meaning LSBU cannot appropriately assess threats or vulnerabilities.

If risks are not clearly defined and aligned to objectives then inadequate controls may be implemented. This could mean the risk profile is over or under stated and managed inappropriately. Alignment of individual risks to objectives, will allow the organisation to prioritise and focus on critical risks.

<i>Action plan</i>		
<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<p><b>Medium Risk</b></p> 	<p>2.1 Implement updated 4-Risk platform, with new risk review functionality.</p> <p>2.2 Ensure the revised Risk Strategy and related training material explains the nature of risk and links to objectives more explicitly.</p> <p>2.3 Deliver training to all risk owners on the updated 4-Risk system.</p>	<p>John Baker, Corporate &amp; Business Planning Manager</p> <hr/> <p><i>Target date</i></p> <p>2.1 31 December 2015</p> <p>2.2 30 November 2015</p> <p>2.3 31 March 2016</p> <hr/> <p><i>Reference number</i></p> <p>2</p>

### 3. Risk review – Operating Effectiveness

#### *Finding*

The Strategy states that the monthly Executive performs a Quarterly Risk Review which is undertaken by a subgroup of the Executive ahead of the Audit Committee and the Board of Governors meetings. Minutes from this exercise are not maintained because it is not a formal process, however the Strategy does not state this.

In addition, Business Review Meetings should occur quarterly for each of the PSDs and Schools. We were supplied with the last available set of minutes from this exercise for each PSD and School sampled. We noted:

- The format of the minutes varies by School and PSD and could be standardised for consistency.
- The most recent set of minutes which could be obtained for the School of Business, School of Engineering and University Experience Group were dated November 2014. Finance & Management Information and Marketing & External Engagement are dated January 2015.

Risk management is also integrated within the business planning process and the top 3 risks should be reflected in the 14/15 Business plans. We noted that no risks had been included in the University Enterprise 14/15 Business Plan.


#### *Risks*

Lack of documented minutes could mean management is unable to trace why certain management decisions have been made.

Inconsistent meeting minutes could indicate risks are not being managed in a consistent manner. This could mean the University's preferred approach is not being used, meaning risk management is not as efficient and effective as it could be.

If risks are not monitored on a timely basis, the risk profile may be incorrect meaning LSBU cannot appropriately assess threats or vulnerabilities.

#### *Action plan*

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<b>Low Risk</b>  	3.1 We will update the Strategy so it is consistent with our new processes.	John Baker, Corporate & Business Planning Manager
	3.2 We will develop a meeting action pro forma for use in review meetings.	<i>Target date</i>
	3.3 Our new process for business planning will ensure that risks are captured as part of this process.	3.1 30 November 2015 3.2 30 November 2015 3.3 With Immediate Effect
		<i>Reference number</i>
		3

# Appendix 1. Basis of our classifications





## A. Individual finding ratings

Finding rating	Points	Assessment rationale
<b>Critical</b>	40 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</li> <li>• <b>Critical</b> monetary or financial statement impact of £5m; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.</li> </ul>
<b>High</b>	10 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</li> <li>• <b>Significant</b> monetary or financial statement impact of £2m; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.</li> </ul>
<b>Medium</b>	3 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</li> <li>• <b>Moderate</b> monetary or financial statement impact of £1m; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.</li> </ul>
<b>Low</b>	1 point per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</li> <li>• <b>Minor</b> monetary or financial statement impact £500k; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.</li> </ul>
<b>Advisory</b>	0 points per finding	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

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

## Report classifications

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

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

# Appendix 2. Terms of Reference

*Terms of reference* – *Risk Management*

**To: John Baker** – **Corporate and Business Planning Manager**

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

This review is being undertaken as part of the 2014/2015 internal audit plan approved by the Audit Committee.

## Background

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

Effective risk management has numerous benefits. These include:

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

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

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

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

**x** = area of primary focus

x = possible area of secondary focus

## Scope

We will review the design and operating effectiveness of key controls in place relating to Risk Management during the period 2014/15.

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

Sub-process	Key control objectives
Risk Strategy	<ul style="list-style-type: none"> <li>• Vision, commitment and ownership of risk management are defined within the University.</li> <li>• Roles and responsibilities are clearly defined.</li> <li>• Risks – at a Corporate, Professional Services and School level - are aligned to the University’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</li> </ul>



	<ul style="list-style-type: none"> <li>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 University, with key partners and is a continuous process.</li> <li>There is clear ownership and responsibility for managing key risks in the various Schools and Professional Services and related actions.</li> <li>There are mechanisms in place to ensure that significant risks identified at a project level are also recognised at a corporate level (where appropriate).</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>

### Limitations of scope

Our work is limited to those areas outlined above. This work will include testing the Corporate Risk Register and a sample of Professional Services and School Risk Registers to confirm operation of controls identified as part of fieldwork.

This will not include risk management processes for projects or contracts. We will not test any Project or Contract Risk Registers. Our work in this area is limited to understanding the protocols in place to ensure all risks are captured, identified, escalated and monitored in accordance with University policy.

### Audit approach

Our audit approach is as follows:

- Obtain an understanding of risk management processes through discussions with key personnel and review of key documentation;
- Identify the key risks surrounding programme management governance;
- Evaluate the design of the controls in place to address the key risks
- Test the operating effectiveness of the key controls (where appropriate to do so).

### Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
Charlotte Bilsland	Engagement Manager	07715 484 470 charlotte.bilsland@uk.pwc.com
Lucy Gresswell	Engagement Supervisor	lucy.gresswell@uk.pwc.com

### Key contacts – London South Bank University

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

### *Timetable*

Fieldwork start	24/08/2015
Fieldwork completed	04/09/2015
Draft report to client	04/09/2015
Response from client	10/09/2015
Final report to client	14/09/2015

Agreed timescales are subject to the following assumptions:

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

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

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

We have undertaken the review of Risk Management subject to the limitations outlined below.

### ***Internal control***

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

### ***Future periods***

Our assessment of controls is for the period 2014/2015 only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

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

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

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

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



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

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

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

	PAPER NO: AC.34(15)
Paper title:	14/15 Internal Audit: Change Portfolio Transition Review.
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	PricewaterhouseCoopers, Internal Auditors
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide the second phase internal audit report into the transition from Change Programme to Portfolio.
Recommendation:	The Executive recommends that the committee note this report

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

### **Executive Summary**

The attached report provides the results of this second phase review of the remaining projects from Change Programme – now being managed as a Change Portfolio.

The audit found some areas of good practice, but identified four key findings and has rated the report classification as medium risk.

The findings relate to the Portfolio scope and remit and utilisation of lessons learned, an incomplete approach to benefits articulation and assessment, lack of stakeholder engagement in project development and delivery and inconsistent resource identification and justification processes.

# *Internal Audit Report 2015/2016*

## Change Portfolio

September 2015

London South Bank  
University

# Contents

<b>1. Executive summary</b>	<b>4</b>
<b>2. Detailed current year findings</b>	<b>6</b>
Appendix 1. Basis of our classifications	12
Appendix 2. Terms of Reference	14
Appendix 3. Limitations and responsibilities	17


## Distribution List

For action:	Dave Phoenix (Vice Chancellor and Audit Sponsor) Richard Flatman (Chief Financial Officer) John Baker (Corporate & Business Planning Manager) Tom Kelly (Corporate PMO and ICT Customer Engagement Manager)
For information:	Audit Committee

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

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

# 1. Executive summary

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
<b>Medium Risk</b> 	Not applicable - the Change Portfolio has replaced the Change Programme (reviewed in 2014). This has meant that a comparison cannot be made as systems and processes have been, and continue to be replaced.	<b>Control design</b>	0	0	4	0	0
		<b>Operating effectiveness</b>	0	0	0	0	0
		<b>Total</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>

## Summary of findings

### Background

London South Bank University's Corporate Strategy for 2015-2020 states that, by 2020, London South Bank University will be London's top modern university. The Corporate Strategy describes 'Student success', 'Real world impact', 'Access to opportunity' and 'Strategic enablers' as the outcomes of this Corporate Strategy and defines 8 goals, backed by various performance metrics, which will be used to measure success.

London South Bank University introduced a 'Change Programme', in 2014, to support the delivery of some key projects, and to oversee the delivery of some key strategic activity which contributed to the objectives of the Corporate Strategy 2015-2020.

The programme was made up of 17 constituent parts, each aligned to a particular strategic goal; the programme was therefore a specific group of development projects and other activities intended to deliver short term transition in order to provide some of the key foundations for the strategy to be introduced and implemented.

Following completion of an initial wave of projects, LSBU has transitioned from a single, central programme to implement a portfolio management approach, to provide oversight and support to relevant transformational projects across the organisation. The Portfolio Management Office (PMO) oversees the ongoing projects from the change programme, and supports the development of projects that are new or had not initiated during the operation of the change programme

For the purposes of this report, the University's transition away from the previous Change Programme and the current oversight by the PMO will be referred to as the "Portfolio".

From our conversations with the Portfolio Management Team (The PMO), we understand that the Portfolio is responsible for the following three key activities:



1. Assisting with the development and initiation of change projects during their pre-project design and approval stage ('Pre-project support');
2. Providing ongoing oversight of project management activity during their project delivery stage ('Project oversight'); and
3. Overseeing project close-down activities during their project closure stage ('Project close-down support').

### ***Our Approach***

As part of our review we found that management were in the process of fully defining the three key activities undertaken by the Portfolio, and the finalisation of the planned scope of control and related accountabilities and responsibilities is our main finding, see finding one. In order to further support the development of portfolio controls we reviewed the controls in place for the risk areas in the terms of reference at a project level for four organisational change projects (International Applications, Data Quality, League Table and Portfolio Review) to identify any gaps that management may wish to consider during introduction at the portfolio level as part of the finalisation of the Portfolio remit.

We note that the projects utilised in our sample were approved, and in some cases completed, under previous control environments i.e. the change programme. We have therefore sought to test whether the issues identified would have been addressed by the current Portfolio arrangements and, if not, noted the issues contained within section two below.

### ***Key findings***

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

- The Portfolio itself was established as an interim vehicle to ensure that there remained controls in place whilst the new programme and project management office was developed; and
- Resource requirements identification and justification for the International Applications project demonstrates particular good practice, the learning of which could be applied across other projects in the future.

However, there are some areas for improvement.

- **Portfolio scope and remit** - we found that, while the Portfolio's role was well understood, the key supporting activities that underpinned this role were not fully defined at the time of our fieldwork. Without this in place, management were not supported in ensuring a clear and consistent understanding of the controls the Portfolio management team was intended to own and provide, and that there were not processes in place to ensure that lessons learnt would be captured to support continuous improvement and the development of the new programme and project management office;
- **Benefits management** - we identified scope to strengthen the benefit management controls across the Portfolio and the composite projects. In particular relating to guidance for benefit identification, benefits reporting and the demonstration of benefits realisation. Without these areas management may not be able to ensure that the Portfolio activities support the realisation planned project benefits;
- **Stakeholder engagement during project approval process** – we were unable to identify within the approval documentation reviewed how stakeholders had been involved and engaged throughout the approval process for projects. This may mean that the Portfolio management team is not able to determine to what extent the relevant stakeholders have endorsed the design or purpose of the planned projects and, consequently, how likely they were to support the projects as they progress; and
- **Resource identification and justification** - From the four project approval documents we reviewed, we were unable to identify a consistent approach to reporting and specifying project resource requirements to the management team. As a result, management oversight of resource information did not provide a complete resource cost against which to measure benefits across all projects.

## 2. Detailed current year findings

### 1. Portfolio Scope and Remit – Control Design

#### *Finding*

The Portfolio's role and remit were not fully defined at the time of our fieldwork and there were not processes in place to ensure that lessons learnt would be captured to support continuous improvement.

#### *Scope and Definition of the Portfolio*

We were unable to identify documentation which sets out the detail of the Portfolio Management Team's planned accountabilities and responsibilities. This will be a key part of the portfolio control environment and will support management in ensuring there is a clear and consistent understanding of what documents and decisions need to be sent to the Portfolio's Corporate Delivery Board, to ensure that they are able to utilise it to control project delivery effectively.

In particular management should set out the Portfolio Management Teams' roles and responsibilities for:

- Benefit Management;
- Stakeholder engagement; and
- Resource management.

*We note that the Portfolio's role is set out in the Portfolio Approach document. However, this sets out a high level summary of the role of the Portfolio management team, but does not include specific detail, for example:*

- *When the areas included are intended to be mandatory controls;*
- *Where these will need to be scaled to project size; and*
- *Where they are intended as an advisory function.*

#### *Lessons learnt activities*

The Portfolio management team was not, at the time of reporting, stipulating its expected requirements for project lessons learnt activities at the point of project closure. This meant that the Portfolio was not best-placed to carry out / oversee the in-depth review of lessons that had been learnt by the projects, and therefore may not be able to ensure that these lessons are exploited and factored into the planning of future projects.

In particular, the Portfolio was not defining the following key expected standards for lessons learnt activity:


- Frequency / timescales;
- Content of activity;
- Expected outputs; and
- Whether the activities would be managed centrally or by the local academic working groups.

#### *Risks*

Portfolio ownership and responsibility may be unclear without a clear definition of the intended roles and accountabilities of the Portfolio Management Team and the Portfolio may not have a clear enough mandate to be able to operate effectively across the range of future projects. Without formalised lessons learnt activities,

which are linked into the project closure process, the portfolio will not be best placed to exploit opportunities or mitigate issues which may be common and therefore perhaps applicable to future projects.

*Action plan*

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<p><b>Medium Risk</b></p> 	<p><b>Portfolio Mandate and project management approach</b></p> <p>As noted in the Executive Summary, the role of portfolio management is clear – to provide oversight and support to development (or transformational) projects. Roles and accountabilities will not be developed further at this level.</p> <p>Activity is focussed on:</p> <ul style="list-style-type: none"> <li>• Establishing a best-in-class project management approach, detailing roles, accountabilities and controls on development projects across LSBU – building on the best practice approach recently introduced in ICT and existing practice across the university</li> <li>• Benefits approach, stakeholder engagement process, and resource management approach (detailed against relevant findings, further in this document)</li> <li>• Implementation of a 12-month project review process, including lessons learnt process. This is planned for projects delivered within the Change Programme, and will be detailed, with clear roles, responsibilities and outputs, in the LSBU project management approach.</li> </ul>	<p>Tom Kelly, ICT Customer Engagement Manager</p> <hr/> <p><i>Target date</i></p> <p>30/11/2015</p> <hr/> <p><i>Reference number</i></p> <p>1</p>

## 2. Benefits Management – Control Design

### *Finding*

We found scope to strengthen the benefit management controls across the Portfolio and the continuing change programme projects. In particular relating to:

- Guidance for benefit identification;
- Benefits reporting; and
- The demonstration of benefits realisation.

### *Guidance for identifying project benefits*

The project sample reviewed did not have a standard and complete approach to the identification of benefits to ensure they would be planning to demonstrate tangible, measurable benefits. As a standard heading within project approval documentation, we noted that project teams were required to provide details of the 'Organisational Improvements' that their projects would deliver. However, there was no guidance as to how an organisational improvement would constitute a measurable benefit i.e. one that could be tracked for progress and attributed to an individual for accountability and how this should be linked to the organisation's aims. As a consequence, we noted that some projects identified organisational improvements, but did not specify how they would measure success, and who was accountable for doing so. For example:

- The International Applications project had not specified baselines, targets or planned dates for realisation for two of the four organisational improvements;
- The Data Quality project had not specified baselines, targets or planned dates for realisation for all five organisational improvements;
- The League Table Review project had not specified baselines, targets and planned dates for realisation for four of the five organisational improvements; and
- The Portfolio Review project had not specified baselines and targets for three of the four organisational improvements or target dates for realisation for all four organisational improvements.

At the time of reporting, the Portfolio management team had not provided guidance to projects on how to identify and define benefits in order to ensure that benefits realisation activities could be managed successfully. Through the inclusion of this in the Portfolio office's role and remit management could reduce the risk of not being able to fully demonstrate the planned benefits of its projects.

*It should be noted that management have reported that the four projects specified above were recognised as having achieved their intended impact by the Change Programme Board. However, as the portfolio moves forward, there is an opportunity to strengthen controls against these gaps (see recommendations made, below).*

### *Project reporting template content*

At the time of reporting, the project highlight reporting templates (contained within the Portfolio's "Management Packs") did not have the functionality to support reporting on the realisation of project benefits achieved during the project delivery phase, and whether remaining benefits are on-track to be delivered to the timescales and extent that the approval process proposed (via RAG ratings and supporting narrative, or otherwise).

### *Completion of project close down certificates – benefits realisation*

Within the closure certificate / report template that is provided by the Portfolio management team to projects, there is a requirement for projects to report on "Transition to business as usual, benefits realisation". This provides projects with the opportunity to report on the extent to which the agreed planned benefits have been realised. We reviewed closure certificates / reports for each of the four change projects that we reviewed and noted the following areas that were incomplete:

- The League Table Review project provided a list of deliverables / outcomes (and associated owners); however, it did not specify which benefits had been realised;
- The Portfolio Review project provided a list of deliverables / outcomes (and associated owners);

however, it did not specify which benefits had been realised;

- The International Applications project highlighted how benefits had been achieved for only two of its four identified benefits. Furthermore the closure report did not discuss whether these benefits had been realised on, ahead or behind the target date, or to what extent they had been realised; and
- The Data Quality project closure report did not report on benefits realisation.

*We note that the portfolio was, at the time of reporting, in the process of implementing a revised project closedown process. We understand that this was intended to include a 12-month review period to assess the realisation of benefits.*

### *Risks*

Without a clear understanding of anticipated benefits/non-benefits, as well as the assumptions underpinning them, the portfolio team will be unable to make appropriate decisions as to whether or not a project is approved. If benefits are not clearly defined and measurable at the project approval stage, it will be difficult for management to ensure that the portfolio activities will support the realisation of the relevant elements of the Corporate Strategy or transformation agenda.

### *Action plan*

#### *Finding Rating*

#### *Agreed Action*

#### *Responsible person / title*

**Medium Risk**



As noted above, projects within the Change Programme achieved their specified deliverables, assessed and approved by the Programme Board (Executive). Benefits noted at initial project approval will be achieved after a period of months and years, and will be monitored – the completion of the KPI reporting tool, the final deliverable of the performance reporting project, in October 2015, enables benefits monitoring.

Tom Kelly, ICT Customer Engagement Manager

#### *Target date*

30/11/2015

#### *Reference number*

2

#### **Guidance for identifying project benefits:**

Alongside the implementation of the LSBU project management approach, a strategy and guidance for the definition, identification and specification of benefits is in development. This will support the creation and approval of business cases for investment.

**Reporting:** Benefits monitoring has now been built into monthly project reports, and an online reporting process is in development.

**Project closedown reports – benefits realisation:** Within the 12-month project review process (noted against the previous finding), all identified benefits will be assessed to ensure they have been delivered or are on track. Guidance and oversight will ensure a consistent approach across LSBU projects.

### 3. Stakeholder Engagement During Project Approval Process – Control Design

#### *Finding*

We were unable to clearly see within the approval documentation reviewed for the change projects, how management ensured that stakeholders had been involved and engaged throughout the project development process. This may mean that, for future projects, the Portfolio management team and CDB would not be best-placed to determine to what extent the relevant stakeholders have endorsed the design or purpose of the projects and, consequently, how likely they were to support the project, in its current iteration, as the project entered its delivery phase.

