Meeting of the Group Audit and Risk Committee

4.00 pm on Thursday, 18 June 2020
via MS Teams

*3.30 - 4.00pm pre-meeting with the auditors via MS Teams

Agenda

Date of next meeting
4.00 pm on Tuesday, 6 October 2020

Members: Duncan Brown (Chair), John Cole, Mark Lemmon and Rob Orr

In attendance: David Phoenix, Pat Bailey, Alison Chojna, Natalie Ferer, Richard Flatman, Kerry Johnson, Nicole Louis, James Stevenson and Graeme Wolfe

Internal auditors: Ruth Ireland and Gemma Wright

External auditors: Fleur Nieboer and Jack Stapleton

Supplement 1 – full reports:
- Internal audit: HESA student data
- Internal audit: Research Excellence Framework

Supplement 2 – Office for Students coronavirus guidance
- Letter to Accountable Officers
- New reporting requirements
- Reportable events guidance

Supplement 3 – Subsidiaries update (to follow)
- Minutes of SBC Audit Committee 11 February 2020
- Minutes of SBA Audit Committee 10 March 2020
- Buzzacott SBA audit planning letter

**Minutes of the meeting of the Group Audit and Risk Committee
held at 4.00 pm on Thursday, 13 February 2020
Technopark, SE1 6LN**

Present
Duncan Brown (Chair)
John Cole
Rob Orr (from minute 12)

Apologies
Mark Lemmon

In attendance
David Phoenix
Natalie Ferer
Richard Flatman
Kerry Johnson
Nicole Louis (to minute 7)
James Stevenson
Jack Stapleton (KPMG - external auditor)
Gemma Wright (BDO - internal auditor)

1. **Welcome and apologies**

   The Chair welcomed members to the meeting.

   Apologies were received from Mark Lemmon.

2. **Declarations of interest**

   No interests were declared on any item on the agenda.

3. **Minutes of the previous meetings**

   The committee approved the minutes of the meeting of 7th November 2019 and their publication, subject to one minor amendment.

   The committee approved the minutes of the written decisions of 20th November 2019 and 29th January 2020 and their publication.

4. **Matters arising**

   It was noted that the updated Group Risk Policy was still work-in-progress and would now come to the next meeting in June 2020. An updated risk register would be circulated to the committee electronically prior to the meeting of the Board of Governors in March 2020. The committee noted that significant work had been carried out on these matters but needed to reflect the future target operating model.

It was noted that the quality assurance report and cybersecurity update would come to the committee at its June 2020 meeting.

All other matters arising were noted as having been completed.

5.   **Internal audit: progress report**

The committee noted the internal audit progress report on the 2019/20 plan, which was on track.

6.   **Internal audit follow-up report**

The committee reviewed the internal audit follow-up report, noting that approximately 63% of recommendations had been completed and that all high-risk recommendations had either been completed or were in progress.

It was agreed that future follow-up reports would include a summary of completed recommendations as an appendix. The internal auditors agreed to consider alternative formats for their reports in future to increase clarity of conclusions. The Chair requested that target dates for actions were realistic rather than amended.

7.   **Internal audit: UKVI Tiers 2 and 5**

The committee noted the internal audit report on UKVI Tiers 2 and 5, which provided limited assurance over the design of controls and moderate assurance over the effectiveness of the controls in place. It was noted that the seven medium risk findings had been accepted by management, and that actions were underway to address the findings. Those actions were due to be completed between March and June 2020.

It was noted that the HR team would carry out sample testing on documentation going forward. The committee advised the Executive to consider what additional tests could be carried out in addition to random sampling.

Nicole Louis left the meeting.

8.   **Internal audit: Student data**

The committee noted the internal audit report on student data, which provided a moderate level of assurance for control design and a moderate level of effectiveness for the controls put in place to safeguard the quality of student data. The committee congratulated the team responsible for the positive outcome of this audit.

9.   **TRAC (T) update**

The committee noted the update on the TRAC (T) report, due to be submitted to the Office for Students (OfS) by 28th February 2020. The committee was

advised that the OfS had raised a query regarding the TRAC return (submitted 31st January 2020), which related to their reconciliation to the Group's five year forecast.

It was noted that there was a need to ensure that the key person risk on the TRAC and TRAC (T) return preparation was mitigated, and that a review of the processes for compiling the data for both returns, and completing the returns themselves, would be beneficial well before the next cycle of returns preparation starts.

10. **Group Speak Up Policy and report**

The committee noted that no new speak up matters had been reported since the previous meeting. The committee noted that a previously reported matter had been reviewed by the Chair and found it raised no new matters.

The committee received the new draft speak up policy, which had been reviewed to make the policy clearer and more user friendly. The policy also included procedures for speaking up against Governors, including the Chair. Following discussion, the committee agreed to approve the draft speak up policy.

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

The committee noted the report. One instance of theft of computer equipment had been identified and reported to the Metropolitan Police, and one member of staff had been suspended pending a disciplinary investigation. It was noted that the University's Data Protection Officer had assessed the risk from a data protection point of view, and had determined that the matter was not reportable to the Information Commissioner.

12. **Reportable/notifiable events to the OfS**

The committee discussed the paper, which presented a draft framework for reportable events to the OfS, including definitions of materiality for specific events. It was noted that the threshold to report fraud/financial irregularity and legal action could be lower than currently specified, and that this would be further assessed by the Executive.

It was agreed that the paper would come back to a future meeting of the committee.

13. **Data protection report**

The committee noted the data protection report and the two incidents involving actual breaches of personal data since the last meeting of the committee. One breach required notification to the ICO, however the ICO took no further action.

14. **Group authorised signatories and contract authorisation process**

The committee noted the amendments to the authorised signatories and contract authorisation process, updated to reflect Group best practice. The new process, forming part of the Group financial regulations, was approved subject to minor amendments.

15. **Audit Committee business plan**

The committee noted its business plan for 2019/20.

16. **Matters to report to the Board following the meeting**

The committee noted that the Group speak up policy, reportable events framework (once finalised) and high-level outcomes of the internal audit reports would be reported to the appropriate Board meeting.

17. **Reports to subsidiaries**

The committee requested that internal audit reports for Group subsidiaries should come for noting only after review by the relevant local audit committee.

18. **Any other business**

The committee noted that the DfE had neither approved nor refused the Lambeth College estates strategy, which potentially put at risk £20 million GLA funding and the ability to deliver long-term vision of the college portfolio. It was noted that this would be reported to the OfS as a reportable event, but that there would be no impact on current students or immediate financial impact. An urgent meeting with the DfE will take place.

**Date of next meeting
4.00 pm, on Thursday, 27 February 2020**

Confirmed as a true record

.... (Chair)

Written resolution of the **Group Audit and Risk Committee**
of London South Bank University
passed on Thursday, 27 February 2020

1. **Welcome and apologies**

   Apologies were received from Rob Orr.

2. **Declarations of interest**

   No interests were declared on any item on the agenda.

3. **TRAC (T) Return**

   Noting that the Chair had reviewed the Return in detail, the Committee agreed to approve the TRAC (T) Return for submission to the OfS.

Circulated to:
Duncan Brown
John Cole
Mark Lemmon
Rob Orr

Signed on behalf of the Group Audit and Risk Committee

.... (Chair)

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Written resolution of the **Group Audit and Risk Committee**
of London South Bank University
passed on Monday, 27 April 2020

1.   **Declarations of interest**

No interests were declared on any item on the agenda.

2.   **South Bank Academies external auditors**

The committee approved on behalf of LSBU the appointment of Buzzacott's as the external auditors of SBA.

Circulated to:
Duncan Brown
John Cole
Mark Lemmon
Rob Orr

Signed on behalf of the Group Audit and Risk Committee

.... (Chair)

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GROUP AUDIT AND RISK COMMITTEE – THURSDAY 18 JUNE 2020
ACTION SHEET

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
4.	Matters arising	Group risk policy to be updated for June 2020 meeting	18 June 2020	Richard Duke	Complete
4.	Matters arising	Updated risk register to be circulated to committee electronically prior to March 2020 Board of Governors meeting	12 March 2020	Kerry Johnson / Richard Duke	Complete
4.	Matters arising	Quality assurance report and cybersecurity update to come to June 2020 meeting (November 2019, minute 23)	18 June 2020	Nicole Louis / Deborah Johnston	Cybersecurity update on agenda QA return is no longer required by the OfS, and will be addressed by review of conditions B1-B6 in the grid attached in the pack which will be updated and brought to a future GARC meeting in the new academic year.

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
6.	Internal audit follow-up report	Future follow-up reports to include summary of completed recommendations as an appendix. Internal audit reports to be reformatted for clarity.	18 June 2020	BDO/Natalie Ferer	Complete
9.	TRAC (T) update	Review of the processes for compiling the data for the TRAC and TRAC (T) returns	6 October 2020	Richard Flatman	In progress. To be reported to 6 October meeting.
12.	Reportable/notifiable events to the OfS	Updated reportable events compliance grid to come to June meeting	18 June 2020	Governance Team	Complete

	CONFIDENTIAL
Paper title:	Covid 19 Recovery Project
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author(s):	Ed Spacey, Acting Director of Group Assurance
Sponsor(s):	David Phoenix, Vice Chancellor and Chief Executive Officer
Purpose:	For Information
Recommendation:	That the Committee notes and endorses the actions taken towards recovery planning.

Executive summary

This report provides mapping of the LSBU Group position against Universities UK Recovery Principles, outlines the project structure, and provides a Covid 19 Risk Register.

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Covid 19 Recovery Project

1.0   Purpose

1.1   To provide the Group Audit and Risk Committee with information on the LSBU Group position mapped against the recent Universities UK (UUK) covid recovery principles, our Recovery Project structure, and a Covid Group Risk Register.

2.0   UUK Principles

2.1   This provide a rag rated analysis of the current LSBU position against draft emerging sector principles, identifying areas for development.

2.2   Ratings are indicated on the basis of the key below.

Rating	Rationale
	Met or close to being met
	Ongoing but requires development
	Gap or potential issue

3.0   Analysis

3.1   Principle one: The health, safety and wellbeing of students, staff and visitors and the wider community will be the priority in decisions relating to the easing of Covid 19 restrictions in Universities.