At the time of reporting, the previous programme required projects to answer a short ‘yes or no’ statement on whether stakeholders had been engaged in the design of the projects’ approval documentation. As a consequence, the project approval process did not require project teams to notify the portfolio team:

- Which stakeholder groups were engaged and to what extent;
- How stakeholders were engaged;
- Whether the stakeholders presented agreed with the proposed scope and if not, why not; and
- How the views of stakeholders were taken into account in developing the project’s business case.

#### *Risks*

If stakeholders have not been appropriately engaged, consulted and their views incorporated throughout the business case development process then management may not be able to get comfort that the proposed scope and anticipated benefits are fit for purpose for the organisation.

#### *Action plan*

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
-----------------------	----------------------	-----------------------------------

**Medium Risk**



*LSBU Management Response*

**Stakeholder Engagement**

Effective stakeholder management will be built into the LSBU project management approach. Initial engagement will be ensured through planned development of the business case process: a ‘greenlight’ stage is being proposed to Executive in October 2015, which ensures that opportunities identified and shared with all relevant stakeholders before business cases are developed. Business owners, stakeholders and support groups will then be involved throughout development. This will also support the pipeline approach, tracking prospects (opportunities) and projects, recently instituted in key teams including ICT and Research & Enterprise.

Tom Kelly, ICT Customer Engagement Manager

John Baker, Corporate & Business Planning Manager

*Target date*

30/11/2015

*Reference number*

3

## 4. Resource Identification and Justification – Control Design

### *Finding*


From the four project approval documents we reviewed, which were produced during the operation of the change Programme, we were unable to identify a consistent approach to reporting and specifying project resource requirements to the programme team. We recognise that these were not required for all of the projects in the Change programme, but going forward this could mean that , management mightnot have oversight of consistent sets of resource information upon which to determine a true resource cost against which to measure benefits. For example, the following information was not routinely provided within the documentation reviewed:

- The estimated cost of any external resources / hires required to meet resource requirements. As a result, this information was only provided by the Portfolio Review project;
- Recommendations for making internal versus external resource decisions (where applicable). As a result, this information was only provided by the International Applications project.

### *Risks*

Without a consistent approach to resource identification and justification at project approval stage, it will be difficult for management to accurately compare resource requirements, and identify gaps in resourcing, for the effective delivery of transformation and change activities across the organisation.

### *Action plan*

<i>Finding Rating</i>	<i>Agreed Action</i>	<i>Responsible person / title</i>
<p><b>Medium Risk</b></p> 	<p><i>LSBU Management Response</i></p> <p>This finding is partial, as the projects reviewed were delivered using business-as-usual resources. Use of these resources was overseen by the Programme Board, and any pressures incurred on other operations managed through the risk and issue escalation process. Projects requiring additional resources (eg EDISON projects) were subject to full and proper controls. However, development is planned to enhance this approach.</p> <p><b>Resource Identification and Justification</b></p> <p>Business cases for technical projects now reflect business-as-usual and additional resources required, identifying true project costs and enabling a full cost-benefit analysis. Alongside the development of benefits identification, this approach will be built into the business case process for development projects across LSBU.</p>	<p>Tom Kelly, ICT Customer Engagement Manager John Baker, Corporate &amp; Business Planning Manager</p> <p><i>Target date</i></p> <hr/> <p>30/11/2015</p> <p><i>Reference number</i></p> <hr/> <p>4</p>

# Appendix 1. Basis of our classifications

## A. Individual finding ratings





Finding rating	Points	Assessment rationale
<b>Critical</b>	40 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance resulting in inability to continue core activities for more than two days; or</li> <li>• <b>Critical</b> monetary or financial statement impact of £5m; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences over £500k; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability, e.g. high-profile political and media scrutiny i.e. front-page headlines in national press.</li> </ul>
<b>High</b>	10 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance resulting in significant disruption to core activities; or</li> <li>• <b>Significant</b> monetary or financial statement impact of £2m; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences over £250k; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation, resulting in unfavourable national media coverage.</li> </ul>
<b>Medium</b>	3 points per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance resulting in moderate disruption of core activities or significant disruption of discrete non-core activities; or</li> <li>• <b>Moderate</b> monetary or financial statement impact of £1m; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences over £100k; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation, resulting in limited unfavourable media coverage.</li> </ul>
<b>Low</b>	1 point per finding	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance resulting in moderate disruption of discrete non-core activities; or</li> <li>• <b>Minor</b> monetary or financial statement impact of £500k; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences over £50k; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation, resulting in limited unfavourable media coverage restricted to the local press.</li> </ul>
<b>Advisory</b>	0 points per finding	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

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



## *Report classifications*

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

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

# Appendix 2. Terms of Reference

## Final Terms of reference – Change Portfolio

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

This review is being undertaken as part of the 2014/2015 internal audit plan approved by the Audit Committee.

### Background

London South Bank University's Corporate Strategy for 2015-2020 states that, by 2020, London South Bank University will be London's top modern university. The Corporate Strategy describes 'Student success', 'Real world impact', 'Access to opportunity' and 'Strategic enablers' as the outcomes of this Corporate Strategy and defines 8 goals, backed by various performance metrics, which will be used to measure success.

In order to achieve these goals, London South Bank University had introduced a 'Change Programme', in 2014, to support the delivery of all objectives of the Corporate Strategy 2015-2020. The programme was made up of 17 composite projects, each aligned to a particular strategic goal. However, the University has recently dissolved the formal Programme governance mechanism, and has instead handed the ownership of the 10 remaining projects back to the departments to which they fit by the nature of their proposed outcomes. A less formal reporting mechanism remains in the form of a de facto Portfolio Management Office (PMO), which has the responsibility for reporting on the progress of the 10 projects to the Corporate Delivery Board.

For the purposes of this review, the University's transition away from the previous Change Programme and the current oversight by the PMO will be referred to as the "Change Portfolio".

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
9		x		x	x

**x** = area of primary focus

x = possible area of secondary focus

### Scope

The objective of this review is to assess the key governance controls in place to manage the Change Portfolio. The sub-processes, related control objectives and key risk areas included in this review are:

Sub-process	Objectives	Work to be completed
Clear Scope	To ensure that the recent restructuring, from a formal Programme model to a Portfolio Management Office, has not impacted upon the Portfolio's ability to deliver the goals within the Corporate Strategy.	<ul style="list-style-type: none"> <li>We will review portfolio documentation and interview an agreed sample of key staff members to ensure that the portfolio's scope remains clearly defined, documented, agreed, budgeted and baselined.</li> </ul>

Stakeholder Management	To ensure that there is effective delivery through the engagement of appropriate portfolio stakeholders.	<ul style="list-style-type: none"> <li>We will review portfolio documentation and interview an agreed sample of key staff members to ensure that stakeholder management process are in place, and followed, with a view to avoiding delay or the failure to achieve the desired outcomes for the portfolio.</li> </ul>
Resource Management	To ensure that the portfolio is supported by adequate levels of resources to ensure that it can deliver the goals as outlined within the Corporate Strategy.	<ul style="list-style-type: none"> <li>We will review portfolio documentation and interview an agreed sample of key staff members to ensure that resource requirements are understood and regularly reviewed, as the portfolio progresses, to avoid the over or under-utilisation of resources; and</li> <li>We will review portfolio documentation and interview an agreed sample of key staff members to ensure that there are contingency plans for gapped posts, staff unavailability, or over-utilisation of staff in place.</li> </ul>
Change Control	To ensure that the current composition of change projects, underpinning the portfolio, remains aligned to the goals of the corporate strategy, taking into account any changes within the University's wider governance arrangements.	<ul style="list-style-type: none"> <li>We will review portfolio documentation and interview an agreed sample of key staff members to ensure that the current portfolio of Corporate Strategy projects is reviewed against the requirements and goals of the Corporate Strategy, and is assessed to take into account any governance changes within the University.</li> </ul>
Benefits Realisation	To ensure that the portfolio is supported by adequate controls designed to identify, plan, monitor and report on the realisation of both benefits and dis-benefits.	<ul style="list-style-type: none"> <li>We will review a sample of the initial business cases underpinning the portfolio to establish whether tangible and intangible benefits and dis-benefits link to organisation's strategic objectives. We will also review whether these have been mapped and updated over time to stay current; and</li> <li>We will review the controls in place to plan, monitor and report how and when benefits are realised by the portfolio to ensure that these are fit for purpose and support the portfolio's objectives.</li> </ul>

### **Limitations of scope**

The scope of our work will be limited to Clear Scope, Stakeholder Management, Resource Management and Change Control, as outlined above; all other areas will be excluded from the scope.

### **Audit approach**

Our audit approach is as follows:

- Obtain an understanding of programme management processes through discussions with key personnel and review of key documentation;
- Identify the key risks surrounding programme management governance;
- Evaluate the design of the controls in place to address the key risks
- Test the operating effectiveness of the key controls (where appropriate to do so).

### **Internal audit team**

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@uk.pwc.com
David Wildey	Engagement Manager	0207 213 2949 / 07921 106 603

Charlotte Bilsland	Audit Manager	david.w.wildey@uk.pwc.com 07715 484 470 charlotte.bilsland@uk.pwc.com
Katie Lynch	Programme Audit Manager	07966 013 039 katie.m.lynch@uk.pwc.com
Adam Brown	Programme Auditor Supervisor	07701 296 182 adam.c.brown@uk.pwc.com
Mark Baker	Programme Auditor	07753 460 327 Mark.c.baker@uk.pwc.com

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

<b>Name</b>	<b>Title</b>	<b>Contact details</b>	<b>Responsibilities</b>
Dave Phoenix	Vice Chancellor (Audit Sponsor)	0207 815 6001 phoenixd@lsbu.ac.uk	Review and approve terms of reference Review and approve draft and final reports
Richard Flatman	Chief Financial Officer	0207 815 6301 richard.flatman@lsbu.ac.uk	Review terms of reference Review draft and final reports
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	Review terms of reference Review draft and final reports
Tom Kelly	ICT Customer Engagement Manager	07879 427 559 kellyt2@lsbu.ac.uk	Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan Review draft report Review and approve final report

### **Timetable**

Fieldwork start	22/06/2015
Fieldwork completed	03/07/2015
Draft report to client	17/07/2015
Response from client	24/07/2015
Final report to client	31/07/2015

Agreed timescales are subject to the following assumptions:

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

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

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

We have undertaken the review of the Change Portfolio 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 2014/2015 only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

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

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

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

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



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

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

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

	PAPER NO: AC.35(15)
Paper title:	2014/15 Internal Audit: Annual Report & Opinion.
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	PricewaterhouseCoopers, Internal Auditors
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide the annual internal audit opinion.
Recommendation:	The Executive recommends that committee note this report

Matter previously considered by:		
Further approval required?		

### **Executive Summary**

The attached report provides a review of the LSBU internal audit programme for 2014/15 and an annual audit opinion.

The annual internal audit opinion contained within the report is that except for one area (data security), LSBU has adequate and effective arrangements to address the risk that management's objectives are not achieved in respect of:

- risk management
- control
- governance, and
- value for money processes.

The report makes clear that a small number of high risk findings were raised regarding data security but that these do not present systemic threats to the entire control and governance environment. Appropriate action is being taken to address the weaknesses and implement agreed actions.

The overall implementation rate for the year was 83% of all recommendations made. Excluding the recommendation not agreed by management the rate rises to 86%. This is an improvement on the 78% implementation rate reported last year.





*Internal Audit  
Annual Report  
2014/2015*  
DRAFT

**London South  
Bank University**  
September 2015

DRAFT

# Contents

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

---

<b>Appendices</b>	<b>10</b>
-------------------	-----------

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

## Distribution List

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

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

# 1. *Executive summary*

## *Background*

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

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

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

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

## *Scope*

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

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

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

## *Opinion*

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

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

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

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

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

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

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

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

### *Acknowledgement*

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

DRAFT

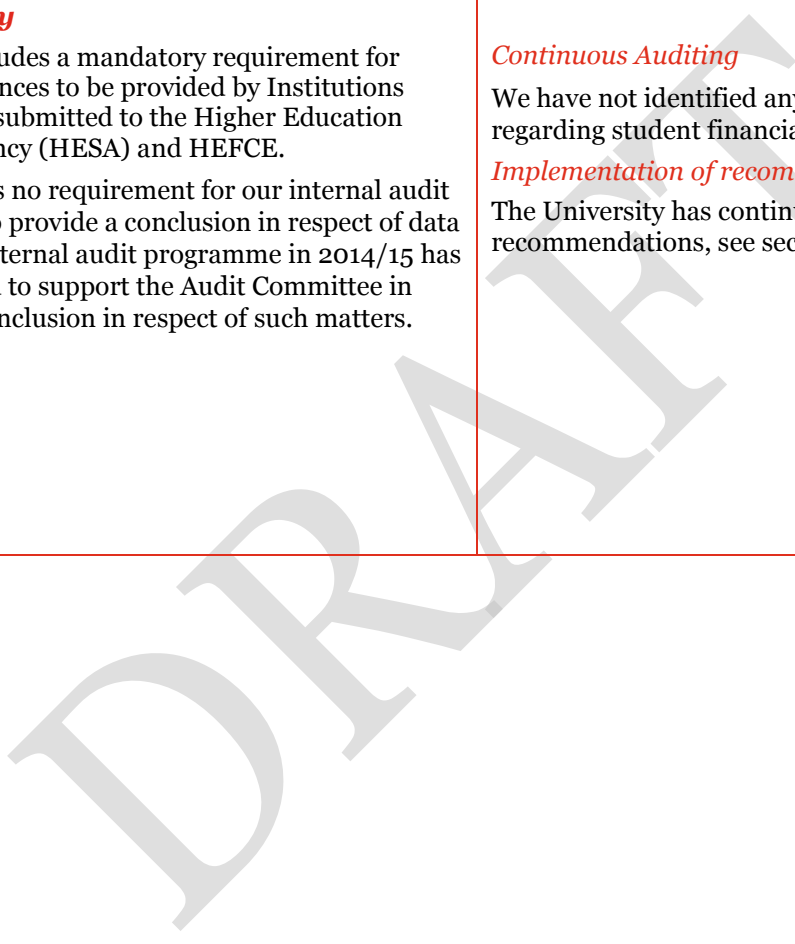
## 2. Summary of findings

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

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

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

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



# 3. Internal Audit work conducted

## Introduction

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

## Results of individual assignments

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



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

### Direction of control travel

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

### Implications for management

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

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

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

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

### Analysis of the Continuous Auditing programme

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

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

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

*Implications for next year's plan*

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

*Comparison of planned and actual activity*

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

# 4. Follow up work conducted

## Introduction

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

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

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

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

## Summary

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

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

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

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

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

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

---

# *Appendices*

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

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

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

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

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

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

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

## ***Opinion***

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

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

## ***Internal control***

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

## ***Future periods:***

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





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

# Appendix 2: Basis of our opinion and classifications

## Assignment report classifications

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

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

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

## Individual finding classifications

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

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

# Appendix 3: Outstanding recommendations

## Breakdown of partially implemented actions

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

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



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

DRAFT

# Appendix 4: Mapping of internal audit work

## Reporting responsibilities

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

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

### Key

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

## Data Quality

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



DRAFT



**pwc**

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”), if 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 the 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 of this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

	PAPER NO: AC.36(15)
Paper title:	Internal Audit Plan – 2015/16
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	Pricewaterhouse Coopers, Internal Auditors
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide a final internal audit plan for the 2015/16 academic year for approval by Audit Committee.
Recommendation:	That the committee approves the internal audit plan for 2015/16

Matter previously considered by:	Audit Committee	4 June 2015
Further approval required?	N/A	

### **Executive Summary**

The attached plan details the planned internal audit activity by PWC during the 2015/16 academic year.

A draft plan was reviewed by Audit Committee in June and a few final changes have been made following review by the Executive in July.

The plan continues with a widened Continuous Audit programme which incorporates student data on an ongoing basis, alongside key financial systems. The student data audits specifically include controls that relate to the maintenance of Highly Trusted Status for the sponsoring of international students through UKVI within the Home Office (as requested by Audit committee at the last meeting).

The changes to the plan subsequent to the earlier draft relate to reduced focus on project management and the inclusion of planned audit activity around;

- Research & Enterprise contract award processes, and related project management.
- Pre-implementation review on the planned HR and recruitment IT system.

The total number of days remains unchanged at 125.

# *Internal Audit Risk Assessment and Plan 2015/16*

DRAFT

London South Bank  
University

July 2015

# Contents

<b>1. Introduction and approach</b>	<b>1</b>
<b>2. Audit universe, corporate objectives and risks</b>	<b>1</b>
<b>3. Internal Audit Plan and indicative timeline</b>	<b>1</b>
<b>4. Annual plan and internal audit performance</b>	<b>9</b>
<b>Appendix 1: Detailed methodology</b>	<b>12</b>
<b>Appendix 2: Risk assessment criteria</b>	<b>14</b>
<b>Appendix 3: Mapping the risk register to the Internal Audit Plan in 2015/16</b>	<b>15</b>
<b>Appendix 4: Summary of audit programme 2010 - 2014</b>	<b>16</b>

## **Distribution List**

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

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

# 1. Introduction and approach

## Introduction

This document sets out our risk assessment and our 2015/16 Internal Audit Risk Assessment and Plan (the Internal Audit Plan) for London South Bank University.

## Approach

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





### *Basis of our plan*

We have budgeted 125 days for our 2015/16 Internal Audit Plan. In our view, these are the minimum number of days required to support our Annual Audit Opinion.

As the Internal Audit Plan has been limited to 125 days, it does not claim to address all key risks identified across the audit universe as part of the risk assessment process. The level of internal audit activity represents a deployment of limited internal audit resources and in approving the Internal Audit Plan the Audit Committee recognises this limitation.

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

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

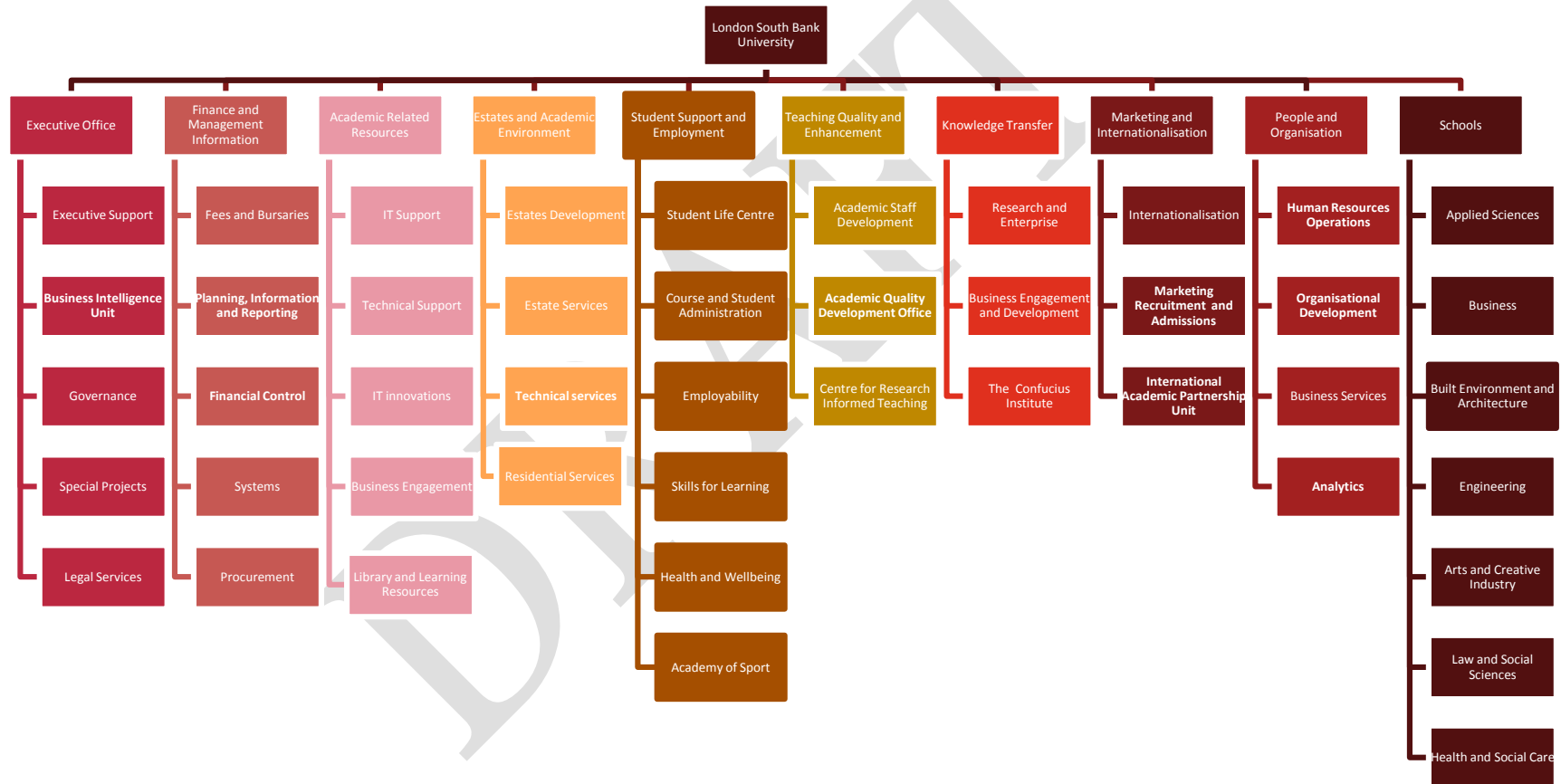
Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit.

DRAFT

# 2. Audit universe, corporate objectives and risks

## Audit universe

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



## Corporate objectives and risks

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

## 3. Internal Audit Plan and indicative timeline

### HEFCE Requirements

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

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

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

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

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



### Key Priorities

In line with the HEFCE Audit Code of Practice, internal audit plans should be reviewed on a regular basis to ensure that the internal audit services provided continue to reflect the changing needs and priorities of the HEI. With our knowledge of London South Bank University and the way it operates we have identified the following current priorities and have produced our 2015/16 plan to reflect these priorities.

#### Data Quality

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

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

Our 15/16 plan includes continuous auditing of key student data controls and will provide additional oversight of the design and effectiveness of controls over data quality.

### **Risk Management and Governance**

The Audit Committee needs assurance that the risks facing London South Bank University are being managed properly. We will perform a review of risk management in 2015/16 and consider governance arrangements as part of all our internal audits.

### **Financial Systems Key Controls**

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

### **Value for Money**

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

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

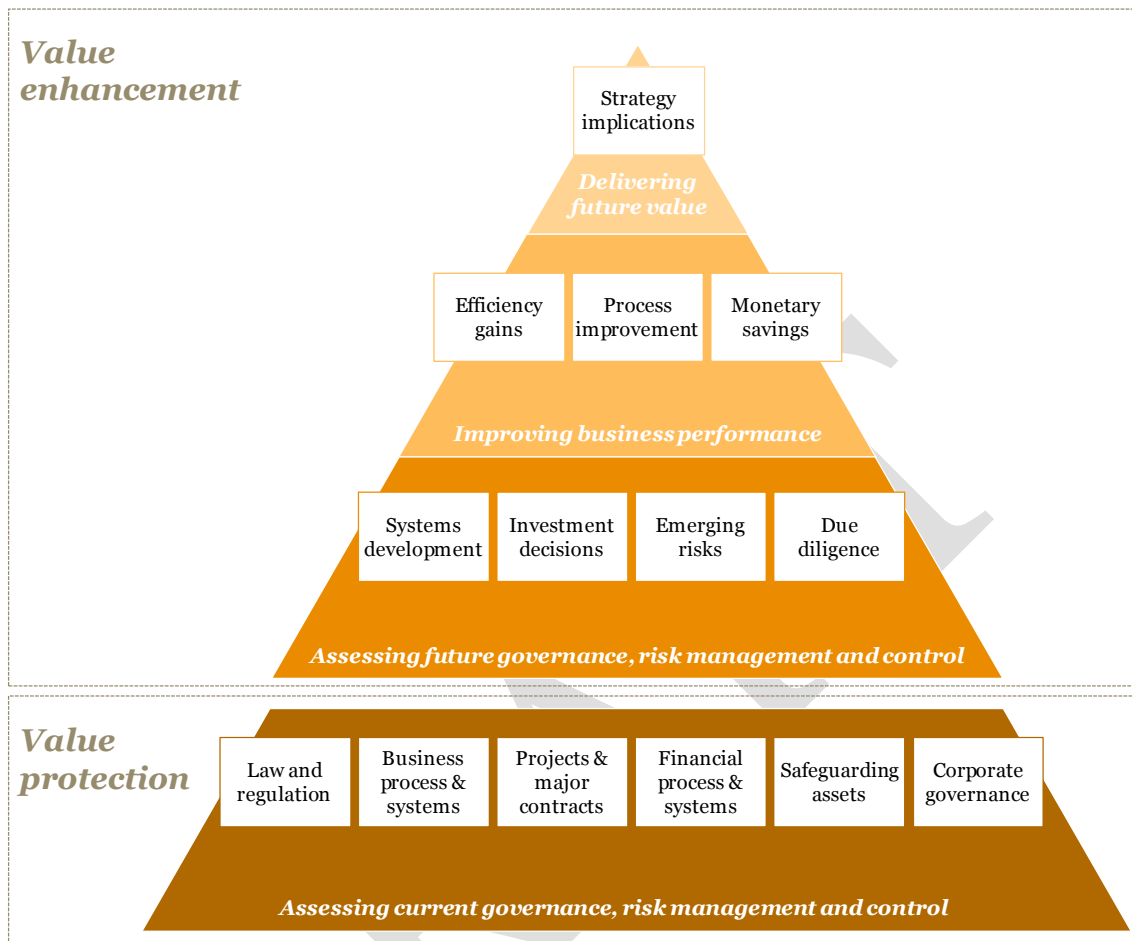
We are required to include an opinion on the adequacy and effectiveness of London South Bank University's value for money arrangements (not results, outputs or achievement) in our annual internal audit report to the Audit Committee, governing body and designated officer. A review of value for money arrangements will be performed in 2015/16.

### **Follow Up Reviews**

The purpose of follow up of internal audit recommendations is to reinforce the importance of controls within the Institution, and provides updated information about whether important risks have been properly dealt with through remedial control actions. We will continue to perform follow up work in 2015/16 and report progress through to the Audit Committee.

## Delivering value through our approach

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



### Value Protection

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

### Value Enhancement

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

## Risk assessment results

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

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
<b>A</b>	<b>Executive Office</b>						
A.1	Governance	5	3	4	●	Annual	We will test that there are appropriate governance arrangements in place in all of our reviews.
A.2	Legal Services	4	4	2	●	Every three years	We reviewed OIA procedures in 2013/14. No internal audit due until 2016/17.
A.3	Special Projects	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2015/16.
A.4	Executive Support	2	3	N/a	N/a	N/a	No particular risks identified as part of planning.
A.5	Business Intelligence Unit	6	5	4	●	Annual	Data Quality will be tested during 2015/16.
<b>B</b>	<b>Finance and Management Information</b>						
B.1	Planning Information and Reporting	6	4	4	●	Annual	Risk management and value for money arrangements will be covered every year.
B.2	Financial Control	5	3	4	●	Annual	Continuous auditing on key financial systems each year (payroll, accounts payable, account receivable, general ledger and cash).
B.3	Fees and Bursaries	5	3	4	●	Annual	Continuous auditing on key student data controls each year.
B.4	Procurement	4	3	3	●	Every two years	No internal audit due until 2016/17. However, we have not reviewed Contract Management since 2010/11 and could also potentially use computer assisted audit techniques to identify duplicate payments and/or suppliers. We have included this as a potential review which management and the Audit Committee may wish to consider for inclusion in the 2015/16 plan in Section 4.
B.5	Systems	5	5	3	●	Every two years	No internal audit due until 2016/17. However, elements of Agresso

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
							controls are tested as part of our continuous auditing programme.
<b>C</b>	<b>People and Organisation</b>						
C.1	Human Resources Operations (HR)	5	3	4	●	Annual	A review of HR will be included in the 2015/16 plan. The scope of the review will be determined during scoping in Q2.
C.2	Organisational Development	5	3	4	●	Annual	
C.3	Analytics	5	5	3	●	Every two years	No internal audit due until 2016/17.
C.4	Business Services	5	4	3	●	Every two years	No internal audit due until 2016/17. However, we have not reviewed Health and Safety since 2010/11; we have included this as a potential review which management and the Audit Committee may wish to consider for inclusion in the 2015/16 plan in Section 4.
<b>D</b>	<b>Marketing and Internationalisation</b>						
D.1	Marketing recruitment and admissions	5	3	4	●	Annual	The admissions process is covered by student data continuous auditing every year.
D.2	International Academic Partnership Unit	5	3	4	●	Annual	As the Internal Audit Plan has been limited to 125 days, it does not claim to address all key risks identified across the audit universe as part of the risk assessment process, therefore although our Risk Assessment suggests that audits of the International Academic Partnership Unit and Internationalisation are due in 2015/16 we have not included these in our proposed plan.
D.3	Internationalisation	5	3	4	●	Annual	We have included these as potential reviews which management and the Audit Committee may wish to consider for inclusion in the 2015/16 plan in Section 4.
<b>E</b>	<b>Knowledge Transfer</b>						
E.1	Research and Enterprise	5	4	3	●	Every two years	A few of the process for entering into contracts has been included in the 2015/16 plan.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
E.2	Business Engagement and Development	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2015/16.
E.3	The Confucius Institute	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2015/16.
<b>F</b>	<b>Teaching Quality and Enhancement</b>						
F.1	Academic Quality Development Office	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2015/16. However, we have identified that Partnerships and Collaborations as an area which management and the Audit Committee may wish to consider for inclusion in the 2015/16 plan in Section 4.
F.2	Academic Staff Development	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2015/16.
F.3	Centre for Research Informed Training	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2015/16.
<b>G</b>	<b>Academic Related Resources</b>						
G.1	IT Support	5	3	4	●	Annual	We have included a review of Information Security in 2015/16. However, given HE-wide risks concerning IT and its impact on the student experience, we have included some potential IT reviews (including IT general controls and Cyber Security) which management and the Audit Committee may wish to consider for inclusion in the 2015/16 plan in Section 4.
G.2	Library and Learning Resources	4	2	3	●	Every two years	No internal audit due until 2016/17.
G.3	Technical Support	4	2	3	●	Every two years	No internal audit due until 2016/17. However, given HE-wide risks concerning IT and its impact on the student experience, we have included some potential IT reviews (including IT infrastructure and Migration) which management and the Audit Committee may wish to consider for inclusion in the 2015/16 plan in Section 4.
G.4	IT Innovations	4	2	3	●	Every two years	No internal audit due until 2016/17.



Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
G.5	Business Engagement	3	3	2	●	Every three years	No internal audit due until 2017/18.
<b>H</b>	<b>Estates and Academic Environment</b>						
H.1	Estates Development	5	4	3	●	Every two years	No internal audit due until 2016/17.
H.2	Technical Services	3	3	2	●	Every three years	No internal audit due until 2017/18.
H.3	Estates Services	3	3	2	●	Every three years	No internal audit due until 2017/18.
H.4	Residential Services	3	4	N/a	N/a	N/a	No particular risks identified as part of planning.
<b>I</b>	<b>Student Support and Employment</b>						
I.1	Student Life Centre	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2015/16.
I.2	Course and Student Administration	5	3	4	●	Annual	Student attendance is covered by student data continuous auditing every year.
I.3	Employability	3	3	2	●	Every three years	No internal audit due until 2017/18.
I.4	Skills for Learning	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2015/16.
I.5	Health and Wellbeing	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2015/16.
I.6	Academy of Sport	2	2	1	●	N/a	Assessed as lower risk. No internal audit planned for 2015/16.
<b>J</b>	<b>Schools</b>						
J.1	Applied Sciences	5	3	4	●	Annual	Elements of controls operated by Schools are picked up through our continuous auditing programme of key financial systems and student data.
J.2	Business	5	3	4	●	Annual	
J.3	Built Environment and Architecture	5	3	4	●	Annual	
J.4	Engineering	5	3	4	●	Annual	
J.5	Law and Social Sciences	5	3	4	●	Annual	

Ref	Auditable Unit	Inherent Risk Rating	Control Environment Indicator	Audit Requirement Rating	Colour code	Frequency	Comments
J.6	Health and Social Care	5	3	4	●	Annual	
J.7	Arts and Creative Industry	5	3	4	●	Annual	

### *Key to frequency of audit work*

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

# 4. Annual plan and internal audit performance

## Annual plan and indicative timeline

The following table sets out the internal audit work planned for 2015/16, with indicative start dates for each audit.

Ref	Auditable Unit	Indicative number of audit days	2015/16				Comments
			Q1	Q2	Q3	Q4	
<b>A</b>	<b>Executive Office</b>						
A.5	Management Information: Data Quality	10		✓			This will consider the data quality process and triangulation of information sets.
<b>B</b>	<b>Finance and Management Information</b>						
B.1	Risk Management	5				✓	<ul style="list-style-type: none"> <li>• Policies and Procedures</li> <li>• Reporting and Monitoring of risk</li> <li>• Risk Identification</li> <li>• Embedding Risk Management</li> </ul>
B.1	Value for Money	5				✓	HEFCE requirement. We will also consider value for money arrangements on other reviews performed.
B.2	Continuous Auditing – Financial Controls	30	✓		✓		We will review controls in the following areas: <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Cash</li> <li>• Accounts Payable</li> <li>• Accounts Receivable</li> <li>• Payroll</li> </ul>
B.3	Continuous Auditing – Student Data	30		✓	✓		Rolling cycle of reviews of key controls over student data. To also include compliance checks with UKVI.
<b>C</b>	<b>People and Organisation</b>						
C.1	HR system implementation	10		✓			A review of the implementation of the new HR system.
<b>E</b>	<b>Knowledge Transfer</b>						
E.1	Research and Enterprise Contracts	10		✓			Review of controls and processes for entering into research and enterprise contracts, and related project management discipline.

G	<b>Academic Related Resources</b>						
G.1	Information Security	10				✓	Review of information security arrangements in place.
Z	<b>Audit Project Management</b>						
Z.1	Planning and Management	10	✓	✓	✓	✓	
Z.2	Follow Up	5	✓	✓	✓	✓	
	<b>Total Days</b>	<b>125</b>					

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

From our work undertaken during 2014/15 and discussions with management, there are additional reviews that we believe management and the Audit Committee need to consider for inclusion in the 2015/16 plan in addition to the core days on the previous page. These include:

- Student expectations are much greater in response to rises in fees, and students expect to be able to interact with London South Bank University in a modern and efficient way. You are investing on your information systems but opportunities could be missed if the IT platform doesn't enable you to meet your outcomes or comply with your financial control requirements. The impact of a failure related to data loss, system failure, lack of business continuity, system and information breach for example is huge, not only operationally, but reputationally and financially. We have previously reviewed Business Continuity, Information Security and performed two Phishing exercises. We have included a review of Information Security in 2015/16 as this has been a recurring high risk area for the University however, we have access to a large and diverse group of IT specialists which we could utilise elsewhere for example: **IT general controls, cyber security, IT infrastructure** and/or **IT migration**.
- London South Bank University is operating in a 'crowded market' that is no longer restricted to UK based institutions. Your competition is global and your strategy needs to reflect this. Your strategy is critical to ensuring you must have unique 'USP's that make you stand out as a place to study so that London South Bank is differentiated as a provider. We can help provide critical friend support of **business plans** and **financial analysis**. We can also challenge robustness of business plans, appropriateness of underlying assumptions, as well as broader commercial considerations around how to structure the transaction.
- Institutions are continuing to invest in overseas activities, either through recruiting international students, investing in overseas campuses or branches or alternative forms of transnational education. We could:
  - Review your **internationalisation strategy**, including key assumptions and overall oversight;
  - A review of **partnership arrangements**, to ensure that these have been subject to appropriate levels of due diligence, risk management and ongoing oversight.
- The Home Office continues to enforce its compliance regime for Tier 4 students and Tier 2 staff. Our student data continuous audit provides ongoing assurance over attendance monitoring, reporting processes and compliance with acceptance criteria for Tier 4 students. However, due to the number of changes to processes we would recommend our Legal team perform a review of overall **Tier 4 and Tier 2 procedures** to assess that these are designed appropriately and comply with Home Office guidance. We would also suggest some testing of **Tier 2 controls** to confirm these are operating effectively.
- We have not reviewed contract management managements since 2010/11 and would suggest we perform a review of **contract management arrangements** to ensure they are in line with good practice and assure value for money. We could also perform a **contract deep dive**, for example your IBM contract to ensure that key contract terms and conditions are complied with.

- **Computer assisted audit techniques (CAATS)** –We can use CAATS to query and analyse data from business systems. This provides a strong mechanism for improving business insight and developing recommendations for ways to improve governance, risk management, compliance and cost management. Automated audit tests can be designed to address most transactional risks, including those associated with regulatory and financial risk. Some examples which may be beneficial include:
  - Accounts payable, purchase cards and staff expenses audits looking for: duplicate payments; multiple suppliers providing the same product or service; and abuse of expense policy;
  - Payroll; and
  - Revenue mapping.
- Our last review of Human Resources was in 2010/11 when we reviewed payments to hourly paid lecturers. We would recommend that we perform a review of **staff performance management** given this auditable unit has not had an audit review for four years.
- Our last review of **Health and Safety** was in 2010/11. We would recommend we perform a review of compliance with Health and Safety to ensure that controls are appropriately designed and robust.
- We would also recommend a review of your **anti-fraud arrangements** given the nature of the risks associated with this area. We have a diagnostic tool that we can use to identify the areas of higher fraud risk and an assessment of the controls in place to mitigate these threats
- **FRS102 implementation** review.