Consider (these are examples of areas to consider, the list is not prescriptive or exhaustive):

− Developing a university-wide action plan that will (i) be responsive to changing public health requirements, (ii) adaptable to a reduction or increase in the threat posed by coronavirus e.g. a second spike in infections nationally or a localised outbreak,(iii) will adhere to existing health and safety legislation and (iv) be informed by the jointly agreed UCEA and trade union principles for working safely on campus during the Covid 19 pandemic.	Covered with adaptation to covid guidance. Measures also include Group wide approach.
− Placing risk assessments and consultations with trade union health and safety representatives at the heart of decision-making.	Covered by templates for areas to adapt and planned liaison with unions. Standard across Group.
− How to engage with existing health and safety arrangements including health and safety representatives and safety committees	Covered via Group Health and Safety Committee and Union discussions.

− Ensuring the impact of activities is monitored and reviewed including when official advice changes	Covered by workstream in place and Group monitoring
− Developing processes to identify activity that can only be carried out on site	Covered and being progressed.
− Using a variety of communication channels reminding students and staff of the importance of public health guidance, e.g. washing hands, social distancing, self-isolation in the event of symptoms, etc.	Covered, but needs continual reinforcement.
− Developing measures to provide information and raise awareness of NHS services or other health facilities within the university or nearby, as well as up to date health guidance and information e.g. NHS 111 service	To be developed via comms.
− Provide an early warning system identifying possible Covid 19 incidents among staff students or visitors	Covered by protocols in place.
− Putting measures in place to respond to any incidence of Covid-19 amongst staff and students, including responsible use of any initiatives provided by the government e.g. Covid 19 testing	Reporting covered but needs further reference to new track & trace.
− Developing safety protocols for visitors and how to communicate these effectively, including whether any PPE is necessary	To be further developed out of / from the new LSBU covid guidance.
− How existing modes of transport provided by the university need to be adapted in line with social distancing and public health requirements e.g. capacity of buses to campus	N/A
− How car parking spaces (both for staff and commuter students) can be reallocated to less populated areas (considering the needs of those with disabilities in relation to reallocation of spaces on campus, consulting the unions where necessary)	Lack of areas to use for car parking across London makes this problematic to do.
− Ways to reduce the pressure on public transport and encourage walking and cycling to work or study (e.g. increasing bike racks on campus, home-working policies, reviewing the working day (introducing staggered starts and finishes) and working with local transport operators to raise concerns	HR workstream looking at home working/hours/practicalities.
− Working with students unions around measures required to protect the safety of staff students and the wider community in SU facilities	Covered via ongoing liaison with SU.
− Working with university partners (e.g. accommodation providers, pathway providers) around measures to protect the safety of staff students and the wider community	Covered. LSBU owned Halls of Residence.
− How to ensure risk assessments consider those who may be at increased risk, including individuals who require shielding and those with underlying health conditions	HR Workstream in place.
− Any special considerations that need to apply to relatives of those who require shielding or who are in a vulnerable group e.g working from home, leave arrangements	In progress and being developed via HR.

3.2 **Principle two: Universities will make appropriate changes to university layout and infrastructure in accordance -at a minimum - with public health advice including guidelines on social distancing.**

Consider (these are examples of areas to consider, the list is not prescriptive or exhaustive):

− How to encourage and enforce social distancing regulations across all university spaces including lecture theatres, classrooms, shops, libraries, canteens, SUs and other social or recreational spaces, bathrooms, kitchens, etc. and where that is not possible what mitigating actions are required e.g. limiting access to facilities at any given time	In progress via EAE, signage and booking systems.
− How to ensure clear signage and floor markings and any changes required to traffic routes on university sites or within buildings (including SUs) −	In progress via EAE.
− How to manage the flow of foot traffic and whether entrances and exits are mandated for buildings −	In progress via EAE.
− A process for ensuring ventilation systems adhere to the latest advice −	In progress via EAE and in line with HSE guidance.
− University policy on the use of face coverings and communicating this to staff and students, including if they will be mandated encouraged or supported	Set out in Covid staff guidance. Refer to Gov guidelines. <u>Potential issue for certain international students who may not select LSBU if we do not have clear student policy allowing face covering use on campus.</u>
− Whether risk assessments have identified circumstances where protective equipment may be necessary and what action is necessary in response	In progress.
− How class sizes and timetables might be adapted to minimise the numbers of students in university buildings at any one time	Booking system for study areas and social distancing marking in lecture theatres / blended model. Take steps to avoid groups forming outside buildings.
− How to enable students who have left possessions in university managed accommodation can collect their belongings in a managed way in line with public health guidance	Being considered within EAE subject to government guidance.
− How to manage student accommodation in line with social distancing requirements and other government health and safety guidelines	Work underway in EAE but may result in

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	reduced bed numbers/revenue.
− How to facilitate social and sporting activities in line with public health advice and social distancing requirements	Indoor sport / Gym could be problematic re higher risk of transmission. And remains closed but online classes being arranged
− What actions are required around office occupancy in line with public health guidance (including in relation to hot desking)	Considered via EAE.

3.3   Principle three: Universities will review their teaching, learning and assessment to ensure that there is the required flexibility in place to deliver a high-quality experience and support students to achieve their learning outcomes in a safe manner .

Consider (these are examples of areas to consider, the list is not prescriptive or exhaustive):

- How to ensure regular, timely and clear communications to current and prospective students on what to expect in terms of course structure and delivery, assessment quality and fees.	Ongoing comms plan and engagement delivered jointly with SU
- Where the delivery of high-quality and accessible online provision might be appropriate and what steps are required to address digital poverty, and to support those who lack access to suitable study space at home.	Student hardship funds, instalment purchase plans and plans for re-opening study areas.
- Exploring new ways of delivering in-person teaching that adhere to guidelines on social distancing.	Key technical and specialist modules will be delivered on campus. Where possible these will also have an online analogue (for students who are shielding or not able to return to UK). As part of the oncampus offer, new approaches are being developed – such as extended hours, terms or residential schools. As part of the online offer, advanced filming support is being trialled to extend the potential to mimic lab work online.

- What steps can be taken to minimise disruption to students	Detailed workstreams in place to anticipate and mitigate disruption to students. Work to manage student expectations remains important.
- What engagement is required with students to understand if planned changes are likely to create barriers for specific students and what steps are required to address these	Covered by planned engagement activity, and also our Individual Study Support Plan, which will provide students with key information about their options and the support available.
- How to deliver different types of learning safely and effectively, such as performance arts, practical classes, work placements, apprenticeships, international years and placements in clinical settings.	Workstream planning in progress to look both at the use of technology and also space solutions.
- How to meet the needs of students who are unable to travel or are abroad but want to access provision online	Our blended model will scaffold online any campus-delivered activity, as long as this is compatible with PSRB requirements.
- What implications course structure and delivery will have on uk visas and immigration (UKVI) requirements and what reassurance students on visas will need	Monitoring underway and a workstream formed.
- Where the delivery of high-quality blended learning/ hybrid teaching models with a mix of online and face-to-face methods and no large numbers of students in lecture halls might be appropriate	An enhanced hybrid approach has been developed that includes a minimum baseline as well as enhanced standards.
- How to ensure any changes meet Competition and Markets Authority (CMA) Quality Assurance Agency(QAA) Office for Students (OFS) or devolved equivalent requirements	This is overseen by a workstream and is in progress.
- How to ensure the university can adapt its approach in light of any change to public health advice	Needs continuous review, but our approach is based on a core of online delivery that will allow flexibility should PHE guidance change.

- How, and under what circumstances, it may be appropriate for assessments to take place from home	Each course is establishing its core requirements and we expect almost all assessments to take place online. We are working with PSRBs to identify areas that require oncampus or invigilated exams.
- What systems are necessary to manage the use of shared specialist equipment and software	We are developing a booking system concept
- Ways to work with PSRBs to ensure arrangements meet accreditation standards	Work is already underway.
- Ways to adapt reasonable adjustments	Work is already underway in a key workstream and we are also investing in key accessibility audit software.
- How information and resources developed by UCEA can inform decisions around teaching learning and assessment	Ongoing.
- How to support staff in adapting to new modes of teaching and assessment, providing training and ensuring HR processes are fit for purpose in the new circumstances	HR and training workstreams in place.
- How and under what circumstances it may be appropriate for staff to work from home	HR fact finding and development.

3.4 **Principle four: Universities will regularly review the welfare and mental health needs of students and staff and take steps to ensure preventative measures and appropriate support are in place and well communicated as restrictions are eased.**

Consider (these are examples of areas to consider, the list is not prescriptive or exhaustive):

− The accessibility of support services and their ability to cope with a likely increase in demand, especially mental health and wellbeing support, and their ability to cope with a likely increase in demand (including from students and staff not physically attending the university)	Wellbeing services have plans in place to ensure relevant support provision/meet demand increases.
− Working with local NHS providers to understand support available	Ongoing dialogue with local providers, as well as contacts from within School of Health and Social Care.
− The preventative measures required following the completion of risk assessments	Ongoing monitoring.

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− Using a variety of communication channels to publicise support available	Ongoing and continuous monitoring.
− How support can be delivered in line with public health and social distancing advice including online resources and counselling appointments via phone or online video conferencing platforms.	Online measures already underway.
− How information and resources developed by UCEA can inform what support is in place to ensure students return to work safely post lockdown	Continuous monitoring via workstreams.
− Providing new online courses to support students through the current difficult circumstances	A range of measures are being provided.
− Actions to combat loneliness and isolation amongst vulnerable students including those shielding or self-isolating	Ongoing work in progress.
− Assessing how the transition from lockdown will affect different cohorts of students, courses and staff and what actions are required to mitigate the impact on specific groups	Underway and being scoped within workstreams.
− Reviewing the Equality Diversity and Inclusion implications of the institution's approach to emerging from lockdown and the actions required to mitigate the impact on specific groups of staff and students	To be further developed in conjunction with People and Organisation.
− What steps are required to support disabled people or those with health conditions, those with caring responsibilities or those with a lack of access to appropriate technology or equipment	Ongoing development and needs mapping analysis.
− Consider working with student and staff groups which support minority cohorts (e.g. BAME, LGBTQ+) to understand the needs of different student and staff groups	Working with Student and Staff Groups in progress.