DRAFT

# Appendix 1: Detailed methodology

## Step 1 - Understand corporate objectives and risks

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

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

## Step 2 - Define the Audit Universe

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

## Step 3 - Assess the inherent risk

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

The inherent risk assessment is determined by:

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

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

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

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

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

### Step 5 - Calculate the audit requirement rating

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

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

### Step 6 - Determine the audit plan

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

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

### Step 7 - Other considerations

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

# Appendix 2: Risk assessment criteria

## Determination of Inherent Risk

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

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

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



# Appendix 3: Mapping the risk register to the Internal Audit Plan in 2015/16

Risk	Mapping to the Internal Audit Plan
Effectiveness of delivery impaired as Institution goes through the restructuring process.	We do not have a specific review of this in our plan however our work will consider the effectiveness of delivery in each of the key areas being tested in 2015/16.
Failure to position the University to effectively respond to changes in government policy and the competitive landscape.	We have included a review of risk management arrangements in 2015/16.
Management Information is not meaningful, is unreliable or does not triangulate for internal decision or external reporting.	We have included a review of Management Information: Data Quality as part of our 2015/16 Internal Audit Plan. Our continuous auditing programmes will also provide comfort over the robustness and data quality underpinning key financial systems and student data.
Data is not used/maintained security.	We have included a review of Information Security as part of our 2015/16 Internal Audit Plan.
Low staff engagement impacts performance negatively.	We have not included a specific review of this in the 2015/16 Internal Audit Plan. We could potentially consider how staff engagement is being captured as part of our review of Management Information: Data Quality.
Increasing pension deficit.	We have not included any specific reviews of the pension deficit in the plan but we have pension expertise within PwC that would enable us to assist management in this area if required. We would recommend that London South Bank University perform an FRS 102 impact assessment to identify the impact of new reporting standards.
Potential loss of NHS contract income.	We have not included any specific reviews of this in our Internal Audit Plan. We could consider this as part of our suggested review of contract management arrangements in 2015/16 if requested by management.
Income growth from R&E not realised.	We have included a review of the processes and controls surrounding entering into contracts as part of 2015/15.

# Appendix 4: Summary of audit programme 2010 - 2014

The table below summarises the coverage of our internal audit work programme between 2010 and 2014.

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

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

DRAFT



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

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

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

	PAPER NO: AC.37(15)
Paper title:	Continuous Audit Report into Key Financial Systems; May – July 2015
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	PricewaterhouseCoopers, Internal Auditors
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide the first report for the continuous audit of key financial systems, as part of the 15/16 internal audit plan.
Recommendation:	That the committee notes the report

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

### **Executive Summary**

The report relates to the testing which took place in August 2015, for the period May – July 2015.

The report rates all areas as green.

The detailed findings are in section 2 on page 4 of the report.

# *Internal Audit Report 2015/16*

## Continuous Auditing: Key Financial Systems

*Period 1 (1<sup>st</sup> May 2015 – 31<sup>st</sup> July 2015)*

FINAL

September 2015

London South Bank  
University

# Contents

<b>1. Executive summary</b>	<b>2</b>
<b>2. Detailed findings</b>	<b>4</b>
Appendix 1. Assessment Criteria	13
Appendix 2. Terms of Reference	14
Appendix 3. Limitations and responsibilities	18

## Distribution List

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

This report has been prepared by PwC in accordance with our contract dated 15/05/2015.

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

# 1. Executive summary

## Background and approach:

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

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


























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

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

## System summaries

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

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

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



## ***Findings and recommendations***

### *Payroll*

- No exceptions noted.

### *Accounts Receivable*

- No exceptions noted.

### *Cash*

- No exceptions noted.
- Both control design issues from the previous period of testing have been resolved.

### *Accounts Payable*







- 1/20 new supplier forms had not been authorised by a second employee.
- 2/20 supplier amendment forms did not have supporting documentation to confirm that the change was valid and processed accurately.

### *General Ledger*

- 1/25 journals did not have any supporting documentation so we could not confirm if the journal was valid.

## 2. Detailed findings

### Payroll

	Key control	Exceptions P1 2015/16	Details on exceptions	Exceptions * P3 2014/15	Exceptions P2 2014/15	Exceptions P1 2014/15
P1	Authorised and accurate new starter forms are received prior to an individual being entered on to the Payroll system.					
P2	Leaver forms are received from HR upon notification of resignation or redundancy.					
P3	The BACS run is reviewed by the Financial Controller and a Payment Release Form completed.					
P4	Exception reports are produced and reviewed as part of month-end procedures, before the payment run is authorised.**					
P5	Variation forms, with supporting documentation, are received prior to any changes being made to standing data.					
P6	Access to the Payroll system is restricted to appropriate personnel.					

P7	Appropriately authorised overtime claim forms and timesheets are received prior to payment being made.	●	●	●	●
P8	Monthly reconciliations are performed between the General Ledger and the Payroll system. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.	●	●	●	●
P9	Expenses are supported by appropriately authorised claim forms.	●	●	●	●

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

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

## Accounts Payable

	Key control	Exceptions P1 2015/16	Details on exceptions	Exceptions P3 2014/15	Exceptions P2 2014/15	Exceptions P1 2014/15
AP1	Authorised documentation must be received prior to the creating a new or amending a supplier record.	●	<ul style="list-style-type: none"> <li>1/20 new supplier forms had not been authorised by a second employee.</li> <li>2/20 supplier amendments had no supporting documentation.</li> </ul> <p><b>Management response:</b> The exceptions were checked but not signed to evidence that this check took place and paperwork for two of the new suppliers has been mislaid. Going forward forms will be checked again before filing to make sure all documentation is in place and properly authorised.</p> <p><b>Responsibility for action:</b> Penny Green, Head of Procurement</p>	●	●	●
AP2	Invoices are approved for payment by an appropriately authorised individual.	●		●	●	●
AP3	Invoices are matched to purchase orders for all expenditure prior to payment and variances investigated.	●		●	●	●
AP4	BACS payment runs are reviewed by the Financial Controller prior to payment, with all invoices over £10,000 checked to supporting documentation.	●		●	●	●





























---

AP5 Daily reconciliations are performed between the general ledger and the creditors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.

---



## Accounts Receivable

	Key control	Details on exceptions	Exceptions P3 2014/15	Exceptions P2 2014/15	Exceptions P1 2014/15
AR1	Credit checks are performed on new customer accounts upon request, prior to the issue of sales invoices.				
AR2	Invoices are properly authorised on Agresso in line with the authorised signatory register.				
AR3	Reminder letters are sent to corporate debtors 30, 60 and 90 days following the invoice issue date in respect of invoiced debt.				
AR4	Reminder letters are sent to individuals in respect of overdue fees on a monthly basis in line with policy.				
AR5	Debts are written off only following appropriate review and authorisation.				
AR6	Monthly reconciliations are performed between the debtors balance on the General Ledger and QLX.				
AR7	Monthly reconciliations are performed between the debtors balance per QLX to QLS.				

---

AR8 Monthly reconciliations are performed between the General Ledger and the debtors control accounts. These are prepared and reviewed on a timely basis, with supporting documentation and reconciling items are investigated on a timely basis.

---



## Cash

	Key control	Exceptions P1 2015/16	Details on exceptions	Exceptions P3 2014/15	Exceptions P2 2014/15	Exceptions P1 2014/15
C1	Cash takings in respect of tuition fees and student residences as recorded on QLX are reconciled to cash balances held on a daily basis and discrepancies investigated.	●		●	●	●
C2	Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.	●		●	●	●
C3	Cash receipts per the general ledger are reconciled to QLX on a monthly basis. Cash receipts per the general ledger are reconciled to KX on a monthly basis.	●		●	●	●
C4	Cash receipting responsibility within the QLX system is restricted to appropriate individuals. Cash receipting within the KX system are restricted to appropriate individuals.	●		●	●	●



---

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

---



## General Ledger

	Key control	Exceptions P1 2015/16	Details on exceptions	Exceptions P3 2014/15	Exceptions P2 2014/15	Exceptions P1 2014/15
GL1	Journals must be authorised, with supporting documentation, prior to being posted on the system.	●	<ul style="list-style-type: none"> <li>1/25 journals had no supporting documentation</li> </ul> <p><b>Management response:</b> The team will be reminded of the requirement to attach supporting documentation to journals. In this case the journal was to recharge costs originating from a supplier invoice and reference should have been made to the originating document, making it unnecessary to attach further documentation to the journal.</p> <p><b>Responsibility for action:</b> Natalie Ferer, Financial Controller</p>	●	●	●
GL2	On a monthly basis management accounts are prepared and significant variances against budget are investigated.	●		●	●	●
GL3	Suspense accounts are cleared or reconciled on a quarterly basis.	●		●	●	●
GL4	Balance sheet control accounts are cleared or reconciled on a quarterly basis.	●		●	●	●
GL5	Access to the general ledger is restricted.	●		●	●	●
GL6	No single individual has access to make changes to both the QLX and QLS systems.	●		●	●	●

# Appendix 1. Assessment Criteria

## System summary ratings

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

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

## Control design improvement classifications

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

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

## Appendix 2. Terms of Reference

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

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

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

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

### Background

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

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

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

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

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

**x** = area of primary focus

x = possible area of secondary focus

### Scope

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

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

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

### ***Limitations of scope***

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

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

### **Audit approach**

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

- Phase 1: May 2015 – July 2015
- Phase 2: August 2015 – December 2014

### **Internal audit team**

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

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

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

Julian Rigby	Income Manager	rigbyj@lsbu.ac.uk	Audit contact
Ravi Mistry	Financial Systems Manager	mistryrm@lsbu.ac.uk	Audit contact
Nicolas Waring	Cash Office Manager	waringn@lsbu.ac.uk	Audit contact
Denise Sullivan	Payroll Manager	d.sullivan@lsbu.ac.uk	Audit contact
Ephraim Maimbo	Financial Accountant	maimboe@lsbu.ac.uk	Audit contact
Felicity Brightwell	Payroll Team Leader	clarkef4@lsbu.ac.uk	Audit contact
Andrew Ratajczak	Manager; Fees, Bursaries and Central Enrolment	ratajca@lsbu.ac.uk	Audit contact

### **Timetable**

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

Agreed timescales are subject to the following assumptions:

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

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

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

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

### ***Internal control***

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

### ***Future periods***

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

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

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

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

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

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





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

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

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

# London South Bank University

PAPER NO: AC.38(15)

Paper title:	Internal Audit Charter – 2015/16
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	Pricewaterhouse Coopers, Internal Auditors
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To provide an internal audit charter to underpin the operation of the internal audit contract.
Recommendation:	The Executive recommends that the committee approve the charter.

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

## Executive Summary

The attached charter sets out the standards and scope of internal audit activity for the course of the current contract. It will be reviewed on an annual basis.

[www.pwc.co.uk](http://www.pwc.co.uk)

# London South Bank University Internal Audit Charter

September 2015



# London South Bank University

## Internal Audit Charter

### Table of Contents

<b>1. Mission</b>	<b>4</b>
<b>2. Scope of work</b>	<b>4</b>
<b>3. Authority of Internal Audit</b>	<b>4</b>
<b>4. Responsibility</b>	<b>5</b>
<b>5. Reporting lines</b>	<b>6</b>
<b>6. Independence and objectivity</b>	<b>6</b>
<b>7. Accountability</b>	<b>6</b>
<b>8. Management responsibilities</b>	<b>6</b>
<b>9. Advisory work</b>	<b>7</b>
<b>11. Liaison with External Audit</b>	<b>7</b>
<b>12. Standards of Internal Audit Practice</b>	<b>7</b>
<b>Appendices</b>	<b>9</b>
<b>1. PwC Internal Audit Team and Communication Protocols</b>	<b>9</b>
<b>2. KPIs</b>	<b>10</b>

# **Internal Audit Charter**

## **1. Mission**

1.1 The Internal Audit function's main purpose is to provide London South Bank University with independent and objective evaluation of and opinion on:

- The adequacy and effectiveness of risk management, control and governance arrangements; and
- London South Bank University's arrangements for securing economy, efficiency and effectiveness (value for money).

1.2. This includes identification of risks and assessment of their management, and implementation of changes to strengthen the governance framework.

1.3. The purpose of this Charter is to:

- Provide the Internal Audit function within London South Bank University with the authority it needs to fulfil its role and purpose in providing an independent evaluation and assurance opinion; and to,
- Set out the working relationship that should exist between the London South Bank University's Internal Audit function and other stakeholders.

1.4. Where appropriate, Internal Audit may act in a consultancy capacity by providing guidance and advice for strengthening the control environment within London South Bank University, as well as facilitating workshops relating to governance, risk management and internal control. When performing consulting services, the auditor must maintain objectivity and not take on management responsibility.

## **2. Scope of work**

2.1. The scope of work of the Internal Audit function will include (but will not be limited to) undertaking audits in the following areas:

- The identification, recording and management of risks;
- Interaction of the various governance groups;
- Key financial, managerial, and operating information;
- Compliance with policies, standards, procedures and applicable legislation;
- The economic and efficient use of resources and assets;
- Management of programme and projects;
- Quality and continuous improvement processes over London South Bank University's control environment; and,
- Ethical standards.

2.2. Our scope of work includes audit activity both within London South Bank University and on functions that London South Bank University has delegated or contracted out, where London South Bank University remains accountable for the expenditure involved.

2.3 Where other external assurance providers and internal assurance providers may have undertaken relevant assurance and audit work, Internal Audit will seek to rely on the work of these other assurance providers where professional standards would make it appropriate to do so.

## **3. Authority of Internal Audit**

3.1. Internal Audit derives its authority from those authorising this Charter to provide a free and unfettered ability to plan and undertake audit assignments deemed necessary to fulfil its purpose.

3.2. To enable the service to discharge its duties fully, the Head of Internal Audit (HIA) and his or her audit staff have unrestricted access to all functions, property and people of the London South Bank University. Also any and all data and records of these organisations which the HIA or his or her staff consider necessary for the purpose of conducting internal and external audits (whether planned or unplanned), investigations and such other duties which the Audit Committee or management may from time to time require the Internal Audit function to undertake. The same rights of access are afforded to the HIA's contracted agents for the duration of their internal audit engagements.

## **4. Responsibility**

4.1. The HIA and staff of the Internal Audit function have a responsibility to:

### **Plan**

- Develop a flexible annual strategy and audit plan using a risk-based methodology, including any risks and concerns identified by management, and submit that strategy and plan, as well as periodic updates, to the Audit Committee for review and approval;
- The plan, which mainly comprises a series of audits, will have sufficient description of the rationale and basis for audit selection as to enable the members of the Audit Committee to challenge the content, focus and adequacy. This should include London South Bank University's objectives and risks, the audit universe (topic areas which make up the business activities and may be selected for review), assurances over key risks from other mechanisms, and consideration of regulatory requirements; and,
- Agree significant changes to the plan with the Audit Committee.

### **Act**

- Implement the annual strategy by assessing third party assurance sources and conducting audits in accordance with the approved plan, and relevant professional standards and policies;
- Track status of outstanding management actions and provide regular updates to the Audit Committee, including escalation of overdue items of significant risk;
- Evaluate and assess areas of significant change; and,
- Assist, as needed, in the investigation of significant suspected fraudulent activities within the organisation and notify management and the Audit Committee of the results.

### **Report**

- Agree a reporting protocol with the Audit Committee, to include the basis for grading reported issues and audit opinions, timescales for completing reports and reviews (including expectations and associated escalation procedures), and the format for all reports. The reporting protocol should also include agreements on, and the timescales for, following up audit reports and tracking issues raised and their clearance;
- Issue periodic reports to management and the Audit Committee summarising results of Internal Audit activities; and,
- Consider the scope of work of other assurance providers for the purpose of providing optimal assurance coverage.

### **Communicate**

- Communicate regularly with Internal Audit stakeholders and customers to ensure that changes in the business, its activities and the control environment are factored into the Internal Audit strategy and plan where appropriate; and,
- During audits, raise significant issues for the attention of line management as soon as identified, and discuss all draft reports with the auditee before publication to confirm facts and incorporate management responses.

## **Perform**

- Agree Key Performance Indicators (KPIs) to measure performance against the success criteria set by the Audit Committee, which will be updated each year. In this regard it is noted that the Internal Audit service is provided by PricewaterhouseCoopers LLP (PwC). The roles and responsibilities of the PwC team are set out in an Annex to this document; and KPIs will be discussed and agreed. Our proposed KPIs are included at Appendix 2.
- Keep the Audit Committee informed as to the performance of the Internal Audit service based on agreed success criteria and KPIs.

## **5. Reporting lines**

5.1. Day to day management of Internal Audit will be performed by the HIA. The HIA reports to the Chief Financial Officer for organisational purposes but will report significant audit findings and audit progress directly to London South Bank University's Audit Committee. The HIA will keep the Audit Committee informed of progress and developments on a regular basis.

5.2. Should the HIA not be satisfied with management's response to a given audit report then this will be highlighted to the Audit Committee and significant weaknesses escalated to the Chief Financial Officer if they remain unresolved.

## **6. Independence and objectivity**

6.1. The HIA will be responsible for considering any potential conflicts and threats to independence and taking appropriate action to address them, sharing these with the Audit Committee as and when required, to ensure that due consideration is given to any matters which may impact the independence of the service, and must confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit activity.

6.2. The HIA and staff of the Internal Audit function are specifically not authorised to:

- Perform any operational duties for London South Bank University or bodies reporting to London South Bank University unless as part of a formal secondment under suitable arrangements; or,
- Initiate or approve accounting transactions external to the Internal Audit function.

## **7. Accountability**

7.1. The HIA, in the discharge of his/her duties, shall be accountable to the Chief Financial Officer for:

- Providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of London South Bank University's framework of governance, risk management and control and value for money;
- Reporting significant issues related to the processes for controlling the activities of London South Bank University, including recommendations and status of implementation of improvements;
- Information on the status and results of the annual audit plan and the sufficiency of the Internal Audit function's resources; and,
- Co-ordination with other significant assurance functions.

## **8. Management responsibilities**

8.1. An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Audit Committee are mandating management to co-operate with Internal Audit in the delivery of the service by:

- Agreeing Terms of Reference no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
- Identifying an Audit Sponsor for reach audit;

- Providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
- Responding to all draft Internal Audit reports, including provision of management responses to recommendations, within the timescale requested by the audit team;
- Implementing agreed management actions in accordance with the agreed timescales; and,
- Updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in process and systems, newly identified significant risks and cases of a criminal nature.

8.2. The Audit Committee is responsible for appointing the HIA. The Chief Financial Officer is responsible for the performance management of the HIA. Instances of late responses to reports, and agreed actions not being implemented will be escalated to the Chair of the Audit Committee.

## **9. Advisory work**

9.1. Internal Audit effort may sometimes be more usefully focused towards providing advice rather than assurance over core controls. Internal Audit at London South Bank University will provide advice on this basis, providing:

- Internal Audit's involvement contributes to the overall opinion which it provides on risk management, control and governance, and the improvement thereof;
- The request has been approved at a Senior Management level;
- Internal Audit is considered to have the right skills, experience, and available resource; and,
- Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.

9.2. The HIA is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Audit Committee.

## **11. Liaison with External Audit**

11.1. The Internal Audit service extends to activities that should be of use to the external auditors, in particular around financial systems, major processes and related business risks.

11.2. Internal Audit plans and reports will be copied to the external auditors. Internal Audit will exchange plans periodically with the external auditors to achieve optimum reliance on each other's work and hold periodic meetings between the HIA, (or deputy), and the external audit team to identify and take action on areas where liaison can achieve time savings or improved performance.