3.5   Principle five: Universities will develop effective processes to welcome and support international students and staff including throughout any self isolation period

Consider (these are examples of areas to consider, the list is not prescriptive or exhaustive):

− How to source or provide accommodation, support and facilities for international students to complete their isolation period	Covered via LSBU Halls Provision.
− How the welfare of international students can be supported through any self isolation requirements that may be in place at the time	Scoping has been conducted and draft protocols are being devised.
- What steps are needed to ensure international students understand the legal implications of breaking any self isolation requirements in place	Planned comms programme,

		monitored by workstream.
-	What implications self isolation will have for international student inductions, welcome initiatives and orientation programmes and what steps are needed to ensure students can still access these and are smoothly inducted into the university community	Under development and being managed.
-	What assurances international students may require around the public health steps the university is taking.	Wider comms plan.
-	What implications quarantine will have on UKVI compliance requirements, and how processes can be adapted to ensure students and staff remain compliant.	Monitoring of Gov Guidance in place.
–	What actions are needed to ensure international students understand the UK health system and what to do if they fall ill (including if they display symptoms of Covid-19).	Measures in place via Student Services Ongoing information and support.
-	How international students who are delayed in their arrival can be supported.	To be further developed Incorporate into induction and comms.
– –	What support is needed for international students experiencing online teaching and learning, including technological support and welfare support (and how to account for different time zones).	Scoping being developed around the support offer.
- -	What steps are required to ensure international students understand how to report any incidents of harassment, irrespective of whether they appear linked to the Covid-19 pandemic.	System in place.
- -	What support will need to be provided to international students needing to, or unable to return to, their home country, in the event of further Covid-19 outbreaks.	Halls extension and wellbeing support.
- -	What steps are required to support home students returning from overseas who are required to self-isolate.	Being developed via Student Wellbeing.
-	What steps are required to provide support for international staff who are required to self-isolate.	Via Staff Networks.

3.6   Principle six: Universities will regularly review their hygiene and cleaning protocols in all university spaces and adapt them to changing public health advice and risk levels to ensure students, staff and visitors can have confidence of their safety.

Consider (these are examples of areas to consider, the list is not prescriptive or exhaustive):

– Introducing hygiene stations in university buildings for handwashing / hand sanitising as required	Planned stations to be introduced via EAE.
– Enhancing cleaning/ disinfecting protocols of high-touch areas (this could be hourly), e.g. library facilities, study spaces, door handles, light switches accommodation SUs etc.	Plans in place.
- Installing suitable barriers in cafes, libraries and other spaces to protect students staff and visitors as appropriate	Screens installed on counters and other key areas.
- What training is necessary for staff in relation to any new protocols, chemicals, equipment etc., whether the services of external specialist deep clean companies are required, and under what circumstances.	EAE plans in place.

3.7 **Principle seven: Following appropriate risk assessment, universities will introduce measures to enable research to be conducted in a safe and responsible manner, following government guidance specifically designed to protect researchers in laboratories and other research facilities and spaces.**

Consider (these are examples of areas to consider, the list is not prescriptive or exhaustive):

- Government guidance on working safely in laboratories and research facilities. -	Training on new procedures and onsite advice.
- Measures to support researchers to undertake field research.	Under development.
- Measures to ensure research can take place in line with whatever social distancing requirements are in place at the time.	Workstream mapping completed.
- How to ensure risk assessments consider all staff who work in research laboratories, including technicians and cleaners as well as researchers	Covered by workstream.
- What reassurance staff will need to feel that they are safe following any risk assessment.	Online training, sharing of RAs and briefing system.
- Any implications for the teaching of research methods.	To be confirmed.
- Further training required to ensure new measures are understood.	Training package being developed.
- The information set out under principle two around changes to university layout and infrastructure.	Underway.

- Any steps needed to protect those using shared equipment in research spaces.	Being defined within a workstream.

3.8 Principle eight: Universities will engage with students and staff, including consultation with recognised trades unions, to ensure the transition from lockdown both protects the wellbeing of staff and students, and enables the safe resumption of university activities

Consider (these are examples of areas to consider, the list is not prescriptive or exhaustive):

− How regular consultation on health and safety engagement can be facilitated with recognised trade unions (including the students union)	Ongoing.
− Regular and timely communication with staff and students on the lifting of Covid-19 restrictions, including opportunities for staff and students to inform and provide feedback	Ongoing and structured comms plan in place and pulse surveys/feedback.
− Publication of key information including the university Covid 19 risk assessments, on intranets and the external website.	Process in place.
− Training and re-induction of staff and students before they return, including resources to ensure new university protocols and systems are understood	Plans being progressed.
− identifying what reassurance staff and students will need to feel that they are safe	Feedback and pulse surveys.
− Further training e.g. on use of new technology and any safe systems of work	Planned and ongoing.

3.9 Principle nine: Universities will work with civic and local partners wherever appropriate including councils, local resilience forums (in England) and community groups.

Consider (these are examples of areas to consider, the list is not prescriptive or exhaustive):

- Engaging with community groups and residents to understand local concerns about universities emerging from lockdown (including the return of students).	Being scoped.
- What steps can be taken to provide reassurance to residents and public bodies that the safety of the wider community is being treated as a priority.	To be developed via local and community contact groups/forums..
- Engaging with the local police and local authority.	Established links in place.

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- Engaging with local resilience forums (in England), and local stakeholders in Scotland, Wales and Northern Ireland, to understand priorities for Personal Protective Equipment (PPE).	LSBU Group has a seat on the Resilience Forum.
- Maintaining awareness of approaches to test, track and trace and isolation in the event of a local resurgence.	Strong contacts with PHE and NHS.
- Liaising with local transport providers.	Contacts in place.
- Engaging with other universities in the town or city to share intelligence on community concerns and to agree a consistent response to addressing them.	Professional Association links.
- Providing visible and easily accessible information on how members of the local community can contact the university to raise concerns or seek reassurance.	To be developed via Comms.
- Developing a system for communicating any outbreak of covid-19 at the university with relevant local stakeholders.	Contacts in place.
- How to support local businesses and organisations to emerge from the lockdown restrictions safely and smoothly.	Membership of Local Business Forums.

3.10   The above analysis will be kept under review, as part of the ongoing monitoring of recovery and project reporting.

4.0   Project Structure

4.1   The process of recovery is a complex one, with multiple interdependencies. In order to ensure this is successfully managed, a structured approach will be followed. The need for a project methodology is vital, to ensure there is a clear project plan with timescales deliverables and milestones, and a method of management and governance.

5.0   Principles

5.1   A project methodology along the lines of Prince 2 will be utilised. Paragraph 7.0 provides an outline.

5.3   All aspects of the recovery will be accounted for and managed within the project plan, so that the Executive/Board has a clear overview of all activities.

6.0   Roles

Project Sponsor: Dave Phoenix
Project Director :   Ed Spacey
Project Manager :   Irene Mensa-Bonsu.   (1 day per week)
Project Support: Supreet Sangha.   (2 days per week)

Project Board:
The Project will report into the Executive Recovery Group, which meets every 2 weeks at the start of the Executive Meeting.
(Exec + selected staff representing senior users and senior suppliers).

7.0   Structure

> **Executive/Recovery
> Project Board**

Senior workstreams /Steering Group (Kept to a small number of 4 to facilitate effective Board reporting)

Recruitment	Academic Delivery	Students and Staff	Infrastructure
Lead(s):	**Lead(s)**	**Lead(s)**	**Lead(s)**
Nicole Louis Ralph Sanders Stuart Bannerman	Pat Bailey Deborah Johnston Fiona Morey	Marcelle Moncrieffe-Johnson Nicole Louis	Carol Rose Alison Chojna
Reporting areas in this stream include:	**Reporting areas in this stream include**	**Reporting areas in this stream include**	**Reporting areas in this stream include**
Clearing	Enhanced Hybrid Education	Health and Safety and Risk Assessment	Estates preparation
International /applicant pipeline	Delivery Semester 1 and beyond	Wellbeing & Mental Health	ICT to support remote education/working
Online Enrolment S1	S1 Course Change	Communications	ICT Security
Re-enrolment	Assessment & Quality	Online Delivery Brand	Library use
Financial impact	Induction & Welcome	Engagement and support planning	Catering provision
UKVI	January Course Expansion	Return to work guidance and training	Halls issues
	Timetabling	Shielding issues/ vulnerable /high risk groups	Continuing the Estate Redevelopment Project
	Course delivery re Laboratories, Theatres, Studios	Staff and Unions – informing and consulting	
	Regulatory inc CMA, OFS DfE etc and PSRB	Phased working arrangements	
	Placement issues	International Travel	

7.1   Each of the above reporting sub areas may be a separate workstream or be sufficiently large to require further workstreams groups/teams. These are being further developed at the current time. All to be defined by the senior workstream leads.

7.2   Regular deliverables to Executive/Board from the Project Office:

- Project Plan and Gant Chart showing interdependencies – currently being developed;

- Highlight Reports;

- Exception Reports;

- Risk Management & Lessons Learned.

7.3   The Committee will be kept updated on progress against the Project Plan.

8.0   Covid Risk Register

8.1.   A Risk Register has been produced with risk ratings pre and post mitigation, and control measures, as per the spreadsheet at **Appendix A**. This continues to evolve and will be developed and monitored within the Project framework.

8.2   A summary of the identified risks is as below:

1   Second Pandemic Wave
2   Significant outbreak on Campus/Halls/LC/MAT
3   Failure to prepare buildings re social distancing
4   Inability to deliver effective blended learning model
5   Failure to have Covid Risk Assessments
6   Failure to assess BAME/vulnerable groups/shield
7   Union dispute re Covid issues
8   Lack of communications (Staff & Student)
9   Clearing fails (Technology or offsite delivery)
10   Insufficient Clearing Volunteers
11   Inability to develop online learning solutions/brand
12   Wider transport concerns prevent return to campus
13   Adverse impact on MH Wellbeing of Students/Pupils
14   Student Hardship (£)
15   Adverse impact on MH Wellbeing of Staff
16   Lack of safety protocols for visitors
17   Inappropriate supply of PPE
18   Insufficient training for return to campus
19   Staff do not follow new guidance
20   Students do not follow new guidance
21   Pupils do not follow new guidance
22   Loss of financial revenue /cost of covid measures
23   Impact re lower UK Recruitment
24   Inability to manage international pipeline & Visas
25   National reduction in University Fees
26   Adverse effect of any number cap
27   Impact on Academic Assessment and Quality
28   Inability to implement Semester 1 Course Changes

29	Inability to deliver student induction & welcome
30	Managing quarantine issues in Halls
31	Inability to implement January Course expansion
32	Inability to deal with enrolment online
33	Inability to deal with re-enrolment
34	Hardware delay/doesn't support output
35	Software doesn't support remote study/work
36	ICT Training is inadequate to support needs
37	Impact effect on research ability / use of Labs
38	Impact on ability to deliver ACI Curriculum
39	Student access to study space/technology
40	PSRB course requirements cannot be met
41	Failure to engage Student Union
42	GDPR Breach
43	Cyber Security Attack
44	Failure to meet Government Covid Guidance
45	Regulatory breach

9.0   Recommendation

The Committee notes and endorses the progress towards recovery planning.

LSBU Group Covid 19 Risk Register

Date Jun-20   Version No   1   Review   Jul-20

Risk ID	Description	Owner	Unmitigated Impact x Likelihood Score			Control	Mitigated Ratings Impact x Likelihood Score			Status	Date closed
1	Second Pandemic Wave	Pat Bailey	3	3	High	Work with PHE / Forward Contingency Plan	3	1	Medium	Open	
2	Significant outbreak on Campus/Halls/LC/MAT	Ed Spacey	4	1	High	Ensure adherence to covid secure principles. Safety systems	2	1	Low	Open	
3	Failure to prepare buildings re social distancing	Carol Rose	3	1	Medium	Checklist in place. Confirm before ocupancy	1	1	Low	Open	
4	Inability to deliver effective blended learning model	Deborah Johnston	2	1	Low	Project Monitoring and Exception/Risk Reports	1	1	Low	Open	
5	Failure to have Covid Risk Assessments	Ed Spacey	3	1	Medium	Strutured Requirement of Covid Certificate. Sign off.	1	1	Low	Open	
6	Failure to assess BAME/vulnerable groups/shield	Alex Bush	3	1	Medium	EIA to be put in place & established system	2	1	Low	Open	
7	Union dispute re Covid issues	Marcelle Moncrieffe-Jo	2	1	Low	Regular mtgs and Health and Safety Joint Committee	1	1	Low	Open	
8	Lack of communications (Staff & Student)	Kath Mills	1	2	Low	Comms Plan in place, monitored by Recovery Group	1	1	Low	Open	
9	Clearing fails (Technology or offsite delivery)	Sukh Chonk	4	2	Critical	Testing of plans plus external call centre back up	4	1	High	Open	
10	Insufficient Clearing Volunteers	Sukh Chonk	3	2	High	Monitoring of response /Management action to support	3	1	Medium	Open	
11	Inability to develop online learning solutions/brand	Nicole Louis	2	2	Medium	Development plan monitored and resources checked	2	1	Low	Open	
12	Wider transport concerns prevent return to campus	Kath Mills	2	2	Medium	Comms targeted to address safety concerns/monitor	2	1	Low	Open	
13	Adverse impact on MH Wellbeing of Students/Pupils	Rosie Holden	2	3	Medium	Online support, telephone advice and range of packages	2	1	Low	Open	
14	Student Hardship (£)	Jamie Jones	2	2	Medium	Use of expanded Hardship Fund	2	1	Low	Open	
15	Adverse impact on MH Wellbeing of Staff	Marcelle Moncrieffe-Jo	2	3	Medium	Programme of targeted initiatives + EAP + Wellbeing Advice	2	1	Low	Open	
16	Lack of safety protocols for visitors	Ben Baker	2	1	Low	Covid Guidance Document includes clear protocol	1	1	Low	Open	
17	Inappropriate supply of PPE	Carol Rose	3	1	Medium	Procurement Workstream (Demand Inventory Logistics)	2	1	Low	Open	
18	Insufficient training for return to campus	Sarah Cowley	2	1	Low	Online module to go live by 19 June	1	1	Low	Open	
19	Staff do not follow new guidance	Alex Bush	3	1	High	Managers guidance in place supported by HR Policy	1	1	Low	Open	
20	Students do not follow new guidance	Jamie Jones	3	1	High	Student training in place +SU support + Policy	2	1	Medium	Open	
21	Pupils do not follow new guidance	Dan Cundy	3	1	High	Pupil Training in place + Teacher guidance	1	1	Low	Open	
22	Loss of financial revenue /cost of covid measures	Ralph Sanders	4	3	Critical	Financial Monitoring/Forecasting, Liquidity checks	3	1	Medium	Open	
23	Impact re lower UK Recruitment	Nicole Louis	2	2	Medium	Forecasting and measures to maintain competitiveness	1	1	Low	Open	
24	Inability to manage international pipeline & Visas	Nicole Louis	2	2	Medium	Forecasting, Monitoring and provide remote delivery	2	1	Low	Open	
25	National reduction in University Fees	Ralph Sanders	4	1	High	Financial impact modelling	3	1	Medium	Open	
26	Adverse effect of any number cap	Nicole Louis	2	2	Medium	Forecasting and planning scenarios	1	1	Low	Open	
27	Impact on Academic Assessment and Quality	Deboroah Johnston	2	2	Medium	Measures in place to monitor via Academic Delivery Board	2	1	Low	Open	
28	Inability to implement Semester 1 Course Changes	Marc Griffith	2	2	Medium	Monitor/test deliverables and interdependencies	2	1	Low	Open	
29	Inability to deliver student induction & welcome	Sarah Moore Williams	1	1	Low	Worktream to monitor and test plans	1	1	Low	Open	
30	Managing quarantine issues in Halls	Carol Rose	2	1	Low	Pre-prepared plan and benchmark other HEIs approach	1	1	Low	Open	
31	Inability to implement January Course expansion	Marc Griffith	2	2	Medium	Workstream evaluation /monitoring of deliverables	2	1	Low	Open	
32	Inability to deal with enrolment online	Ralph Sanders	2	2	Medium	Test systems and plans to ensure viability/backup	2	1	Low	Open	
33	Inability to deal with re-enrolment	Jamie Jones	2	1	Low	Monitor milestones, test system in advance + backup	1	1	Low	Open	
34	Hardware delay/doesn't support output	Alison Chojna	2	2	Medium	Procurement Cycle checked plus contingency in place	2	2	Medium	Open	
35	Software doesn't support remote study/work	Alison Chojna	1	2	Low	Check implmentation cycle, monitor and test operation	1	1	Low	Open	
36	ICT Training is inadequate to support needs	Alison Chojna	2	2	Medium	Test rollout plan. Use of external suport as contingency	2	1	Low	Open	
37	Impact effect on research ability / use of Labs	Tony Roberts	2	1	Low	Workstream plan to re-open & monitoring progress	1	1	Low	Open	

#	Risk	Owner				Mitigation				Status
38	Impact on ability to deliver ACI Curriculum	Janet Jones	2	1	Low	Workstream to consider alternate delivery methods	1	1	Low	Open
39	Student access to study space/technology	Alison Chojna	1	2	Low	Opening of campus study areas July.	1	1	Low	Open
40	PSRB course requirements cannot be met	Deborah Johnston	2	1	Low	Monitoring, identification/negotiation with PSRB	1	1	Low	Open
41	Failure to engage Student Union	Rosie Holden	1	1	Low	Engagement Plan and Comms in place	1	1	Low	Open
42	GDPR Breach	Irina Bernstein	3	2	High	Additional awareness training and comms	2	1	Low	Open
43	Cyber Security Attack	Alison Chojna	3	1	Medium	ICT Testing Robustness and Disaster Recovery Planning	3	1	Medium	Open
44	Failure to meet Government Covid Guidance	Ed Spacey	3	1	Medium	Project Monitoring and Exception/Risk Reports	1	1	Low	Open
45	Regulatory breach	Pat Bailey	3	1	Medium	Project Monitoring and Exception/Risk Reports	2	1	Low	Open

Risk Matrix Key:

Impact

	1.Low	2.Medium	3.High
4.Critical	High	Critical	Critical
3.High	Medium	High	High
2.Medium	Low	Medium	Medium
1.Low	Low	Low	Low
	1.Low	2.Medium	3.High

Inherent Likelihood

Impact Details

Name	Description
1.Low	The risk would have little effect on our ability to deliver operational outcomes, or require basic adaptation of processes
2.Medium	This risk may result in the failure to deliver intended operational objectives
3.High	The risk would have a significant effect on the ability of the Group to deliver output, and may lead to external criticism, breach of statutory regulation, fall in revenue or significant safety issues
4. Critical	The risk could have a critical effect on the ability of the University to continue in terms of financial impact, deaths, withdrawal of registration/censure by regulators and potentially irretrievable damage to external reputation

Inherent Likelihood Details

Name	Description
1.Low	This risk is highly unlikely to occur.
2.Medium	This risk may occur in the medium to long term.
3.High	This risk is likely to occur short term.

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	CONFIDENTIAL
Paper title:	Group External Audit Plan
Board/Committee	Group Audit and Risk Committee.
Date of meeting:	18 June 2020
Author:	KPMG – Group External Audit Plan Buzzacott – SBA External Audit Plan
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To present the LSBU group for 2019/20
Recommendation:	The committee is asked to approve the LSBU Group audit plan and note the South Bank Academies external audit Plan.

Executive Summary

Attached is a draft audit plan received from KPMG.

The main purpose of the audit is to issue a report to the Governing Body which expresses the auditor's opinion as to whether the financial statements give a true and fair view of the state of affairs of the group at 31/7/20, and that they have been prepared in accordance with appropriate accounting standards and the accounts direction issued by the OfS. In addition, the auditors will give an opinion as to if funds have been properly applied in line with funding requirements, terms and conditions.

For 2019/20 the university is required to report on expenditure used to deliver its Access and Participation Plan and KPMG will review our plans and associated expenditure as part of their audit work. In addition, KPMG have said they will perform additional procedures on going concern and the extent to which there could be material uncertainty in any of the group entities.

The group audit work will include the audit of the University's subsidiary companies; ie South Bank Colleges, SW4 Catering and South Bank University Enterprises Ltd.

South Bank Academies have recently appointed Buzzacott as their External Auditors. Their draft plan was presented to the SBA Audit Committee on 16th June and a copy of that plan is attached for information.

A planning meeting was held with KPMG and members of the University Finance team in April and it was agreed that KPMG would undertake interim field work in July and the main visit would take place in September. The impact of Covid-19 on the audit is detailed on page 20 of the attached with KPMG and the LSBU team planning on a significant proportion of the audit work being done remotely.

Fees

The fee for this year has been uplifted at CPI (1.7%) as agreed in our contract with KPMG. Total audit fees are expected to be from £106,564 - £121,564, excluding VAT, and includes £5k for the Access and Participation work and £10-15,000 for going concern work.