## **12. Standards of Internal Audit Practice**

12.1. This charter recognises that internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to the Higher Education Funding Council for England's (HEFCE) Memorandum of Assurance and Accountability. 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.



**This charter is authorised within London South Bank University:**

**Chief Financial Officer** .....

**Audit Committee Chair** .....

**With the agreement of:**

**Head of Internal Audit** .....

**Date** .....

**The Internal Audit Charter will be reviewed on an annual basis.**

## Appendices

### 1. PwC Internal Audit Team and Communication Protocols

#### Internal Audit and the communication arrangements

The core team will be supported by a team of PwC auditors and technical specialists as needed. The core of this team who will be involved in the planning, delivery and management of the audit work are as follows:

**Justin Martin**  
Head of Internal  
Audit



- Head of Internal Audit
- Key contact for the Chief Financial Officer and the Chair of the Audit Committee
- Co-ordinate and oversee delivery of all services and activities under the contract for London South Bank University – proactively build relationship with management and stakeholders
- Setting our annual programme of work, for approval by the Deputy Chief Executive and Audit Committee
- Attend Audit Committee, including delivery of the annual Internal Audit opinion
- Strategic deployment of PwC resources to meet London South Bank University's needs
- Drive innovation, consistency and cash savings across PwC delivery resource
- Performance of senior team members
- Quality review all final draft/final reports

✉ justin.f.martin@uk.pwc.com  
☎ Phone: 07881 802 336

**Charlotte  
Bilsland**  
Manager



- Key contact for the Chief Financial and the Chair of Audit Committee
- Project manage delivery or agreed audit assignments
- Lead our core auditors and project manager, as required, key expert into the internal audit plan
- Engagement manager on the core audits we perform
- Team members' performance
- Co-ordinate activities and delivery of the team to ensure value for money is achieved
- Scope terms of reference for audits and review/quality assure project fieldwork performed by team
- Brief team members about London South Bank University and issues relevant to specific projects
- Production of performance management reports and intelligence for the contract as a whole
- Attend Audit Committee

✉ charlotte.bilsland@uk.pwc.com  
☎ Phone: 07921 382 012

**David Wildey**  
Senior Manager



- Key contact for the Chief Financial Officer and the Chair of the Audit Committee
- Team members' performance
- Engage with key stakeholders and the audit team to bring insight on technical issues, sector development and share benchmarked information
- Any issues for escalation can also be reported to David independently.

✉ david.w.wildey@uk.pwc.com  
☎ Phone: 07921 106 603

## 2. KPIs

Area	Measurement
Audit planning	We will produce an annual Audit Plan for review by Audit committee in June each year. All work will be delivered by agreed deadlines. Any material changes must be approved by Audit Committee.
Fieldwork and turnaround times	We will comply with the service management process and turnaround times set out on the next page.
Audit Committee	We will provide a progress report to each Audit Committee and provide an Annual Opinion.
Client feedback	We will obtain feedback and issue an annual satisfaction survey. Any results scoring <7 for any criteria will be discussed and remedied.

## Service management and turnaround times





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 report, it will notify PwC promptly and will consult with PwC prior to disclosing such report. 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 report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

	PAPER NO: AC.39(15)
Paper title:	Corporate Risk Register
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	John Baker, Corporate & Business Planning Manager
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To ensure that the corporate risk register is an accurate reflection of the university's exposure to significant risks, & details the range of action being taken in response to these.
Recommendation:	That the committee note the risks and their ratings and the allocation of risks to corporate objectives

Matter previously considered by:	Operations Board	Monthly
Further approval required?		

### **Executive Summary**

The corporate risk register presents the details of all identified corporate risks, along with their assessments of impact and likelihood, and related control and actions.

The following summary pages present the risks against a one page matrix of impact and residual likelihood, and also details all changes and action progress updates since the last presentation of the register to the committee.

The Committee is requested to note the risk register.

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

**Date:** 4<sup>th</sup> September 2015

**Author:** John Baker – Corporate & Business Planning Manager

**Executive Lead:** Richard Flatman – Chief Financial Officer

	2: Revenue reduction if marketing and PR activity does not achieve recruitment targets (PI)	1: Failure to position LSBU to improve reputation & effectively respond to policy changes & shifts in competitive landscape (DP)	4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty / closure</i>	<b>Impact</b>
397: Effectiveness of delivery impaired as institution goes through restructuring process (DP)	6: Management Information is not meaningful, or reliable for decision making or reporting (RF) 14: Potential loss of NHS contract income (WT) 305: Data not used / maintained securely (IM) 362: Low staff engagement impacts performance negatively (DP) 3: Increasing pensions deficit (RF) 402: Income growth from R&E unrealised (PI) 467: Progression rates don't rise (PB)	37: Capital investment ambitions of forward estates strategy undermine financial sustainability (RF)	3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>	
	398: Academic programmes not engaged with technological and pedagogic developments (SW) 457: Anticipated international student revenue unrealised (PI)		2 Medium <i>failure to meet operational objectives of the University</i>	
			1 Low <i>little effect on operational objectives</i>	
<b>3 - High</b> <i>The risk is likely to occur short term</i>	<b>2 - Medium</b> <i>This risk may occur in the medium to long term.</i>	<b>1 - Low</b> <i>This risk is unlikely to occur</i>		
	<b>Residual Likelihood</b>			
Executive Risk Spread: VC – 3, DVC – 1, CFO – 3, PVC-S&E – 1, PVC-R&EE – 3, COO – 1, Dean Health – 1, ExD-HR – 0, US - 0				

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

<i>Reference</i>	<i>Risk title</i>	<i>Changes made</i>
<b>Goal 3: Real World Impact - Teaching &amp; Learning: Ensuring teaching is highly applied, professionally accredited &amp; linked to research &amp; enterprise</b>		
398 (SW)	Low engagement with technological or pedagogic developments	
467 (PB)	UG Progression rate doesn't rise	<p><b>ESE Phase 1 action implemented:</b> Final changes to phase 1 dashboards implemented and live in system, which is accessible to the 60 pilot users.</p> <p><b>Progression calculation action implemented:</b> The progression methodology was developed, and the data presented in the School KPI Data set document.</p> <p><b>Summer school action implemented:</b> Summer school was held during August, and 265 students registered to attend. <b>New Action</b> - Jenny Laws will produce review of success of this initiative once results are entered onto the QL database.</p>
<b>Goal 4: Real World Impact - Research &amp; Enterprise: Delivering outstanding economic, social and cultural benefits from our intellectual capital.</b>		
402 (PI)	2020 income growth through Research & Enterprise	<p><b>Forecasting action progress note:</b> A short term enterprise forecasting system is in now place and discussions planned to implement the equivalent for research.  Ability to undertake longer term enterprise forecasting depends on the Cognos Business Development Reporting - currently awaiting a delivery date from ICT. For longer term research forecasting a request for development is with ICT which will extend the current SharePoint system to capture the relevant data and also provide reporting equivalent to enterprise. Action should be complete by end of November.</p> <p><b>Performance reporting action progress note:</b> PIs: Definitions and sources are complete and we are now in the process of capturing the initial baseline data. However, HEBCI data requires individual project manual analysis as we do not yet automatically tag qualifying income. Action should be complete by end of November.</p>
<b>Goal 6: Access to Opportunity - Internationalisation: Developing a multicultural community of students &amp; staff through alliances &amp; partnerships.</b>		
457 (PI)	International student £income unrealised	<b>International Strategy Action implemented:</b> Final report now being printed for distribution.
<b>Goal 7: Strategic Enabler - People &amp; Organisation: Attracting proud, responsible staff, &amp; valuing &amp; rewarding their achievements.</b>		
1 (DP)	Response to environmental change & reputation	<p><b>Review of process and functions Action Implemented:</b> The restructure of functions to align with Corporate Strategy has been completed, in time for the 15/16 Academic Year.</p> <p><b>Reputation dashboard action progress note:</b> Our social media tool is now live and we are in the process of configuring it. Our new approach to media monitoring is also up and running and the first monthly report will be delivered soon.</p>
362 (DP)	Poor Staff Engagement	
397 (DP)	Restructuring impact	<b>Technicians and Student Admin restructuring Actions implemented.</b>



Goal 8: Strategic Enabler - Infrastructure: Investing in first class facilities and outcome focused services, responsive to academic needs.		
2 (PI)	Home & EU Recruitment income targets	<p><b>ICT App for Masters and PHD students implemented:</b> The IT solution is now in place and will go live in September 2015.</p> <p><b>Partnership Strategy Action implemented:</b> Final paper presented to Ops Board in July 2015.</p>
3 (RF)	Pensions deficit	
6 (RF)	Quality and availability of Management Information	
14 (WT)	Loss of NHS income	
37 (RF)	Estates strategy £ impact	<p><b>Estates Strategy Working Group Action implemented</b> The Estates Strategy working group report was presented to the July Executive meeting.</p> <p><b>Student Centre negotiations action progress note:</b> Programming expert engaged to adjudicate on the decisions taken in respect of the refused extension of time claim &amp; met with Mansell to agree a final account by March 2015. We are now awaiting a response from Mansell.</p>
305 (IM)	Data Security	<p><b>PWC Audit Findings action progress update</b> Internal Audit progress report records that one finding is implemented and two are in progress.</p> <p><b>Mandatory training action progress update</b> Project still in progress, along with other face to face mandatory training programme for staff.</p>

## Corporate Level - Risk Register

<b>Date</b>	07/09/2015
<b>Risk Status</b>	Open
<b>Risk Area</b>	Corporate

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
1	<p>Failure to position LSBU to improve reputation &amp; effectively respond to policy changes &amp; shifts in competitive landscape</p> <p><b>Risk Owner: David Phoenix</b></p> <p><b>Last Updated: 04/09/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p><b>Causes:</b></p> <ul style="list-style-type: none"> <li>- Changes to fees and funding models</li> <li>- Increased competition from Private Providers</li> <li>- Government policy changes and SNC cap removal</li> <li>- Failure to anticipate change</li> <li>- Failure to position (politically)</li> <li>- Failure to position (capacity/structure)</li> <li>- Failure to improve League Table position</li> </ul> <p><b>Effects:</b></p> <ul style="list-style-type: none"> <li>- Further loss of public funding</li> <li>- Loss of HEFCE contract numbers</li> <li>- Failure to recruit students</li> <li>- Business model becomes unsustainable</li> </ul>	<p>4 3</p> <p><b>Critical</b></p>	<p>Ketchum appointed to advise LSBU on the ongoing changes to the political environment for higher education &amp; its external communications in response to these changes.</p> <hr/> <p>Financial controls (inc. forecasting &amp; restructure) enable achievement of forward operating surplus target communicated to Hefce in July Forecast.</p> <hr/> <p>A horizon scanning report produced by the Director of Strategic Stakeholder Engagement is provided to each meeting of the Executive.</p> <hr/> <p>Maintain relationships with key politicians/influencers, boroughs and local FE</p> <hr/> <p>Annual review of corporate strategy by Executive and Board of Governors</p> <hr/> <p>Student Access &amp; Success Strategy for 14/15 through OFFA</p>	<p>4 1</p> <p><b>High</b></p>	<p>Develop a simple reputation management dashboard to summarise media coverage, social media analytics, forthcoming event activity, and a RAG rating of reputational risks for regular reporting.</p> <p><b>Person Responsible: Andrew McCracken</b></p> <p><b>To be implemented by: 31/03/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
2	Revenue reduction if marketing and PR activity does not achieve Home/EU recruitment targets  <b>Risk Owner: Paul Ivey</b>  <b>Last Updated: 04/09/2015</b>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Changes to UGFT fees</li> <li>- Increased competition (removal of SNC cap in 15/16)</li> <li>- Failure to develop and communicate brand &amp; lsbu graduate attributes</li> <li>- Lack of accurate real-time reporting mechanisms</li> <li>- Poor league table position</li> <li>- Portfolio or modes of delivery do not reflect market need</li> <li>- Tighter tariff policy during clearing</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Under recruitment</li> <li>- loss of income</li> <li>- Loss of HEFCE contract numbers to 14/15</li> <li>- Failure to meet related income targets</li> </ul>	4 3 <b>Critical</b>	<p>Report on student applications is presented to every monthly meeting of Operations Board &amp; reviewed by Board of Governors</p> <hr/> <p>Advance predictions of student recruitment numbers informs the Annual five year forecast submitted to Hefce each July</p> <hr/> <p>Differentiated marketing campaigns are run for FTUG, PTUG and PG students on a semesterised basis.</p>	4 2 <b>Critical</b>	<p>Develop strategy for LSBU Graduate Attributes at all award levels to ensure continued course competitiveness, to be generated through the learning pathway.</p> <p><b>Person Responsible: Shan Wareing</b></p> <p><b>To be implemented by: 30/09/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
3	Staff pension scheme deficit increases	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Increased life expectancies</li> <li>- Reductions to long term bond yields, which drive the discount rate</li> <li>- Poor stock market performance</li> <li>- Poor performance of the LPFA fund manager relative to the market</li> <li>- TPS/USS schemes may also become subject to FRS17 accounting</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Increased I&amp;E pension cost means other resources are restricted further if a surplus is to be maintained</li> <li>- Balance sheet is weakened and may move to a net liabilities position, though pension liability is disregarded by HEFCE</li> <li>- Significant cash injections into schemes may be required in the long term</li> </ul>	3 3 <b>High</b>	<p>Switch of inflator from RPI to CPI (expected to be lower in the long term)</p> <hr/> <p>Regular monitoring of national/sector pension developments and attendance at relevant conferences and briefing seminars</p> <hr/> <p>Annual FRS 17 valuation of pension scheme</p> <hr/> <p>Regular participation in sector review activity through attendance at LPFA HE forum, &amp; UCEA pensions group by CFO or deputy.</p> <hr/> <p>Regular Reporting to Board via CFO Report</p> <hr/> <p>DC pension scheme for SBUEL staff.</p> <hr/> <p>Tight Executive control of all staff costs through monthly scrutiny of management account and operation of recruitment freeze policy with defined exceptions.</p> <hr/> <p>New LPFA scheme terms, effective April 2014, with increased personal contributions</p> <hr/> <p>Strict control on early access to pension at redundancy/restructure</p>	3 2 <b>High</b>	

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
6	<p>Management Information is not meaningful, unreliable, or does not triangulate for internal decision or external reporting</p> <p><b>Risk Owner: Richard Flatman</b></p> <p><b>Last Updated: 03/06/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Lack of strategic vision for ICT</li> <li>- Proliferation of technology solutions</li> <li>- Data in systems is inaccurate</li> <li>- Data in systems lacks interoperability</li> <li>- Resource constraints &amp; insufficient staff capability delay system improvement</li> <li>- Lack of data quality control and assurance mechanisms</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Insufficient evidence to support effective decision-making at all levels</li> <li>- Inability to track trends or benchmark performance</li> <li>- Internal management information insufficient to verify external reporting</li> <li>- unclear data during clearing &amp; over-recruitment penalties</li> <li>- League table position impaired by wrong data</li> <li>- Failure to satisfy requirements of Professional, Statutory and Regulatory bodies (NHS, course accreditation etc)</li> </ul>	<p>3 3</p> <p><b>High</b></p>	<p>Internal Auditors Continuous Audit programme provides regular assurance on student and finance information, including UKVI compliance.</p> <hr/> <p>Engagement between International Office, Registry &amp; School Admin teams to ensure UKVI requirement compliance, specifically regarding:</p> <ul style="list-style-type: none"> <li>- Visa applications and issue of CAS</li> <li>- English language requirements</li> <li>- Reporting of absence or withdrawal</li> </ul> <hr/> <p>Systematic data quality checks and review of key data returns prior to submission by B.I.U.</p> <hr/> <p>International Office runs annual cycle of training events with staff to ensure knowledge of &amp; compliance with UKVI processes.</p> <hr/> <p>Sporadic internal audit reports on key systems through 3 year IA cycle to systematically check data and related processes:</p> <ul style="list-style-type: none"> <li>- HR systems</li> <li>- Space management systems</li> <li>- TRAC</li> <li>- External returns</li> </ul>	<p>3 2</p> <p><b>High</b></p>	<p>Develop and implement effective training programme around Data Quality Framework, liaising with OSDT initiatives as relevant.</p> <p><b>Person Responsible: Ravi Mistry</b></p> <p><b>To be implemented by: 30/10/2015</b></p> <hr/> <p>Continue to gather external analysis information to feed into BIU authorisation process document, and external return list for Executive Review.</p> <p><b>Person Responsible: Richard Duke</b></p> <p><b>To be implemented by: 30/09/2015</b></p> <hr/> <p>Implement the agreed Data Quality assurance process through establishing the data assurance group and arranging regular meetings for the Data Managers' Group and Data Stewards' Group.</p> <p><b>Person Responsible: Grace McCalla</b></p> <p><b>To be implemented by: 30/10/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
14	Loss of NHS contract income	<p><b>Cause &amp; Effect:</b> Cause: NHS financial challenges/ structural change is resulting in a total review of educational comissioning by Health Education England with an expected overall reduction in available funding. In addition late decision making over community programmes. Plus London Educational Contracts (pre-registration) are running on an extension, all to be renewed by April 2016 with likely re-tendering. Recruitment to contracted programmes is buoyant. Risk is of reduction in NHS contracted pre-registration numbers as a result of re-tendering exercise coupled with reduction in overall funding across the NHS.</p> <p>Effect: Reduction in income Reduced staff numbers Negative impact on reputation</p>	3 3 <b>High</b>	<p>Named Customer Manager roles with NHS Trusts, CCGs and HEE.</p> <hr/> <p>Monitor quality of courses (QCPM and NMC) annually in autumn (QCPM) and winter (NMC)</p> <hr/> <p>Support with numeracy and literacy test preparation Develop BSc Health and Social Care by September 2015 for applicants not meeting course tariffs requirements and to support PGDip recruitment.</p> <hr/> <p>Regular contact with HEE DEQs, None Medical Deans and commissioning contract managers.</p>	3 2 <b>High</b>	<p>Continue contract discussions with HEE/ LETB's. Attempt to extend contracts or revert to National Framework</p> <p><b>Person Responsible: Warren Turner</b> <b>To be implemented by: 31/03/2016</b></p> <hr/> <p>Ensure a quality campus in each HEE/ LETB area. Plan for renewal of Havering lease in 2018 or alternative site. Negotiate re inclusion in Care City plans with NELFT and Barking.</p> <p><b>Person Responsible: Warren Turner</b> <b>To be implemented by: 30/09/2015</b></p> <hr/> <p>Grow into new markets for medical and private sector CPPD provision</p> <p><b>Person Responsible: Warren Turner</b> <b>To be implemented by: 30/09/2015</b></p> <hr/> <p>Develop opportunities for further International 'in-country' activity in Malaysia, Singapore, Hong Kong, India and Saudi.</p> <p><b>Person Responsible: Mary Lovegrove</b> <b>To be implemented by: 30/09/2015</b></p> <hr/> <p>Increase uptake in band 1-4 activitiy Support Trusts in seeking external (non NHS) funding</p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
						<p><b>Person Responsible: Sheelagh Mealing</b></p> <p><b>To be implemented by: 30/09/2015</b></p> <hr/> <p>Improve NSS participation &amp; scores Develop action plans for Departments and Faculty from results of 2014 NSS</p> <p><b>Person Responsible: Sue Mullaney</b></p> <p><b>To be implemented by: 30/09/2015</b></p>
37	<p>Capital investment ambitions of forward estate strategy undermine financial sustainability</p> <p><b>Risk Owner: Richard Flatman</b></p> <p><b>Last Updated: 04/09/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>- Poor project controls</li> <li>- Lack of capacity to manage/deliver projects</li> <li>- Reduction in agreed/assumed capital funding</li> <li>- Reduction in other government funding</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>- Adverse financial impact</li> <li>- Reputational damage</li> <li>- Reduced surplus</li> <li>- Planned improvement to student experience not delivered</li> <li>- Inability to attract new students</li> </ul>	<p>3 3</p> <p><b>High</b></p>	<p>Management Accounts, with a CAPEX report section, are provided to each meeting of the P&amp;R Committee, and the Board receives business cases in relation to all planned capital expenditure &gt; £1million.</p> <hr/> <p>Full Business Cases prepared; using guidance and process approved by Executive - including clarity on cost and funding, for each element of Estates Strategy, and approved by Board of Governors where cost = &gt;£1M.</p> <p>ncluding all capital spend. Guidance developed as part of new process.</p> <hr/> <p>Clear requirement (including authority levels) for all major (&gt;£1m) capital expenditure to have Board approval</p> <hr/> <p>Property Committee is a sub-committee of the Board of Governors and has a remit to review all property related capital decisions.</p>	<p>3 1</p> <p><b>Medium</b></p>	<p>Complete report on the final Student Centre negotiations.</p> <p>Update: the 12 month defects liability period concluded &amp; working through the final defect list. POE was due by Feb 14.</p> <p><b>Person Responsible: Ian Mehrtens</b></p> <p><b>To be implemented by: 30/04/2013</b></p>



Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
				<p>Capex reporting routines established and embedded into regularly updated financial forecasts &amp; management accounts and regular Board reports.</p> <hr/> <p>LSBU Project methodology &amp; Estates &amp; Facilities Dept project controls, including Governance arrangements applied to all Capex projects.</p>		
305	<p>Student &amp; corporate data not accessed and stored securely or appropriately</p> <p><b>Risk Owner: Ian Mehrtens</b></p> <p><b>Last Updated: 02/06/2015</b></p>	<p><b>Cause &amp; Effect:</b> Cause: Loss or inappropriate access to data, or breach of digital security; either en masse (e.g. address harvesting) or in specific cases (e.g. loss of sensitive files / data)</p> <p>Effect: Reputational damage, regulatory failure, undermining of academic credibility or compromise of competitive advantage.</p>	<p>3 2</p> <p><b>High</b></p>	<p>Responsibility for control over data protection risks at an institutional level allocated to Director of ICT.</p>	<p>3 2</p> <p><b>High</b></p>	<p>Deliver project to ensure mandatory training is delivered to staff via ICT log on, to include data security awareness.</p> <p><b>Person Responsible: Cheryl King-McDowall</b></p> <p><b>To be implemented by: 30/06/2015</b></p> <hr/> <p>Respond to findings of PWC 14/15 internal audit report into data security.</p> <p><b>Person Responsible: Rob McGeechan</b></p> <p><b>To be implemented by: 30/05/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
362	<p>Low staff engagement impacts performance negatively</p> <p><b>Risk Owner: David Phoenix</b></p> <p><b>Last Updated: 02/06/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p>Causes:</p> <ul style="list-style-type: none"> <li>•Bureaucracy involved in decision making at the University</li> <li>•No teamwork amongst departments at the University</li> <li>•Staff feeling that they do not receive relevant information directly linked to them and their jobs</li> <li>•Poor pay and reward packages</li> <li>•Poor diversity and inclusion practises</li> </ul> <p>Effects:</p> <ul style="list-style-type: none"> <li>•Decreased customer (student) satisfaction</li> <li>•Overall University performance decreases</li> <li>•Low staff satisfaction results</li> <li>•Increased staff turnover</li> <li>•Quality of service delivered decreases</li> </ul>	<p>3 3</p> <p><b>High</b></p>	<p>Cascade messages from Ops Board circulated for Cascade Meetings within each School &amp; Professional Function.</p> <hr/> <p>Departmental Business Planning process</p> <hr/> <p>Direct staff feedback is encouraged through the "asktheVC@" email address and through feedback forms on intranet and 'developing our structures' microsite.</p> <hr/> <p>Scheduled Team meetings</p> <hr/> <p>Regular Business review meetings</p>	<p>3 2</p> <p><b>High</b></p>	<p>Develop an engagement strategy, building on the Leadership Climate Indicator Survey &amp; past Employee Engagement Survey results.</p> <p><b>Person Responsible: Cheryl King-McDowall</b></p> <p><b>To be implemented by: 30/09/2015</b></p> <hr/> <p>Deliver a planned programme of activities to ensure continued awareness raising and promotion of the Behavioural Framework, to embed the values in to HR documentation, and to develop baseline measures.</p> <p><b>Person Responsible: Cheryl King-McDowall</b></p> <p><b>To be implemented by: 31/07/2015</b></p> <hr/> <p>Design and circulate Staff Engagement Survey.</p> <p><b>Person Responsible: Cheryl King-McDowall</b></p> <p><b>To be implemented by: 30/01/2016</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
397	Effectiveness of delivery impaired as Institution goes through restructuring process	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b> The structural re-organisation of academic groupings from 4 faculties to 7 schools. The re-focusing of support departments into professional service clusters. - undertaken to underpin academic and business effectiveness.</p> <p><b>Effect:</b> Staff morale could be impacted negatively by process of change, and by perceived threats to job security, which impairs enthusiasm and contribution in role. High performing staff seek employment elsewhere, causing skills shortages &amp; loss to institutional knowledge base. Reduced Service levels - to staff and students - by teams trying to deliver business as usual whilst also going through the change process. Potential strike action if union engagement breaks down. Data reliability might be impaired if the translation process encounters issues such as unforeseen time or money resource implications.</p>	3 3 <b>High</b>	<p>Programme Board will meet for 12 months as the Corporate Delivery Board (CDB) – to enable Exec monitoring of current &amp; upcoming projects, and to oversee change across LSBU at a high level.</p> <hr/> <p>Central Programme Management Office (PMO) is in place to manage governance, oversight and reporting of 'monitored' and 'managed' changes, &amp; management of related risks, issues, communications, benefits, and dependencies.</p> <hr/> <p>Executive Communications Strategy designed to ensure significant consultation with internal and external stakeholders.</p> <hr/> <p>Routine monitoring of high level action tracker for institutional transition by Operations Board.</p> <hr/> <p>Staff Gateway links to web micro-site with all the "Your Career Matters" forms and guidance documents, including FAQs, and monitored yourcareermatters@ email for all queries.</p> <hr/> <p>Regular report to Operations Board on the Opportunities risks and issues in the "Creating the Schools" project.</p>	3 2 <b>High</b>	<p>Oversee consultation and implementation phases of 'Your Career Matters' initiative, and appointment of staff to new grade 9 Associate Professor roles.</p> <p><b>Person Responsible: Pat Bailey</b></p> <p><b>To be implemented by: 01/09/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
398	<p>Academic programmes do not remain engaged with technological and pedagogic developments which support students and promote progression and achievement</p> <p><b>Risk Owner: Shan Wareing</b></p> <p><b>Last Updated: 23/06/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b>                      LSBU does not effectively exploit the learning potential of new technologies.                      Curriculum do not adapt sufficiently for students to develop the knowledge, behaviours and skills valued by employers                      Support mechanisms do not provide some students with the learning support they need to navigate and succeed in the learning environment.</p> <p><b>Effect:</b>                      Retention does not meet the targets within the 5 year forecast.                      Employability of LSBU graduates does not improve.                      Market appeal of courses is impaired</p>	<p>2 3</p> <p><b>Medium</b></p>	<p>Development of strategic support for Teaching Enhanced Learning Strategy (TEL) through the Learning Pathway Programme.</p> <p>Develop a robust, corporate standard offer, underpinned by training and development for staff and students</p> <p>Make sure staff and students are able to experiment and try out new approaches with appropriately controlled risks</p> <p>Invest in pilots and subject-specific developments, consistent with local expertise, motivation and market intelligence</p>	<p>2 2</p> <p><b>Medium</b></p>	<p>Actively pursue the long term objectives of the TEL strategy through Student Experience Committee.</p> <p><b>Person Responsible: Shan Wareing</b></p> <p><b>To be implemented by: 31/12/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
402	Income growth expected from greater research and enterprise activity does not materialise  <b>Risk Owner: Paul Ivey</b>  <b>Last Updated: 29/06/2015</b>	<p><b>Cause &amp; Effect:</b> Cause:</p> <ol style="list-style-type: none"> <li>1) A competitive &amp; challenging market environment with rising standards, as Universities seek to expand &amp; diversify income across research and enterprise, competing for the similar opportunities and funders.</li> <li>2) Recent history of projecting then failing to deliver increased enterprise income, and lack of proven forecasting systems.</li> <li>3) The aggressive and complex turnaround required to reverse a weakening LSBU income trend carries intrinsic high risk.</li> <li>4) dependence on HSC CPPD income (which forms around half of enterprise income.)</li> <li>4) New structures (academic &amp; professional function) fail to entice and encourage academic participation in activity.</li> <li>5) Limitations of academic capacity and capability are slow to be rectified.</li> <li>6) Internal competition for staff time from a range of newly invigorated LSBU activities over and above teaching.</li> <li>7) TNE partnerships are not approved, or break down when contacts relocate.</li> </ol> <p>Effect:</p> <ol style="list-style-type: none"> <li>1) Income growth expectations of</li> </ol>	3 2 <b>High</b>	<p>R&amp;E activity Pipeline Reports (Financial &amp; Narrative) will be provided to each Operations Board Meeting to aid constant scrutiny and review of progress against 5 year income targets.</p> <hr/> <p>Enterprise Business Plan &amp; strategy submitted for approval annually to SBUEL Board (which has 2 Non-Executive Directors) for monitoring &amp; quarterly updates provided at LSBU Board meetings.</p>	3 1 <b>Medium</b>	<p>Establish two-tier robust forecasting and reporting systems for R&amp;E covering in-budget year and longer time horizon, working with Finance, Schools and REI staff.</p> <p><b>Person Responsible: Gurpreet Jagpal</b></p> <p><b>To be implemented by: 31/07/2015</b></p> <hr/> <p>Formal academic R&amp;E engagement plan, with sub-sections by Schools and Enterprise Institute. Include establishment of baseline measures including academic activity and LSBU ability to service identified leads and opportunities. Work with Organisational Development as required.</p> <p><b>Person Responsible: Gurpreet Jagpal</b></p> <p><b>To be implemented by: 30/09/2015</b></p> <hr/> <p>Develop formal process by which the KPI and PI that drive R&amp;E performance are reviewed routinely by the institution. Establish baseline performance for 2014-15 and implement up to date capture processes from the new financial year.</p> <p><b>Person Responsible: Gurpreet Jagpal</b></p> <p><b>To be implemented by: 31/07/2015</b></p>

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
----------	------------	----------------	------------------------	-------------------	------------------------	-----------------

the Corporate Strategy unrealised.

- 2) Undiversified enterprise portfolio with the dependency on HSC and CPD overall.
- 3) Reduced income is accompanied by lower financial contribution, as an increased proportion of delivery is sourced outside core academic staff.
- 4) Increased dependency on generating enterprise opportunities via Knowledge Transfer outreach as opposed to an academic-led stream, results in higher opex costs.
- 5) The holistic benefits for teaching and the student experience from increased external engagement, and in particular from the new types of income projected i.e. applied research, consultancy, KE as opposed to CPD are reduced.
- 6) Pressure on research funding opportunities not only reduces income but the proportion of staff resource diverted to winning new funding is significantly increased.
- 7) Reduced research income adversely affects the research environment, publication rates, evidence of impact, student completions, & ultimately LSBU REF 2020 rating.
- 8) Inability to align academic resource with identified market opportunities.
- 9) TNE enterprise expectations unrealised.

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
457	Anticipated international student revenue unrealised  <b>Risk Owner: Paul Ivey</b>  <b>Last Updated: 04/09/2015</b>	<p><b>Cause &amp; Effect:</b></p> <p>Cause: UK government process / policy changes. Restriction on current highly trusted sponsor status. Issues connected with english language test evidence. Anticipated TNE growth does not materialise.</p> <p>Effect: LSBU unable to organise visas for students who wish to study here. International students diverted to other markets. Expected income from overseas students unrealised. Conversion impact of LSBU TNE students doesn't materialise.</p>	2 2 Medium	Regular reporting of Visa refusal rates to Director of Internationalisation by Immigration Team.	2 2 Medium	

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
467	<p>Progression rate across undergraduate programs does not rise in line with targets of Corporate Strategy</p> <p><b>Risk Owner: Pat Bailey</b></p> <p><b>Last Updated: 04/09/2015</b></p>	<p><b>Cause &amp; Effect:</b></p> <p><b>Cause:</b>                      Low tariff students admitted through clearing.                      ESE analytics dashboards not used by staff to target interventions, or provide information too late for in year impact.                      Students don't engage with new initiatives.                      Support provided fails to bridge support gap for students entering through non-traditional access routes.</p> <p><b>Effect:</b>                      Progression rate fails to increase.                      Hefce could view institution as high risk.                      Data could have negative impact in any REF type teaching review processes.                      Considerable lost income to institution from Y2 &amp; Y3 potential enrolments.</p>	<p>3 2</p> <p><b>High</b></p>	<p>Study Support &amp; Skills Sessions provided by the Library &amp;LRC</p> <hr/> <p>Student Welfare advice and support provided by Student Life Centre</p>	<p>3 2</p> <p><b>High</b></p>	<p>Produce report for Ops Board reviewing success of Summer School Intervention</p> <p><b>Person Responsible: Jenny Laws</b></p> <p><b>To be implemented by: 30/11/2015</b></p>



	PAPER NO: AC.40(15)
Paper title:	Annual review of effectiveness: Statement of Internal Controls
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	John Baker, Corporate & Business Planning Manager
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To set out the full compliance statement on internal control for approval and inclusion in the year-end financial accounts and to set out the assurance sources in support of the full compliance statement.
Recommendation:	The Executive recommends that the committee notes the report and approves the annual compliance statement (subject to final review immediately before approval of accounts).

Matter previously considered by:		
Further approval required?	Audit Committee (final review to confirm no further changes)	On: 5 <sup>th</sup> November 2015

### **Executive Summary**

This paper presents the annual review of effectiveness of the University's system of internal control and underpins the internal control statement in the annual report and accounts. This paper is in draft form at this stage, until the approval of the financial statements, and will require further confirmation that no changes are required at the next meeting of Audit Committee on 5 November.

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

London South Bank University

System of Internal Controls

Annual Review of Effectiveness  
Year ended 31 July 2015

## CONTENTS

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

### Appendix

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

## 1. Executive Summary

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

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

Effective risk management:

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

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

### **HEFCE**

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

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

### **Internal Audit**

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

### **Internal Governance**

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

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

## **2. Annual Review Process**

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

The two elements of effective monitoring are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

	<b>Corporate Governance Statement</b>	To approve
--	---------------------------------------	------------

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

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

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

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

In addition:

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

- The financial statements, including the Statement of Internal Control
- final annual report of the internal auditors for the year ended 31 July 2015
- External auditor's Key Issues memorandum (KIM).

The Board will conduct a detailed review of the corporate risk register at its meeting in October 2015.

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

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

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

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

## **8. Effectiveness of the University's external reporting processes**

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

## APPENDIX 1

### Statement on Internal Control

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

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

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

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

- We meet a minimum of seven times a year (including 2 strategy days) to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Audit Committee provide oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Audit Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Audit Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Audit Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;

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

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

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



**APPENDIX 2: Corporate Risk Register: Residual Likelihood Matrix**

**Date:** 4<sup>th</sup> September 2015    **Author:** John Baker – Corporate & Business Planning Manager    **Executive Lead:** Richard Flatman – Chief Financial Officer

	2: Revenue reduction if marketing and PR activity does not achieve recruitment targets (PI)	1: Failure to position LSBU to improve reputation & effectively respond to policy changes & shifts in competitive landscape (DP)	4 Critical <i>fail to deliver corporate plan / removal of funding or degree awarding status, penalty / closure</i>	<b>Impact</b>
397: Effectiveness of delivery impaired as institution goes through restructuring process (DP)	6: Management Information is not meaningful, or reliable for decision making or reporting (RF) 14: Potential loss of NHS contract income (WT) 305: Data not used / maintained securely (IM) 362: Low staff engagement impacts performance negatively (DP) 3: Increasing pensions deficit (RF) 402: Income growth from R&E unrealised (PI) 467: Progression rates don't rise (PB)	37: Capital investment ambitions of forward estates strategy undermine financial sustainability (RF)	3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>	
	398: Academic programmes not engaged with technological and pedagogic developments (SW) 457: Anticipated international student revenue unrealised (PI)		2 Medium <i>failure to meet operational objectives of the University</i>	
			1 Low <i>little effect on operational objectives</i>	
<b>3 - High</b> <i>The risk is likely to occur short term</i>	<b>2 - Medium</b> <i>This risk may occur in the medium to long term.</i>	<b>1 - Low</b> <i>This risk is unlikely to occur</i>		
<b>Residual Likelihood</b>				
Executive Risk Spread: VC – 3, DVC – 1, CFO – 3, PVC-S&E – 1, PVC-R&EE – 3, COO – 1, Dean Health – 1, ExD-HR – 0, US - 0				



	PAPER NO: AC.41(15)
Board/Committee:	Audit Committee
Date:	24 September 2015
Paper title:	Assumptions used for the LSBU FRS17 report at 31/7/15
Author:	Natalie Ferer, Financial Controller
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To review the pensions assumptions
Recommendation:	That the committee approves the assumptions made by the LPFA scheme actuaries, Barnet Waddington, for FRS17 disclosures.

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

### **Executive summary**

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

Indicative assumptions for the LSBU FRS17 report at 31/7/15 have already been circulated to members of committee. The final assumptions have now been received and are set out herein.

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

The assumptions are in line with indicative assumptions circulated in June and result in a net deficit in the scheme at 31 July 2015 of £89m, an increase of £13m (17%)

compared to 31 July 2014. Full details of the resulting pension deficit and charge to the accounts will be presented in the financial statements and auditors report later in the year.

## Assumptions

The report for London South Bank University has been prepared using standard scheme assumptions which are summarised below:

	31/7/15 Final	31/7/15 Indicative	31/7/14	31/7/13
RPI increases	3.5%	Approx. 3.6%	3.5%	3.3%
CPI increases	2.6%	Approx. 2.7%	2.7%	2.5%
Salary increases	4.4%	Approx. 4.5%	4.6%	4.2%
Pension increases	2.6%	Approx. 2.7%	2.7%	2.5%
Discount rate	3.8%	Approx. 3.8%	4.2%	4.7%

More detailed analysis of the assumptions are contained in the attached document prepared by the scheme actuaries.

The Committee is asked to note and approve the assumptions.

**Subject** FRS17 and IAS19 final assumptions for 31 July 2015

### Background

We have been asked to provide the assumptions that will be adopted for the FRS17/IAS19 disclosures at 31 July 2015.