Recommendation

The committee is asked to:

- o Approve the LSBU audit plan prepared by KPMG
- o Note the South Bank Academies external audit plan

KPMG

Group Audit
Plan 2019/20

London South Bank University

-

June 2020

Key contacts

Your key contacts in connection with this report are:

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Restrictions on distribution

This report is intended solely for the information of those charged with governance of the Group and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Contents	Page

London South Bank University
Introduction

To the Audit Committee of London South Bank University

We are pleased to have the opportunity to meet with you on 18 June 2020 to discuss our audit of the consolidated financial statements of the London South Bank University Group, as at and for the year ending 31 July 2020.

This report outlines our risk assessment and planned audit approach. We have included the revised requirements introduced in the 2019-20 Accounts Direction and the minor changes from the triennial review of FRS 102. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

The main purpose of our audit, which is carried out in accordance with International Standards on Auditing (ISAs) UK as issued by the Auditing Practices Board, is to issue a report to the Governing Body which expresses our opinion on whether the financial statements:

— give a true and fair view of the state of the affairs of the group and parent University as at 31 July 2020 and of the group and parent University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended;

— have been properly prepared in accordance with United Kingdom accounting standards (including FRS102) and with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education.

— meet the requirements of Accounts Direction to higher education institutions for 2019/20 financial statements issued by the Office for Students.

We also express our opinion on other matters prescribed in the Office for Students Accounts Direction that:

— in all material respects, funds from whatever source, administered by the group and University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;

— income has been applied in accordance with the University's Articles of Governance; and

— funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

For 2019/20 we are also required to report if there is anything to report in respect of the provider's note to the accounts relating to grant and fee income and whether the University's expenditure on access and participation activities has been materially misstated.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion that is also important.

We define 'audit quality' as being the outcome when audits are:

• **Executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and

• All of our related activities are undertaken in an environment of the utmost level of **objectivity**, **independence**, **ethics** and **integrity**.

Restrictions on distribution

This report is intended solely for the information of those charged with governance of the Group (comprising London South Bank University, South Bank Colleges, South Bank University Enterprises Ltd. And SW4 Catering Ltd.) and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Our audit

Focusing our audit on your risks

We have commenced our audit planning and identified the following risks that we will focus on:

Risk	Risk change	
Financial Statements		
Valuation of net pension liability	● Stable	Page 8
Carrying value of fixed assets	● Stable	Page 9
Revenue recognition	● Stable	Page 10
Management override of control	● Stable	Page 12
Going concern	▲ Increased	Page 13
Other areas of focus		
Access and participation expenditure	★ New	Page 14
Use of funds	● Stable	Page 15

Scope

3.5m

Materiality

£3.5m

Page 5

Reporting threshold

£150k

Page 5

Standards and requirements: There are minor changes to the HE/FE SORP for 2019-20 following its triennial review. The most significant amendments relate to the treatment of gift aid payments by subsidiary companies and the treatment of investment properties held in subsidiaries being leased to another Group entity.

The Accounts Direction published by the Office for Students has introduced additional reporting requirements for access and participation expenditure and analysis of grant and fee income as well as additional content to be disclosed within the Governance Statement.

Covid-19 – audit implications

The table below identifies the specific areas of our audit that are expected to be affected by the Covid-19 pandemic, and how our audit differs from the prior year. We expect to engage in more frequent communications with the Audit Committee and management due to the increased risks of material misstatement, the anticipated challenges that could arise in completing our audit and the rapidly developing events.

Planned scope and timing	– The planned timing of our audit has not changed significantly. At the time of preparing our plan the submission deadline for the annual report and accounts has not changed. We have provided further details of our proposed timetable on page 20. – The planned scope of our audit has changed from the prior year to respond to increased risks of material misstatement. These changes are discussed on page 8. – Given the rapidly changing environment, the scope and timing of our audit may need to be modified further to respond to new events or changing conditions. If we make significant changes, then we will communicate these to you.
Materiality	– We have not considered it necessary to significantly revise materiality for 2019-20 as overall revenue for the year is not expected to be significantly impacted and this is the benchmark which determines materiality.
Subsequent events disclosures	– Due to the current uncertainty within the financial environment affecting colleges there may be an increased likelihood of events occurring that require recording as a subsequent event, either through the form of disclosure or adjusting financial statement figures. We will perform additional inquiries ahead of finalising our audit as well as considering wider sector changes, such as guidance from the Office for Students.
Audit effort and fees	— Except for the increased scope linked to work on going concern and the potential for significant uncertainty we do not anticipate any other changes to our audit fee due to the Covid-19 pandemic. More information is provided on page 24.
Going concern	— At the time of preparing our plan there is significant uncertainty over the level of student recruitment for 2020-21 and the impact of Covid-19 and associated restrictions on movement for the delivery of learning. We have recognised a significant risk for 2019-20 relating to going concern due to this uncertainty which represents a change in scope.
Estimates	— There is increased uncertainty associated with estimates made in preparing the accounts. For the University this is most likely to impact the valuation of pensions assets.

Materiality (Group and University)

£3.5m

Materiality

Total group revenue

£176.5m

(2018/19: £181.0m)

Total University revenue

£152.0m

(2018/19: £144.5m)

The figures above are based on budgeted figures for the 2019/20 financial year

Group materiality

£3.5m

2% of revenue

(2018/19: £3.1m, 2% of revenue)

University materiality

£3.0m

2% of revenue

(2018/19: £2.9m, 2% of revenue)

£150k (Group and University)

Misstatements reported to the Audit Committee (2018/19: £145k)

Group: £2.6m University: £2.2m

Procedure designed to detect individual errors at this level (2018/19: £2.1m)

£3.5m £3.0m

Materiality for the financial statements as a whole (2018/19: £3.1m)

Our materiality levels

Materiality represents the level at which we think misstatements will reasonably influence users of the University's financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as directors' remuneration and losses and special payments.

At the time of issuing this plan the University is responding to the Covid-19 outbreak, which may have a financial impact on the University's budgeted position. At year-end we will re-assess materiality to ensure is remains within 2.0% of the University's actual income figure.

We will report:

✓ Corrected audit misstatements

✗ Uncorrected audit misstatements over £150k

Note 1 Errors and omissions in disclosure (Corrected and uncorrected)

Group materiality vs other metrics

	2019/20	2018/19
Total Expenditure	2.1%	2.0%
Total assets	1.0%	2.6%

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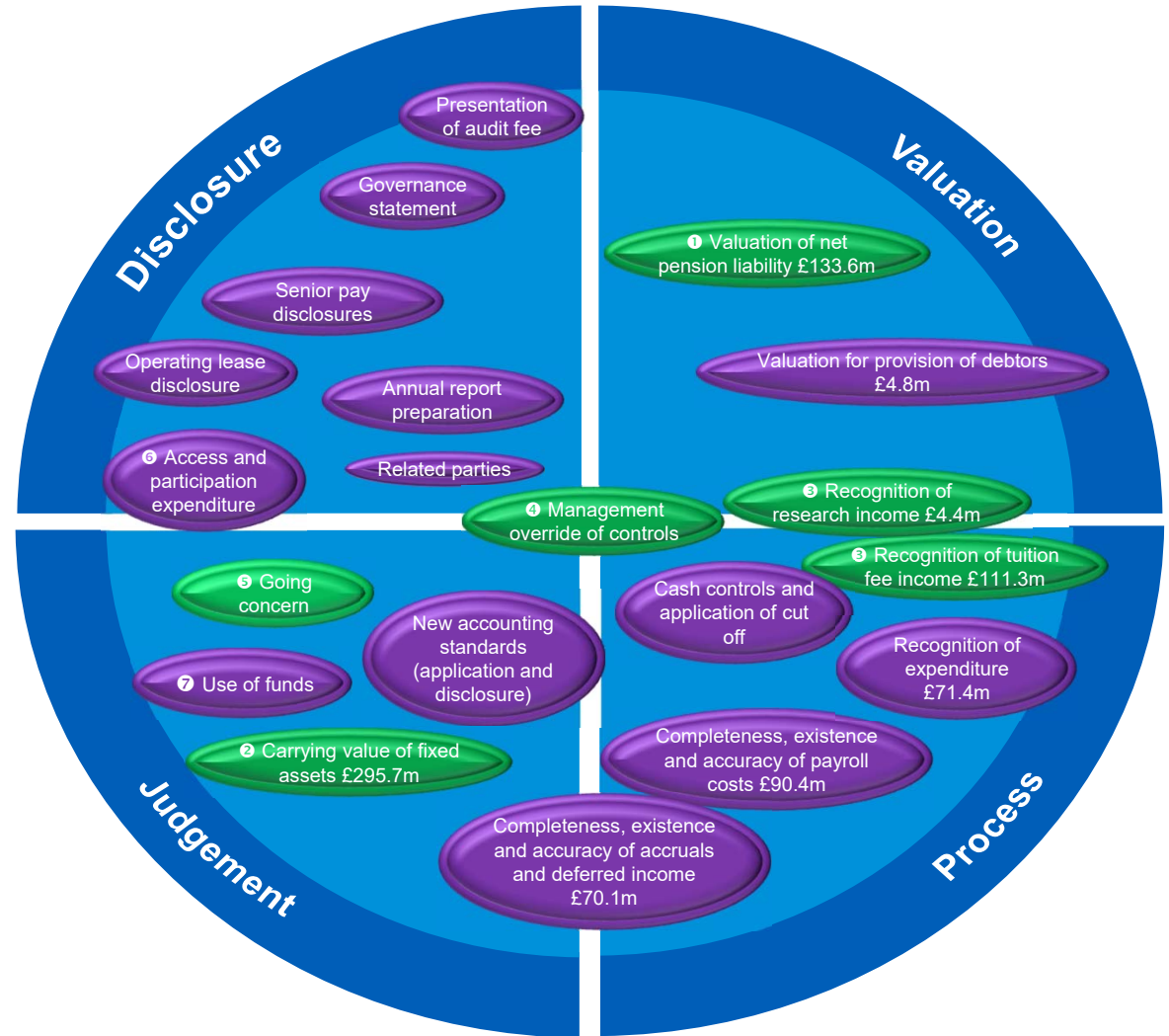# Significant risks and other areas of audit focus

Risk-based

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which the Group operates.

We also use our regular meetings with senior management to update our understanding and take input from review of your Governing Body papers and internal audit reports.

The risk map records those significant opinion risk and other areas of audit focus (and where appropriate the balance included for these within your prior year financial statements).

Audit risk key:
- 🟢 Key audit matters/significant risks
- 🟣 Other audit risk

Disclosure

Valuation

Judgement

Process

- Presentation of audit fee
- Governance statement
- Senior pay disclosures
- Operating lease disclosure
- Annual report preparation
- ❻ Access and participation expenditure
- Related parties
- ❶ Valuation of net pension liability £133.6m
- Valuation for provision of debtors £4.8m
- ❹ Management override of controls
- ❸ Recognition of research income £4.4m
- ❺ Going concern
- New accounting standards (application and disclosure)
- Cash controls and application of cut off
- ❸ Recognition of tuition fee income £111.3m
- ❼ Use of funds
- Recognition of expenditure £71.4m
- ❷ Carrying value of fixed assets £295.7m
- Completeness, existence and accuracy of payroll costs £90.4m
- Completeness, existence and accuracy of accruals and deferred income £70.1m

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Significant risks and other areas of audit focus

Understanding

Our risk assessment draws upon our historical knowledge of the University, the education sector and the wider economic environment in which the University operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

Audit Risk

H   Higher

M   Moderate

L   Low

Year on year movement

▲   Increased

◀▶   Same

▼   Decreased

⤢   New

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Relevant factors affecting our risk assessment

Group and University Significant risks	Size	Complexity	External scrutiny	Susceptibility to fraud/error
❶ Valuation of net pension liability	H ◀▶	H ◀▶	H ◀▶	H ◀▶
❷ Carrying value of fixed assets	H ◀▶	H ◀▶	M ◀▶	H ◀▶
❸ Fraud risk from revenue recognition	H ◀▶	M ◀▶	H ◀▶	M ◀▶
❹ Management override of controls	M ◀▶	M ◀▶	M ◀▶	H ◀▶
❺ Going concern	H ▲	H ▲	H ◀▶	H ▲
Group and University other areas of focus				
❻ Access and participation expenditure	L ⤢	M ⤢	H ⤢	M ⤢
❼ Use of funds	L ◀▶	L ◀▶	M ◀▶	L ◀▶

Group audit scope

The Group is made up of the University as the parent company, its wholly owned subsidiary companies South Bank University Enterprises Ltd. and South Bank Colleges Ltd., and the wholly owned subsidiary of South Bank Colleges SW4 Catering Ltd.. South Bank Colleges is considered to be financially significant to the group. Our audit procedures will cover 100% of the Group's revenue, assets and surplus.

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Valuation of net pension liability	
Risk register risk	3. Sustainability of current pension schemes

Significant audit risk

The risk

The University and South Bank Colleges are members of the LGPS defined benefit pension scheme. The valuation of defined benefit schemes relies on a number of assumptions, most notably around the actuarial assumptions. At 31 July 2019 the net pension liability for the Group was valued at £133.5m.

It is critical that the assumptions reflect the profile of the University's employees and are based on most recent actuarial valuations. It is also important that assumptions are derived on a consistent basis year to year, or updated to reflect the University's current position. The value of assets within the scheme may be significantly affected by the impact of Covid-19 on investment values.

Full valuations are undertaken on a triennial basis. The 31 July 2020 valuation will be based on the triennial valuation as at March 2019. It will have been prepared based on updated membership data as at this date.

Planned response

We will perform the following procedures:

— Evaluate the competency and objectivity of the Scheme actuaries to confirm their qualifications and the basis for their calculations. We will perform inquiries with the Scheme actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;

— Review the input from the University into the calculation of the LGPS valuation;

— Review the appropriateness of the key assumptions made by, and validate the methodology used by, the Scheme actuaries with the use of a KPMG Actuary;

— Agree the total assets held in the LGPS at the year end to confirmation from the Fund's auditors;

— Review the records held by the University of membership of the scheme as at 31 March 2019 and reconcile this to the membership figures used by the actuaries in the preparation of the net liability;

— Assess the controls in place to ensure that membership data submitted to the actuaries for the preparation of the liability was accurate;

— Assess the appropriateness of assumptions used to determine the University's share of the overall LGPS assets and to estimate the value of the assets at 31 July 2020;

— Review the actuarial valuation and consider the disclosure implications in the financial statements; and

— We will utilise our actuarial specialists to assess how the impact of GMP and the McCloud judgment have been incorporated into the valuation as at 31 July 2020.

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Carrying value of fixed assets	
Risk register risk	37. Affordability of Capital Expenditure Investment plans

Significant audit risk

The risk

At 31 July 2019 the Group had £295.7m of fixed assets. The University adopted a valuation accounting policy of deemed cost as part of the FRS 102 transition there are risks around the valuation, depreciation and impairment of the University's assets.

The University has a significant capital programme, which comprises significant work on the London Road building, project LEAP which will include the procurement of a new student record system and CRM, and there are plans to refurbish the chapel and conduct capital work at the Skills Centre at South Bank Colleges.

Further, South Bank Colleges has a strategy in place to review the make up of its estate which will support the College's long term financial future.

It is important that the University ensures costs are capitalised appropriately and classified correctly in the Group financial statements.

Planned response

To assess the completeness, accuracy, existence and presentation of land and buildings we will:

– Vouch the accuracy of any capital additions in the year to supporting documentation for the University and for South Bank Colleges;

– Review the appropriateness of the useful economic lives for a sample of assets and any impairments identified by the Group, the University and South Bank Colleges, and recalculate the University and South Bank Colleges depreciation figure as stated in the accounts;

– Review the reconciliation that takes place between the University's fixed asset register and general ledger, and the reconciliation between the South Bank Colleges fixed asset register and general ledger;

– Consider the process and controls in place for capitalising expenditure and review a sample of capitalised assets to assess whether they have been appropriately capitalised at the University and South Bank Colleges;

– Asses whether assets are presented correctly between asset categorisations (such as land, building, and equipment) and assets under construction; and

– Agree the consolidated fixed assets note to the fixed asset notes of the University and South Bank Colleges.

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Audit risks and our audit approach

D&A **Scepticism** **Challenge**

Revenue recognition	
Risk register risk	625. Impact of Govt. Education Review on HE funding (among others, including risks related to recruitment targets and progression rates)

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Significant audit risk

The risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

Tuition fee and education contract income (2018/19: £111.3m)

There is a risk of fraud and error associated with the recognition of tuition fee and education contract income, which represents approximately two thirds of total income. In particular, this includes income and cash recognition for flexible provision (for example on-line/distance learning courses), and courses that run across the year end. Tuition fee income for South Bank Colleges is immaterial at Group level, therefore is not considered a significant risk at Group level.

Funding council income (2018/19: £30.7m)

There is generally limited scope for fraudulent revenue recognition for grant income from OfS and the ESFA and the further education funding bodies, which provide specific assurances around the funding received in the year. As the majority of South Bank Colleges income is received by the ESFA, we consider this income stream to be a significant risk of fraud for the College, but not at Group level.

Planned response

Tuition fee income (University only)

We will review the completeness of fee income through reconciliations with the student record system and confirm the appropriateness of bursary/scholarship and fee waiver recognition through review of relevant schemes and policies.

We will review the procedures in place regarding the determination of tuition fee income and will perform Data and Analytics procedures to provide assurance over tuition fee income.

We will also review the income recognition for programmes crossing the year end and any other flexible provision, as well as considering the income recognition and debtor recoverability.

Funding council income

Although we have rebutted the presumed risk of fraud from revenue recognition in respect of grant income at Group level we will remain alert to indications of fraud during the course of the audit. We will agree the income received by the University and South Bank Colleges to the notification from the Office for Students and the ESFA and verify the amount received to cash receipts.

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Audit risks and our audit approach

Scepticism Challenge

Revenue recognition	
Risk register risk	625. Impact of Govt. Education Review on HE funding (among others, including risks related to recruitment targets and progression rates)

Significant audit risk

The risk

Research grants and contracts (2018/19: £4.4m)

The University applies an accounting policy to recognise income from research grants on an accruals basis, matching income against the expenditure that has been incurred in delivering the project.

Non compliance with grant terms and conditions can result in clawback of grant funding. More generally, the complexity of projects increases the risk that income is not recognised correctly within the financial statements. However, due to the value of research income received and the small number of projects it relates to we consider the risk of material misstatement to be low and so rebut the fraudulent revenue recognition risk over research income.

Other operating income (2018/19: £17.4m)

The main sources of income included are income from residences and catering income. The income is made up of a number of contracts and income is billed in line with contract. We rebut the assumption of a significant risk of fraudulent revenue recognition.

Investment income (2018/19: £303k) and Donations and endowments (2018/19: £646k) are immaterial to the Group financial statements.

Planned response

Research grants and contracts

Although we have rebutted the presumed risk of fraud from revenue recognition in respect of the three income streams we will remain alert to indications of fraud during the course of the audit.

For material research income we will assess whether research income has been recognised in line with the grant agreement and accounting standards, and classified in the correct reporting period.

Other operating income

We will carry out substantive procedures over other operating income based upon the nature of the income to confirm the completeness and accuracy of the income.

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Audit risks and our audit approach

D&A   Scepticism   Challenge

Management override of controls	
Risk register risk	N/a

Significant audit risk

The risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have not identified any specific additional risks of management override relating to this audit.

Planned response

Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we will test the operating effectiveness of controls over journal entries and post closing adjustments.

- We will assess the controls in place for the approval of manual journals posted to the general ledger to ensure that they are appropriate.

- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting revenue recognition.

- We will assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.

- We will review the appropriateness of the accounting for significant transactions that are outside the Group's normal course of business, or are otherwise unusual.

- We will review the register of interests to identify the interests held by members of the Board of Governors and compare these to expenditure incurred during the year in order to assess whether related party transactions have been accurately disclosed. Where transactions are identified with related parties we will consider whether appropriate procurement controls were in place to manage the potential conflict of interest.

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Audit risks and our audit approach

Scepticism Challenge

Going concern	
Risk register risk	2. Revenue reduction if course portfolio, and related marketing activity, does not achieve recruitment targets

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Significant audit risk

The risk

– The Group budgeted income for 2019/20 to be approx. £176.5m across the University and the College. The Group maintains a high level of cash reserves (£47.1m at 31 July 2019). At the time of preparing this plan the University is anticipating a small impact to budgeted income due to having to refund accommodation fees for term three due to Covid-19, but still anticipates it will deliver a surplus position. The College is also expecting a small impact on the year-end outturn.