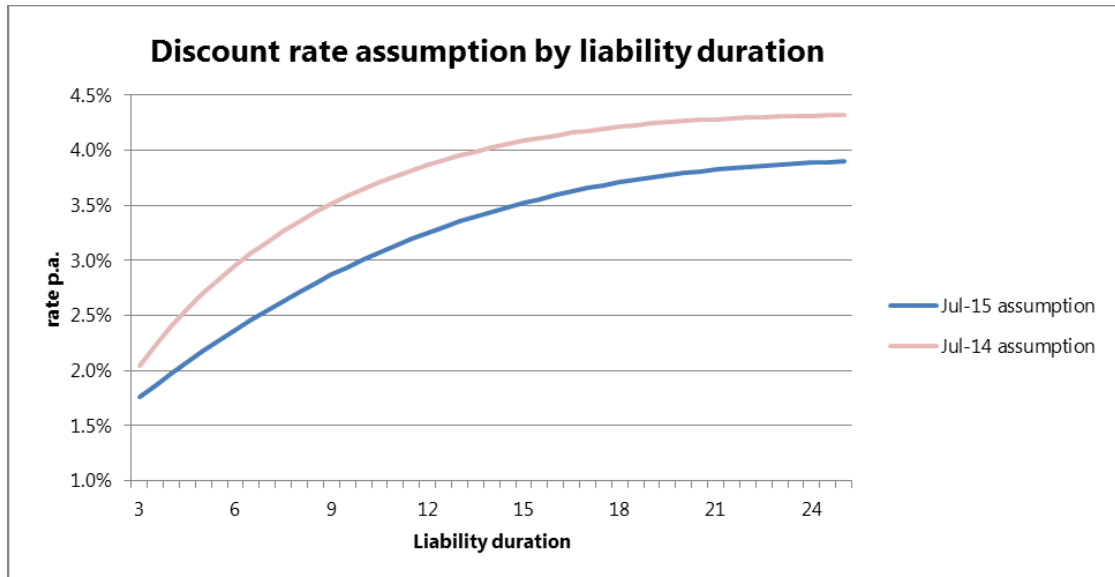
**This note discusses our recommended assumptions for the exercise, however the responsibility for setting assumptions ultimately belongs to the employer and therefore if an employer was to request alternative assumptions (having taken advice from an actuary) then we would be happy to use these in producing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

**For accounting periods beginning on or after 1 January 2015 FRS17 will be replaced with FRS102 which is a new standard to once again align it with IAS19. At the end of this note we also include key details of the new FRS102 standard. We will include FRS102 profit and loss comparator figures in the FRS17 disclosures we produce this year for illustration at no extra fee and we will produce full comparators next year. If required, we can produce full FRS102 disclosures this year and details of the fee for this can be found in the July 2015 accounting fee menu.**

### Discount rate

Our standard approach for the July 2015 exercise will be to use the point on the annualised Merrill Lynch AA rated corporate bond yield curve based on the estimated duration of each employer's liabilities. For employers with an estimated duration of greater than 25 years, we will use the 25 year point on the curve. This is the same approach as last year.

The following graph shows the assumption by liability duration at 31 July 2015, together with the standard assumption at 31 July 2014.



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

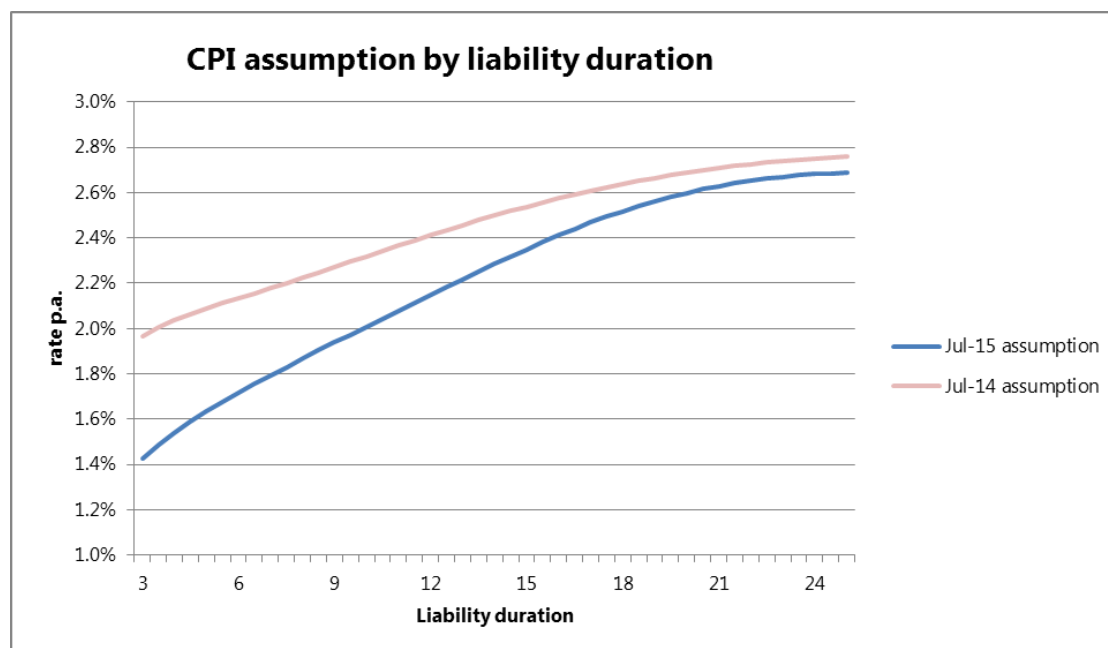
## Inflation and salary increases

Our standard approach will be to take the rate at each employer’s duration implied by the Bank of England’s future Retail Prices Index (RPI) inflation curve which is based on the difference in conventional and index-linked gilt yields. This is the same approach as was taken for the July 2014 exercise.

The indexation of pensions in the public sector is expected to be in line with the Consumer Prices Index (CPI). Unlike RPI, there are very few traded CPI instruments and so a price cannot be directly observed in the market. We therefore base our CPI assumption on the assumption we make for RPI.

CPI has historically been below RPI and so we will assume that it will, on average, be 0.9% per annum less than RPI. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods. We assumed 0.8% as the difference last year so this is a slightly bigger gap which will give a slightly lower CPI assumption compared to market-implied RPI.

The following graph shows our assumptions for CPI inflation by liability duration at 31 July 2015.



Our starting point for the salary increase assumption will be that made for the 2013 triennial valuation, i.e. the salary increase assumption will be 1.8% per annum above CPI. This is the same as the approach adopted last year.

As last year, we anticipate that a few employers will request alternative assumptions, particularly in light of the Chancellor's announcement on capping public sector pay in the recent Budget.

## Mortality

The mortality assumption we will adopt for this year's accounting disclosures will be the mortality assumptions provided by Club Vita in line with those disclosed in the 2013 funding valuation for the LPFA Pension Fund. We will also make an allowance for future improvement factors in line with the 2012 CMI model with a long term assumption of 1.5% p.a. This is the same as the approach adopted last year.

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

## Combined effect on liabilities

The table below describes the likely effects for employers at 5 year duration points, based on market conditions at 31 July 2015.

Term	Effect of changes in financial assumptions on employer's liabilities using market conditions as at 5 June 2015
5 year	2% <b>decrease</b> to 2% <b>increase</b> in liabilities
10 year	1-5% <b>increase</b> in liabilities
15 year	4-8% <b>increase</b> in liabilities
20 year	6-10% <b>increase</b> in liabilities
25 year	7-11% <b>increase</b> in liabilities

## Assets and overall deficit

We have data for the LPFA's asset returns for the period to 31 May 2015. These show a return of slightly less than 7% for the 10 month period. Equity returns since 31 May 2015 have been negative and gilt/bond returns have been flat so the overall return for the year might only be 4-5%. If this is the case, there is likely to be a small negative effect from the asset performance for all employers.

Overall, based on current market conditions, we believe that all employers may see their funding levels deteriorate this year, although those with liability durations of less than 10 years will be least affected.

## New FRS102 standard

The new FRS102 standard applies to employers who have an accounting year beginning on or after 1 January 2015 although earlier adoption is permitted. From that time FRS17 will no longer apply.

We will include FRS102 profit and loss comparator figures in the FRS17 disclosures we produce this year for illustration at no extra fee and we will provide full comparators next year.

The key changes under the new FRS102 standard are as follows:

- The “expected return on assets” figure will no longer be used. Instead, the “finance cost” which is currently the difference between the interest on liabilities and expected return on assets will be replaced by a “net interest cost”, calculated using the discount rate applying at the start of the period;
- Discount rates are no longer specifically pegged to AA-rated bonds, only to “high quality corporate bonds”, although it is not expected that this change will have much of an impact.
- More disclosures will be required about the risks posed by the fund;
- Various components within the disclosures will be relabelled;
- More detailed disclosure about the fund assets;
- The cost of a defined benefit scheme will be divided into four elements, the first three of which will be included in profit/loss, the fourth in other comprehensive income:
  1. Change in liability due to employee service during the reporting period (service cost)
  2. Net interest on the net liability
  3. Benefit changes, curtailments and settlements (past service costs)
  4. Re-measurement of the liability (comprising actuarial gains and losses and the return on the fund assets (excluding the net interest amount))
- FRS 102 refers to the “fair value” of assets rather than specifically requiring the use of bid values;
- Treatment of expenses - administration costs, other than those relating to investment management, will need to be expensed as they are incurred.

FRS17 reports will be unaffected by these changes if the new standard is not adopted until next year but employers who report under FRS17 should note that there will be changes to their disclosures for accounting periods beginning on or after 1 January 2015 when the new FRS102 standard becomes effective). The figures produced this year will need to be amended for the disclosures produced next year to be in line with the new FRS102 standard as the employer is required to show comparative information from the previous year. We will be including profit and loss comparators in our disclosures this year for your information with full comparators next year.

The introduction of FRS102 may also affect how employers disclose their liabilities from unfunded schemes. If employers participate in unfunded multi-employer schemes such as the Teachers' Pension Scheme or the NHS Pension Scheme, the nature of these schemes means that they will probably account for them as if it was a defined contribution scheme (i.e. the pension costs are simply the contributions paid) even though they are defined benefit schemes. For these schemes, employers will need to recognise on their balance sheet the expected present value of all future deficit reduction contributions.

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

**Barnett Waddingham LLP**

**5 August 2015**



	PAPER NO: AC.42(15)
Paper title:	Debtors Analysis
Board/Committee	Audit committee
Date of meeting:	24 September 2015
Author:	Natalie Ferer, Financial Controller
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To report on fee debt outstanding at 31/8/15
Recommendation:	That the committee notes the report.

Matter previously considered by:	n/a	n/a
Further approval required?	None	N/A

## 1. **Background**

1.1 The Finance department is responsible for ensuring that outstanding debts are monitored and chased in a systematic way. This report sets out the level and type of tuition fee debt as requested by Audit Committee.

1.2 It is increasingly important that the University optimises tuition fee debtor recovery. By understanding what drives non-payment of fees, the Finance team can concentrate their efforts on collecting the debts that otherwise would remain unpaid.

## 2. **Debt Collection procedures**

2.1 Procedures are in place which specify agreed activities that should take place in order to chase unpaid fees and the action to be taken when fees remain unpaid.

Activities include:

- Offering instalment plans
- Monthly statements by letter or email
- Phone calls
- Messages on MyLSBU

# London South Bank University

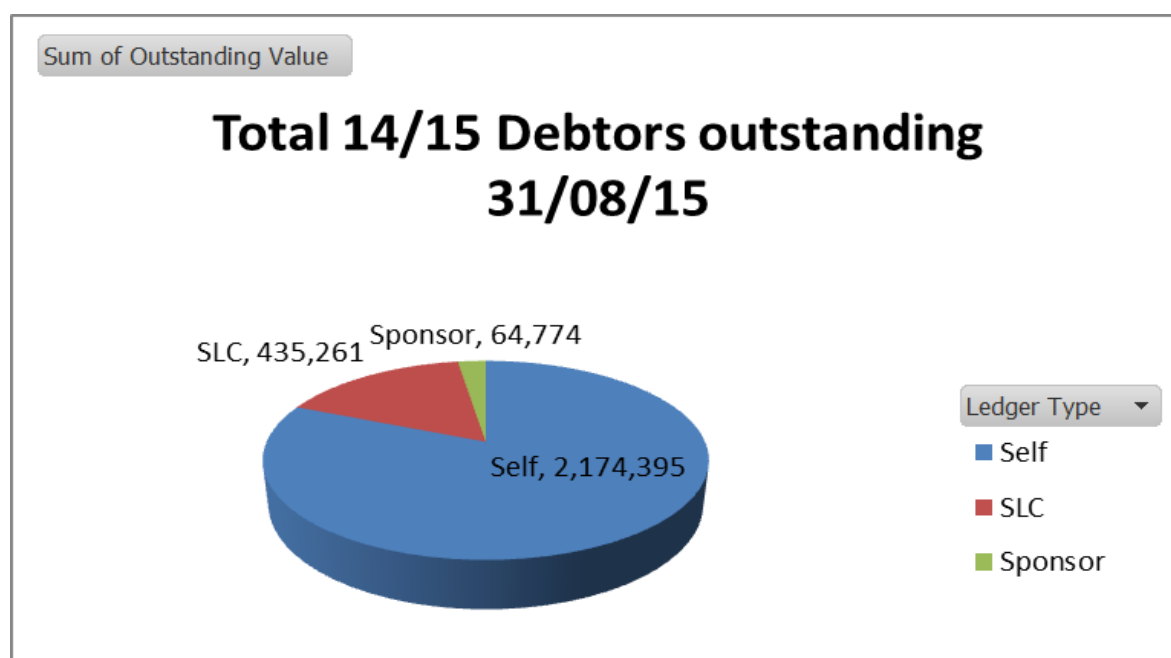
- Final demand letters
- Referral to debt collection agents employed by the University when all other actions fail.

2.2 Financial regulations state that any student who has not paid their account for tuition fees shall not receive their certificate for any degree or other qualification until all outstanding debts have been cleared. In addition any such students shall be prevented from re-enrolling at the University and from using any of the facilities. If a student fails to make payment by the agreed instalment due dates they will incur an additional £25 charge for each instalment missed.

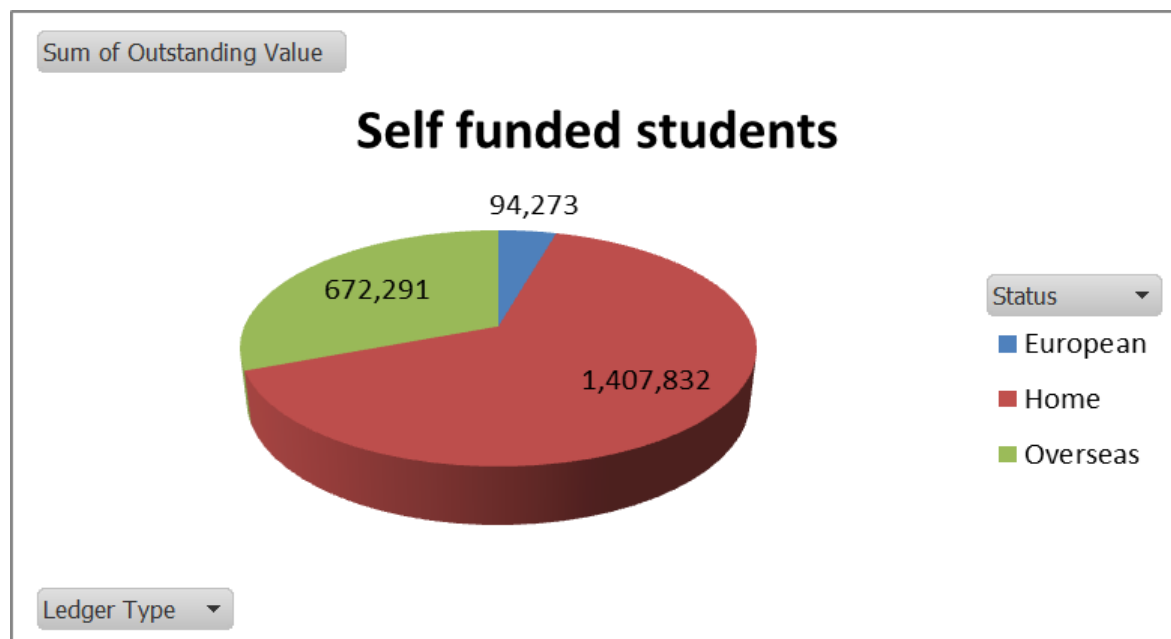
## 3.0 Analysis of debt

3.1 The analysis below is of debt relating to fees charged in 2014/15. It excludes any credit balances where refunds are due and any fees paid in advance for courses being attended in 2015/16. At 31<sup>st</sup> August 2015 £2.6m of fees were unpaid, although it is expected that around £600k of this will be collected during September and October as returning students enrol for the coming year.

Unpaid fees still remain low compared to the overall level of income invoiced during the year. Collection rates for the £70.3m fees charged for 2014/15 are currently 96.3% and are expected to rise to 97.1% by the end of the enrolment period.

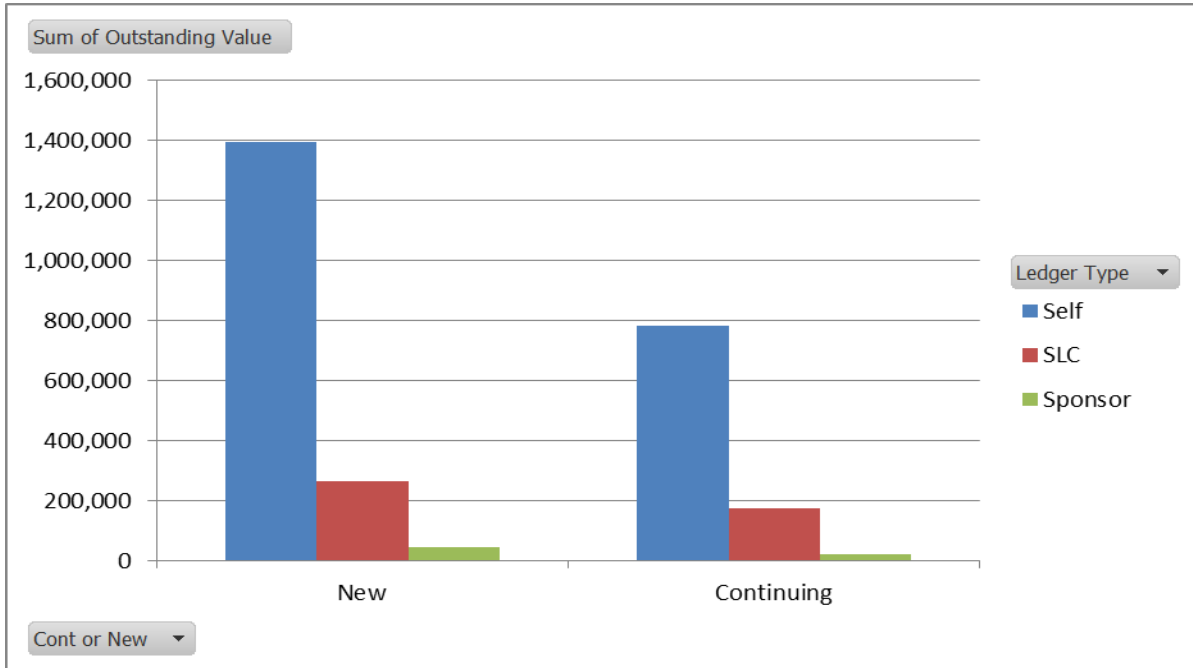


3.2 The largest group of students who owe fees are self-funded students, owing £2.1m as of 31/8/15. The next table analyses this by country of origin. Home students owe £1.4m, Overseas students £672k and EU students £94k.

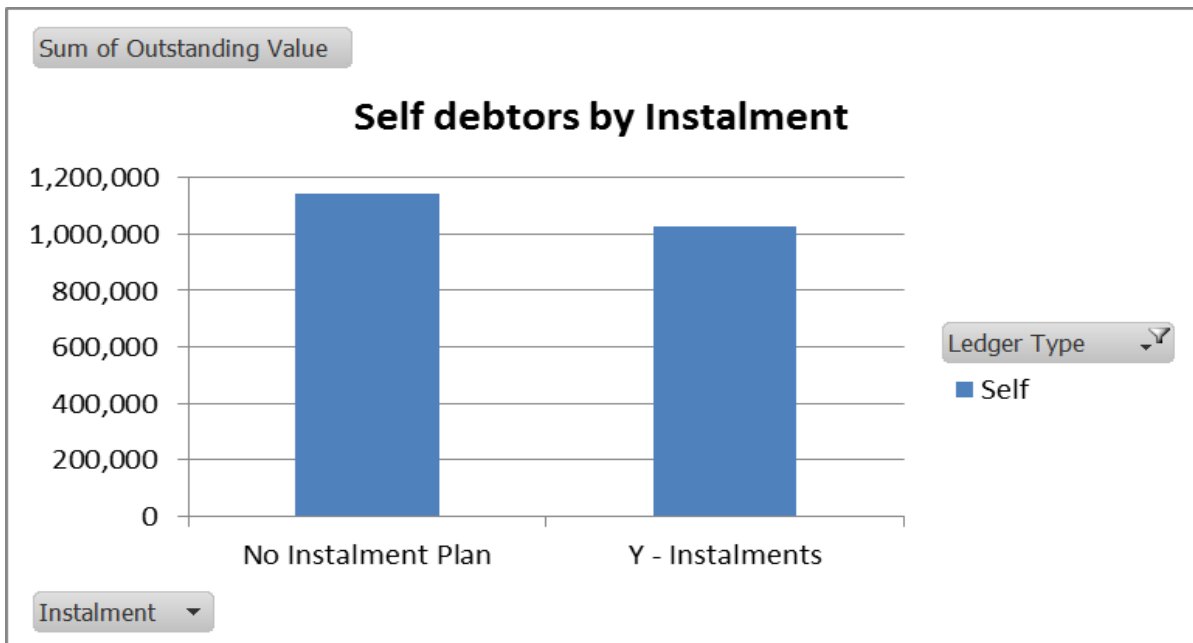


3.3 As would be expected, continuing students are better payers than new students, with home self-funded continuing students starting their course in 2014/15 owing £782k compared to £1.4m owed by new students. It can be seen that companies sponsoring students pay most of the fees charged and very low levels of debt remain for this group .

Fees are credited in year where students interrupt or withdraw from their course with students who interrupt paying between 25% and 100% of the fee depending on the date they withdraw or interrupt. These fees account for £376k or 14.5% of 20014/15 debt. In some cases, students will not have been able to obtain a student loan for a course they withdraw from and therefore some of this debt will be owed by students who initially expected to pay with a student loan. Similarly, students are charged for studying repeat units and students are not eligible for additional student loans to cover these fees and this accounts for around £436k debt owed by self-funded students.



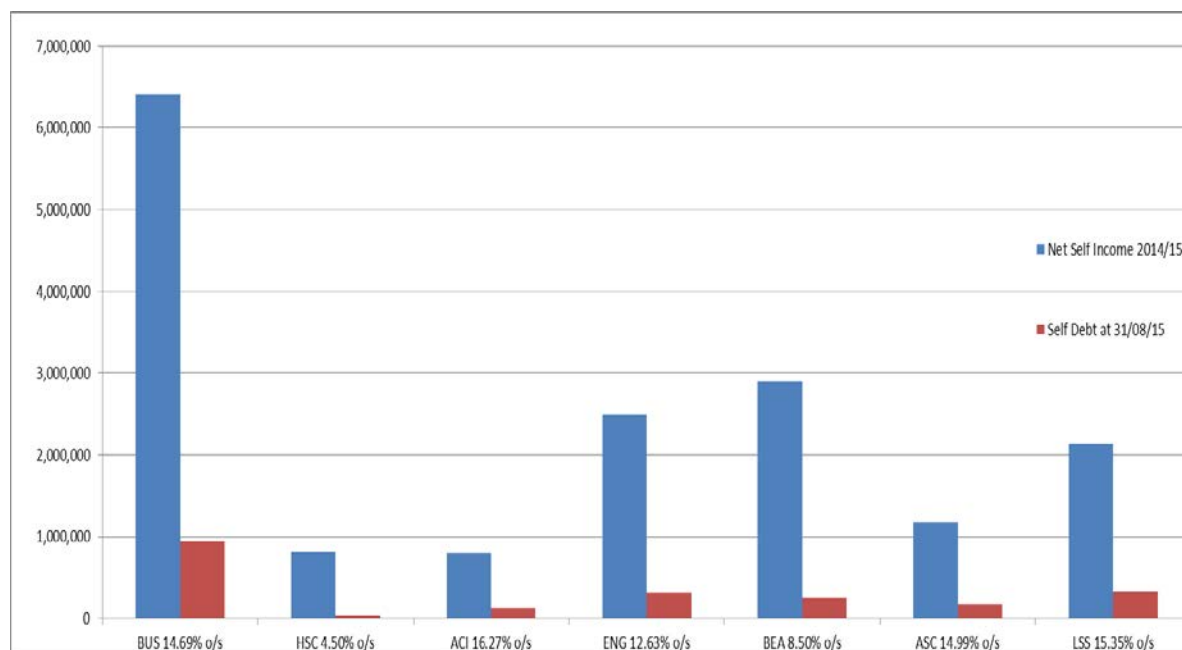
3.4 Just over £1m of the debt is owed by students who set up an instalment plan. This suggests that those with instalments are no more likely to pay than those without. We will therefore review the effectiveness of the current instalment arrangements and the information given to students about when to make payments and penalties for non-payment.



3.5 The chart below is total income charged to self-funded students by school, compared to the debt outstanding at the year end. It shows that, in percentage terms, students in the school of Arts and Creative Industries are most likely to default on their fees with 16.27% of fees unpaid at the year end. Students in Health

# London South Bank University

and Social Care and Built Environment and Architecture are most likely to pay their fees in full. This information can help the Finance team tailor their collection activities according to school, in order to maximise collections.



## 4.0 STA collection rates

At the end of the year, where students have failed to make arrangements to pay, debts are referred to the external debt collection agency employed by the University, which is currently STA. STA collections have increased from £432k in 2013/14 to £725k in 2014/15 through recovery of some difficult to collect debts. STA charges the University 9% of everything they recover. We are considering using additional services offered by STA including calling students outside of office hours and doing bulk mailings and phone calls when instalments are due.

## 5.0 Recommendation

The committee is asked to note the report

	PAPER NO: AC.43(15)
Paper title:	Public Benefit Statement
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	Michael Broadway, Governance Manager
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Recommendation:	The committee is requested to approve the draft Public Benefit Statement for inclusion in the annual report, 2014/15.

Matter previously considered by:	N/A	N/A
Further approval required?	Board (as part of the annual report)	On: 26 November 2015

### **Public Benefit Statement**

The Public Benefit Statement forms a mandatory part of the annual report of charities. The Memorandum of Assurance and Accountability with HEFCE states that the following must be included in the audited financial statements:

- A statement that the charity has had regard to the Commission's guidance on public benefit
- A report on how the HEI has delivered its charitable purposes for the public benefit

The statement sets out the University's charitable objects as found in its Articles of Association and how these objects are applied for the public benefit. It sets out how the University advances education for the public benefit. The University's main beneficiaries are identified as its students but with a wider public benefit of the University's activities mainly through research and community work also recognised.

The committee is requested to approve the draft Public Benefit Statement for inclusion in the annual report.

### **Public Benefit statement**

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

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

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

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

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

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

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

The University’s objects are applied solely for the public benefit, as follows.

The University advances education for the public benefit by:

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

The University promotes research and the dissemination of knowledge by:

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

The University provides associated support and welfare for students by:

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

## **Beneficiaries**

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

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

Like other universities LSBU must charge tuition fees. However, maintenance grants are available to those with restricted means, especially students from families on low incomes. In addition, the University offers financial assistance in the form of scholarships, bursaries and charitable funds to students in need. LSBU's fee structure for part-time students reflects the bursary/scholarship paid to full-time students thus ensuring that they are not disadvantaged by studying part-time.

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

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



	PAPER NO: AC.44(15)
Paper title:	Corporate Governance Statement
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	Michael Broadway, Governance Manager
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To review the Corporate Governance statement before inclusion in the annual report, 2014/15
Recommendation:	To approve the Corporate Governance statement for inclusion in the annual report, 2014/15

Matter previously considered by:	N/A	N/A
Further approval required?	Board (as part of the annual report)	On: 26 November 2015

### **Corporate Governance Statement**

The Corporate Governance Statement is intended to assist readers of the financial statements in obtaining an understanding of the governance and legal structure of the University. It sets out the governance and legal structure of the University and how the Board complies with the CUC Governance Code of Practice (2009), which HEFCE confirms is the applicable Code for 2014/15. The new version of the CUC Code applies for future reporting years.

The committee is requested to approve the draft Corporate Governance Statement for inclusion in the annual report.

## **Corporate Governance Statement**

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

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

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

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

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

## **Governance and Legal Structure**

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

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

## **Compliance with CUC Governance Code of Practice**

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

### *Role of the Board of Governors*

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

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

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

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

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

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

Governors are reminded of their duty to exercise their responsibilities in the interests of the University as whole during their induction and throughout their term of office. The

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

The University Court enhances the University's engagement with its key stakeholders. Although not a decision making body, the University Court plays an important advisory role in the development of the University through its wide membership of prominent and distinguished individuals. The University Court meets annually in the spring and helps the University build relationships with members and identify areas for collaboration for the benefit of students. The Court's annual meeting took place in the Clarence Centre for Enterprise and Innovation on 19 March 2014.

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

### *Structure and Processes*

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

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

The appointment of independent governors to the Board is determined by the Nomination Committee and Appointments Committee, both chaired by the Chairman of the Board. A written description of the role and capabilities required of governors has been agreed by the Nomination Committee. Candidates are judged against the capabilities required and the balance of skills and experience currently on the Board.

The balance of skills and experience of independent governors is kept continually under review by the Nomination Committee.

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

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

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

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

#### *Effectiveness and Performance Reviews*

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

#### **Committees**

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

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

- Finance, Planning and Resources
- Major Projects and Investments

The following committees were closed in May 2015:

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

The following committees were in operation throughout the year:

- Audit Committee
- Nomination Committee
- Appointments Committee
- Remuneration Committee

	PAPER NO: AC.45(15)
Paper title:	Anti-Fraud, Bribery and Corruption Report
Board/Committee	Audit committee
Date of meeting:	24 September 2015
Author:	Natalie Ferer, Financial Controller
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To alert the committee to any instances of fraud, bribery or corruption arising in the period since the committee last met.
Recommendation:	That the committee notes the report.

Matter previously considered by:	Audit Committee	At every meeting
Further approval required?	None	N/A

**New matter arising since the last meeting:**

The Audit Committee oversee the policy on anti-fraud matters and are notified of any action taken under those policies, including the Anti-Fraud and the Anti-Bribery policy.

There is one matter arising since the last meeting of 4 June 2015.

On 10 August 2015, a colleague gave a campus tour to a prospective international student and his family. Just as the family were leaving, they passed over £100 in a handshake before driving off in a cab. The colleague returned to his office with the money and immediately told his line manager. There are no known contact details for this student or the family. However, if he applies for next semester the next semester then appropriate action will be taken to review the application and return the money.

The Legal team have advised that if it is not possible to return then it should be donated to charity. This decision will be made by the University Secretary.

	PAPER NO: AC.45(15)
Paper title:	Anti-Fraud, Bribery and Corruption Report
Board/Committee	Audit committee
Date of meeting:	24 September 2015
Author:	Natalie Ferer, Financial Controller
Executive sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To alert the committee to any instances of fraud, bribery or corruption arising in the period since the committee last met.
Recommendation:	That the committee notes the report.

Matter previously considered by:	Audit Committee	At every meeting
Further approval required?	None	N/A

**New matter arising since the last meeting:**

The Audit Committee oversee the policy on anti-fraud matters and are notified of any action taken under those policies, including the Anti-Fraud and the Anti-Bribery policy.

There is one matter arising since the last meeting of 4 June 2015.

On 10 August 2015, a colleague gave a campus tour to a prospective international student and his family. There are no known contact details for this student or the family. However, if he applies for next semester the next semester then appropriate action will be taken to review the application and return the money.

The Legal team have advised that if it is not possible to return then it should be donated to charity. This decision will be made by the University Secretary.



	CONFIDENTIAL
	PAPER NO: AC.46(15)
Paper title:	Speak up report
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	Michael Broadway, Governance Manager
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	To update the committee on: <ul style="list-style-type: none"> <li>• any speak up matters raised since the last meeting</li> <li>• implementation of the independent reporting line</li> </ul>
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	N/A - The speak up policy enables workers and students to report any concerns about malpractice, helping to create an open and ethical culture in the workplace.
Recommendation:	The committee is requested to note the report.

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

### **Executive Summary**

No speak up matters have been raised under the speak up policy since the last meeting.

### **Independent reporting line**

Safecall has been appointed to provide the independent reporting line for staff to raise issues under the Speak Up policy. Implementation is underway and the

# London South Bank University

service will be launched to staff during autumn 2015. The launch will part of a campaign highlighting “organisational integrity”. This will cover promotion of:

- the speak up reporting line and policy;
- the “integrity” value;
- the following policies: anti-fraud; anti-bribery; gifts and hospitality;
- mandatory training for staff on these policies; and
- declaration of interests process for staff.

The committee is requested to note the report.

	PAPER NO: AC.47(15)
Paper title:	Terms of Reference
Board/Committee	Audit Committee
Date of meeting:	25 September 2014
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Steve Balmont, Chairman of the Committee
Purpose:	To review the committee's terms of reference
Recommendation:	To note the committee's terms of reference

Matter previously considered by:	Board	On: 9 July 2015
Further approval required?	No	N/A

### **Executive Summary**

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

The governance effectiveness review took place during 2014/15. Following the review the committee's terms of reference were amended to include the duty to consider significant deviations from business case or concerns following a post investment review. The revised version was approved by the Board on 9 July 2015.

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

# London South Bank University

## Membership 2015/16

### *Chairman*

Steve Balmont (Chairman)

### *Independent governor members:*

Douglas Denham St Pinnock

Mee Ling Ng

Shachi Patel

### *In attendance:*

External auditors Grant Thornton

Internal auditors PricewaterhouseCoopers

### *Executive:*

Vice Chancellor

Chief Financial Officer

University Secretary

**Terms of reference**

**1. Constitution**

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

**2. Membership**

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

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

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

2.4 Members should not have significant interests in LSBU.

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

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

2.7 Members of the committee should not also be members of the finance committee (or equivalent).

**3. Attendance at meetings**

3.1 The chief executive, head of finance (or equivalent), the head of internal audit and a representative of the external auditors shall normally attend meetings where business relevant to them is to be discussed.

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

**4. Frequency of meetings**

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

**5. Authority**

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

**6. Secretary**

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

**7. Duties**

- 7.1 The duties of the committee shall be to:
- 7.1.1 advise the Board on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors;
  - 7.1.2 discuss with the external auditors, before the audit begins, the nature and scope of the audit;
  - 7.1.3 as necessary, to hold regular discussions with the external auditors (in the absence of management where necessary);

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

- 7.1.14 in the event of the merger or dissolution of the institution, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed;
- 7.1.15 advise the Board of Governors on the effectiveness of the internal control system and recommend changes as necessary;
- 7.1.16 review regularly the financial regulations for the supervision and control of financial procedures, accounts, income and expenditure of LSBU and to advise the Board of Governors as necessary;
- 7.1.17 monitor compliance with relevant regulatory and legal requirements (e.g. HEFCE financial memorandum) and report to the Board of Governors as necessary;
- 7.1.18 receive reports made under the “speak up” policy and to monitor annually the performance and effectiveness of the “speak up” policy and procedures;
- 7.1.19 to authorise debt write offs above £50,000. To receive a report on any debt written off below this threshold and approved by the Chief Financial Officer.
- 7.1.20 to consider significant deviations from business case or concerns following a post investment review

## **8. Reporting procedures**

- 8.1 The minutes (or a report) of meetings of the Audit Committee will be circulated to all members of the Board.
- 8.2 The committee will prepare an annual report covering the institution’s financial year and any significant issues up to the date of preparing the report. The report will be addressed to the Board and Vice Chancellor/Chief Executive, and will summarise the activity for the year. It will give the committee’s opinion of the adequacy and effectiveness of the institution’s arrangements for the following:
- risk management, control and governance (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts); and
  - economy, efficiency and effectiveness (value for money).
  - management and quality assurance of data submitted to HESA and to HEFCE and other funding bodies



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

*Approved by the Board of Governors on 9 July 2015*

	PAPER NO: AC.48(15)
Paper title:	Committee business plan, 2015/16
Board/Committee	Audit Committee
Date of meeting:	24 September 2015
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors
Board sponsor:	Andrew Owen, Chairman of the Committee
Purpose:	To inform the committee of its annual business plan
Recommendation:	To approve the committee's annual business plan

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

### **Audit Committee Business Plan**

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

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

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

## Audit Committee annual business plan - 2015/16

	24 Sept 2015	5 Nov 2015	11 Feb 2016	9 June 2016
Anti-bribery policy review				✓
Audit Committee, Annual Report to Board		✓		
Audit Committee, self assessment of performance	(every 2 years)			
Business plan for committee	✓			
Membership and Terms of Reference - approve	✓			
Speak up policy - review				✓
Speak up report	✓	✓	✓	✓
Annual Report and Accounts		✓		
Anti-fraud policy review				✓
Anti-fraud, bribery and corruption report	✓	✓	✓	✓
Debt write-off - annual				✓
External audit findings		✓		
External audit letter of representation		✓		
External audit management letter		✓		
External audit performance against KPI's		✓		
External audit plan				✓
External auditors - consider policy in relation to non-audit services				✓
Financial personnel succession planning			✓	
Insurance programme and report on claims		✓		
Internal audit annual report	✓	✓		

Internal Audit plan				✓
Internal audit progress reports	✓	✓	✓	✓
Internal audit reports (inc continuous audit)	✓	✓	✓	✓
Internal Controls - review	✓ (draft)	✓ (final)		
Pensions assumptions - indicative				✓
Risk Register	✓	✓	✓	✓
TRAC return to HEFCE to be ratified			✓	
TRAC(T) return to HEFCE to be ratified				✓
Value for money report, annual		✓		