– The impact of Covid-19 remains uncertain at the time of preparing our plan, however it could lead to significant reductions in student enrolment for the 2020-21 academic year and a corresponding impact on the University's income as well as the ability to deliver teaching, research and other services.

Planned response

In previous years we have considered the going concern assumption an area of other audit focus. However, due to the uncertainty regarding the outcome of Brexit and the impact of the Covid-19 pandemic on the University's operations, we consider this to be a significant risk this year. In addition to considering whether the going concern assumption remains appropriate, management must also consider whether there are any material uncertainties over the Group's ability to continue as a going concern. Our audit of going concern will include:

▪ A review of the University's overall financial position at the year end as part of our review of the financial statements;

▪ We will consider the University's final outturn compared to the forecast position, with particular reference to income recognition, the fees and funding regime and the performance of the University's commercial activities;

▪ We will critically assess the key assumptions made in determining the financial plans for 2020-21 and the sensitivity to changes in those assumptions;

▪ We will assess the need for borrowings to be obtained in order to support the financial performance of the University;

▪ We will critically assess the level of operating cash flow that is generated by the University and whether this is sufficient to continue meeting its working capital obligations. As part of our audit we will verify that operating cash flow has been accurately calculated and that transactions have been appropriately classified as operating, financing or investing.

▪ We will assess the projected compliance of the University with covenants within its borrowings.

▪ An assessment of the disclosures required in the financial statements of the University in respect of going concern.

▪ We will review the University's modelling of the possible downside scenarios associated with Covid-19. We will consider the ability to manage the potential scenarios, including the impact on loan covenants and liquidity available. We will assess whether the University has made sufficient disclosure of the risks associated with Covid-19 and how it is managing those risks.

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Audit risks and our audit approach

Scepticism Challenge

Access and participation expenditure	
Risk register risk	None identified

Other area of audit focus

The risk

– Office for Students (OfS) registered providers were required to prepare an access and participation plan as part of their registration conditions with the OfS.

– Plans include a plan of how much will be invested by the provider in widening participation activities.

– From 2019/20 onwards providers are required to include a note to the accounts to set out the level of investment that has been made in widening participation activities.

– Access and participation expenditure is required to be analysed in four categories: access investment; financial support provided to students; support for disabled students; and research and evaluation.

Planned response

We will:

▪ Determine how the provider has identified the expenditure that has been incurred in delivering the access and participation plan during the year;

▪ Critically assess the methodology in place for analysing expenditure between the categories of access and participation expenditure;

▪ Test a sample of expenditure items in order to assess whether they correctly relate to expenditure on access and participation; and

▪ Verify that required disclosures as set out within the Accounts Direction have been accurately made.

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Use of funds	
Risk register risk	None identified.

Other area of audit focus

The risk

As in previous years, we are required to issue an opinion to the University and to the College on the use of funds provided by the OfS, the ESFA and UK Research and Innovation have been applied in accordance with the terms and conditions attached to them.

Planned response

Our audit of use of funds will be conducted in accordance with Practice Note 10 (revised): Audit of financial statements of public sector entities in the United Kingdom, issued by the Auditing Practices Board.

Our approach to completing the use of funds audit will be to obtain a sufficient understanding of the framework under which the Group operates, and to test compliance. In particular, this means gaining assurance that income and expenditure transactions are in accordance with appropriate authorities, including those of OfS and the ESFA, and that the accounting presentation and disclosure conforms to applicable statutory and other requirements.

We have developed use of funds audit programmes to assess compliance with OfS and ESFA requirements, and in addition our testing of controls and substantive items of expenditure will ascertain whether in all material respects funds have been used for the purposes given (including donations and all sources of grant funding).

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Other significant matters relating to our audit approach

Scepticism Challenge

Disclosure of significant estimates and judgements

We have included here the disclosures of significant estimates and judgements from the prior year annual report and our assessment of the level of optimism included within the valuation as well as our assessment of the quality of disclosure made about the estimation uncertainty within the estimate:

Estimates and judgements	Balance [£m]	Assessment of balance			Assessment of disclosure			Further comments
		Cautious	Neutral	Optimistic	Needs improvement	Neutral	Best practice	
Valuation of net pension liability	£112.3	Cautious					Best practice	In the 2018-19 we assessed these assumptions to be balanced. At a group level, the provision includes the pension liability of South Bank Colleges, which we have assessed to be cautious, and therefore continue to assess the total provision held as slightly cautious.
Recognition of accruals and deferred income	£25.2	Cautious				Neutral		The University places all cash received initially into a deferred income code and then a process is carried out to release this into income where necessary. This is to ensure revenue is not over recognised. We therefore assessed the recognition of accruals and deferred income as cautious.

Brexit: Impact on our audit strategy

The potential implication of Brexit on the Group's operations, and the implications of related broader economic uncertainties, have the most implications for our audit of the following areas:

— Going concern – expectations of future student numbers and associated fee income that may vary as a result of the UK's decision to leave the EU; and

— Valuation of pension fund assets – which may be affected by any macro economic movements.

We have elevated the going concern assumption to a significant risk based on these considerations.

The prior year strategic report provided commentary on the nature of the impact on the business model and strategy, the impact of economic/political changes on the current year and future performance of the business, the principal risks arising from Brexit and how these are monitored. The FRC also encourages entities to distinguish between the specific challenges to the business model and operation from the broader economic uncertainties that may still attach to the UK's position. We will assess the extent to which the Group has made appropriate disclosure of the expected impacts of the UK leaving the European Union within its annual report and the actions being taken in order to mitigate the key risks identified.

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London South Bank University
Subsidiary audits

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Entity	Reporting framework	Materiality	Significant risks
South Bank Colleges	South Bank Colleges is required to produce accounts in line with the Post-16 Audit Code of Practice and the HE/FE SORP.	We have determined an appropriate level of materiality for our audit of South Bank Colleges using income as the most relevant measure. We expect our materiality to be £400k and will report all audit differences over £20,000.	We have included commentary on the significant risks at the College on the previous pages. We will also review the risk of unrecorded liabilities, including assessing whether the claim brought against the College by CMOL in the prior year has continued.
SW4 Catering Ltd.	We will carry out an audit of the company pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006. The accounts require filing by 30 April 2021.	We have determined an appropriate level of materiality for our audit of the subsidiary, using profit before tax from the 2018-19 accounts as our benchmark. Materiality has been set at £8,000 which is approximately 2% of revenue per the 2018/19 audited financial statements. We will design our procedures to detect individual errors above £6,000. We will report individual errors identified above £400.	Our audit methodology incorporates the risk of management override as a default significant risk. Our methodology considers journals, unusual transactions and any estimates/judgements made by management. Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk and we do not rebut this risk. We will also consider the company's ability to continue as a going concern in light of the Covid-19 outbreak. No other significant risks have been identified.
South Bank University Enterprises Ltd.	Subsidiary South Bank University Enterprises Ltd is required to produce accounts in accordance with the Companies Act 2006. The accounts require filing by 30 April 2021.	We have determined an appropriate level of materiality for our audit of SBUEL using income as the most relevant measure. We expect our materiality to be £50,000 and will report all audit differences over £2,500.	We have identified the following key areas of risk associated with our audit of these financial statements: — Income and revenue recognition; and — Management override of control. We will also consider the company's ability to continue as a going concern in light of the Covid-19 outbreak.

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Data and Analytics

D&A

Intelligent use of technology

This year we will again be integrating Data & Analytics (D&A) procedures into our planned approach for the audit of the Group.

We will use data and analytics to audit the University's tuition fee balance as well as manual journals that have been posted.

By allowing us to analyse large volumes of financial information we can enhance our understanding of the business, enabling us to design procedures that better target risks of material misstatements to the financial statements. In addition, this may provide you with valuable additional insight about your business.

What we do

Added benefit to London South Bank University

Risk assessment

Upfront granular analysis of your data including benchmarking enhances the quality of our risk identification and assessment for the purposes of the audit.

Innovation

Evaluation of internal control

Applying advanced visualisation techniques to your transaction flows improves business process understanding and can identify risk areas to be addressed by the audit.

Analysing all transactions in a population can provide more robust conclusions on control effectiveness for the purposes of the audit.

Measurable business value

Substantive testing

We can identify and focus on the 'outliers and inconsistencies', which are more susceptible to misstatement in the financial statements as well as providing assurance over 100% of the transactions within the relevant populations.

We will use data and analytics to audit the University's tuition fee balances and to identify high risk journals for consideration.

Actionable insight

Detailed results and summary insights gained from data analytics will be shared with management.

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London South Bank University
Audit cycle and timetable

Our 2019/20 schedule

Covid-19

We are planning for the eventuality that a significant proportion of our work may need to be undertaken remotely, particularly for our interim audit.

An increasing amount of our audit procedures are able to be performed remotely and therefore we do not anticipate that remote working will prevent us from being able to complete our audit.

There will be some areas of the audit for which we require access to audit information that may be held in hard copy. We will work with management to identify this proactively and plan for how it can be provided.

We are also having regular conversations with the OfS in planning for the potential impact.

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Planning meeting with management for key audit issues
April 2020

Audit plan discussion and approval
June 2020

Debrief
February 2021

Interim fieldwork
July 2020

Final fieldwork
September 2020

Clearance meetings
October 2020

Finalisation of subsidiary accounts
December 2020

Presentation of Management Letter to Audit Committee
November 2020

Finalisation of group accounts
November 2020

February – April 2020
June 2020
November 2020
December 2020

Planning
Strategy
Interim fieldwork
Debrief
Final fieldwork and reporting
Statutory reporting

On-going communication with:
— Audit Committee
— Court of Governors
— Senior management

■ **Key events**
■ **Timing of AC communications**

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Appendices

Mandatory communications

Management's responsibilities (and, where appropriate, those charged with governance)	Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.
	Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.
Auditor's responsibilities	Forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities - Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other Information	Obtain, read and consider whether there is a material inconsistency between the other information and 1) financial statements and 2) auditor's knowledge obtained in the audit.
	Respond appropriately when material inconsistencies appear to exist, or when other information appears to be materiality misstated.
	Report on other information in the auditor's report.
Independence	Our independence confirmation on page 25 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.

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Audit team and rotation

Continuity   **Specialists**   **Experience**

Your audit team has been drawn from our specialist education audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.

Fleur Nieboer is the partner responsible for our audit. She will lead our audit work, attend the Audit Committee and be responsible for the opinions that we issue.

Jack Stapleton is the senior manager responsible for our audit. He will co-ordinate our audit work, attend the Audit Committee and ensure we are co-ordinated across our accounts and use of funds work.

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:

6
years to transition

This will be Fleur's fourth year as your engagement lead. She can therefore complete a further six years before rotation.

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Fees

Audit fee

The table below summarises our agreed fees for the year ending 31 July 2020. The fees quoted are exclusive of VAT.

Entity	2019/20	2018/19
University (LSBU) financial statements	£55,935	£55,000
Access and participation expenditure	£5,000	£-
Going concern/Covid-19 impact (Group)	£10,000-£15,000	£-
South Bank Colleges	£40,680	£40,000
SW4 Catering Ltd.	£2,034	£2,000
South Bank University Enterprises (SBUEL)	£2,915	£2,866
TOTAL AUDIT FEES	**£116,564-£121,564**	**£99,866**
Non-audit fees		
Covenant compliance	£6,000	£6,000
Subsidiary tax computations	£6,500*	£6,475
International tax compliance	£19,850	£33,850
Tax services for Lambeth College transfer	£-	£34,500
TOTAL KPMG FEES	**£138,914**	**£180,691**

Fee changes

*This figure has been estimated based on the prior year charge, and will be billed as work is incurred.

Our fee is as agreed in our contract, which includes uplift at CPI (which at February 2020 was 1.7%).

Due to the impact of Covid-19 we will be required to undertake additional work. This is summarised on page 5 of our report. This will primarily be focused on the impact the pandemic has on the University and on its subsidiaries ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period'). which is why we are recognising a new significant risk in this area. Additionally, there will likely be greater focus required on areas such as income recognition, estimates (e.g. bad debt provision, pension valuations).

As this is an emerging area we have provided an indicative fee of between £10,000 and £15,000. Of this £5,000 to £10,000 is in relation to LSBU and SBUEL and a further £5,000 is in relation to South Bank Colleges and SW4 Catering Ltd. However, as our audit progresses we will discuss the additional work required and the precise impact on our fees for the year.

We have included an additional fee of £5,000 from our fee for the 2019/20 audit following the introduction of requirements by the Office for Students for audit of access and participation expenditure to be included within our opinion on the accounts.

Billing arrangements

Fees will be billed in accordance with a billing schedule to be agreed with management.

Basis of fee information

In line with our standard terms and conditions the fee is based on the following assumptions:

- The Group's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);

- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;

- Supporting schedules to figures in the accounts are supplied; A trial balance together with reconciled control accounts are presented to us;

- All deadlines agreed with us are met;

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Fees

- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;

- Management will be available to us as necessary throughout the audit process; and

- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary. Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

If there are any variations to the above plan, we will discuss them with you and agree any additional fees before costs are incurred wherever possible.

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Confirmation of Independence

> We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit Committee members

Assessment of our objectivity and independence as auditor of London South Bank University Group (the Group)

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

▪ General procedures to safeguard independence and objectivity;

▪ Independence and objectivity considerations relating to the provision of non-audit services; and

▪ Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.

As a result we have underlying safeguards in place to maintain independence through:

▪ Instilling professional values

▪ Communications

▪ Internal accountability

▪ Risk management

▪ Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the Group and its subsidiaries for professional services provided by us for the reporting period.

Total anticipated fees for the period ending 31 July 2020 can be analysed as follows:

	2019/20 (to date)	2018/19
	£	£
Total audit	**£116,564-£121,564**	**£99,866**
Covenant compliance	£6,000	£6,000
Subsidiary tax computations	£6,500*	£6,475
International tax compliance	£19,850	£33,850
Tax services for the transfer of Lambeth College	£-	£34,500
Total non-audit services	**£32,350**	**£80,825**
Total fees	**£138,914**	**£180,691**

* estimated

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Confirmation of Independence

The anticipated ratio of non-audit fees to audit fees for the year at the time of planning is 1: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Covenant compliance is considered an audit-related assurance service and is therefore undertaken by the audit team.

All tax related work is completed by a separate team within KPMG and safeguards are put in place to maintain independence between teams as required.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Compliance Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

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Revision to the going concern auditing standard

In September 2019 the FRC published a revised UK auditing standard for Going Concern ISA UK 570. This responds to recent enforcement cases and well-publicised corporate failures where the most recent auditor's report had not included a material uncertainty on going concern. The revised standard is applicable for periods commencing on or after **15 December 2019,** including short periods**.** We have not early adopted the standard for 31 July 2020 year-ends.

The key changes

The key changes in comparison to the current standard are:

- Enhanced coverage of going concern in the audit report, including:

  - A positive statement from the auditor that the use of the going concern basis is appropriate and the auditor has not identified a material uncertainty on going concern.

  - For listed companies and certain others (including large private companies) an explanation (similar to a key audit matter) of how the auditor evaluated management's assessment and key observations.

- More detailed audit requirements on risk assessment procedures, including on the entity and its environment; the applicable financial reporting framework; and the entity's system of internal control.

- Additional audit procedures when events or conditions are identified which have not been identified or disclosed to the auditors by management.

- Under the new standard detailed substantive procedures will be required in all cases, whereas in the current standard there are reduced requirements if no events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern.

- For UK Corporate Governance Code adopters, additional audit procedures on the viability statement.

- Requirement to consider reporting material uncertainties to external regulatory and enforcement authorities.

In order to provide management insight we have assessed management's approach in the current year to that expected to be required under the revised standard.

Based on the current information prepared by the entity, the audit team have assessed the entity's readiness below:

Current level of preparedness for the revised Going Concern auditing standard at London South Bank University
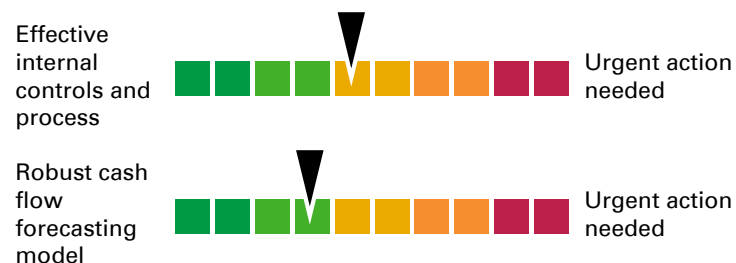
We have generally found that management have a sound system in place for reviewing the use of the going concern assumption, which is reviewed by the Audit Committee on an annual basis. The OfS require higher education institutions to submit detailed five year forecasts.

The key points the Group will need to consider in future periods are:

- Whether a material uncertainty over the Group's ability to continue as a going concern exists (in addition to whether the going concern assumption is appropriate); and

- Where support is provided to subsidiaries, greater scrutiny will be required over an entity's intent and ability to provide support where required. For the Group's subsidiaries (SBUEL and SW4 Catering Ltd.) intent is currently demonstrated through letters of support, however the ability of the parent to provide such funding should be articulated in the parent's going concern assessment.

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Revision to the going concern auditing standard

Change	Impact on your processes	Impact on our audit procedures
Risk assessment procedures and related activities	For many entities, it is likely that the controls over going concern will need to be improved to provide the increased level of detail required by the audit team. Where this isn't provided, it is likely that control deficiencies will be identified.	In addition to work which the auditor previously undertook understanding the entity and its environment, the new standard requires auditors to perform more detailed risk assessment procedures including specific work on the entity's system of internal control and risk assessment processes as the specifically pertain to going concern.
Removal of the gateway to assess whether events or conditions exist	For many entities this will entail greater granularity in their going concern assessments and more detailed consideration of the impacts of plausible downside scenarios.	The auditor will perform an evaluation of management's going concern assessment in all cases, not only when events or conditions which may cast significant doubt as to the entity's ability to continue as a going concern have been identified.
Increased challenge due to change in emphasis in the report	We will expect you to have appropriately designed, performed and documented your assessment of Going Concern. As a result of the changes to the audit, you may see a need and an opportunity to improve the quality of your process and documentation	The FRC intends that auditors increase their scrutiny of going concern. Whilst much of our detailed work will remain unchanged with continued emphasis to robustly challenge management's assessment of going concern which includes thoroughly testing the adequacy of the supporting evidence, evaluating the risk of management bias. The change in the nature of the report is likely to result in more challenges being raised.
Specified procedures on viability reports and potential impact on going concern periods	This may require the company to prepare more robust cash flow forecasts covering the whole period of the viability statement.	Whilst the standard does not per se change the going concern period, which remains at a minimum of 12 months, It includes more specific procedures on the viability statement. In addition, where events and conditions beyond 12 months but within the period covered by the viability statement, are identified, the auditor may need to extend their going concern considerations and detailed work over the full period of the viability statement.

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Responsibility in relation to fraud

We are required to consider fraud and the impact that this has on our audit approach. We will update our risk assessment throughout the audit process and adapt our approach accordingly.

Management responsibilities	KPMG's identification of fraud risk factors	KPMG's response to identified fraud risk factors	KPMG's identified fraud risk factors
Adopt sound accounting policies. With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud. Establish proper tone/culture/ethics. Require periodic confirmation by employees of their responsibilities. Take appropriate action in response to actual, suspected or alleged fraud. Disclose to Audit Committee and auditors: — Any significant deficiencies in internal controls; and — Any fraud involving those with a significant role in internal controls	Review of accounting policies. Results of analytical procedures. Procedures to identify fraud risk factors. Discussion amongst engagement personnel. Enquiries of management, Audit Committee, and others. Evaluate broad programmes and controls that prevent, deter, and detect fraud.	Accounting policy assessment. Evaluate design of mitigating controls. Test effectiveness of controls. Address management override of controls. Perform substantive audit procedures. Evaluate all audit evidence. Communicate to Audit Committee and management.	Whilst we consider the risk of fraud to be low around the University and its associated entities, we will monitor the following areas throughout the year and adapt our audit approach accordingly. — Revenue recognition; — Purchasing; — Management override of controls; and — Manipulation of results to achieve targets and expectations of stakeholders.

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KPMG's Audit Quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework

Comprehensive effective monitoring processes
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Commitment to continuous improvement

Association with the right entities
- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Performance of effective and efficient audits
- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Clear standards and robust audit tools
- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Commitment to technical excellence and quality service delivery
- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights

Recruitment, development and assignment of appropriately qualified personnel
- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

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KPMG's Audit Quality

We are encouraged by our 2018/19 report and our overall trend in results. Whilst we acknowledge we have not hit the FRC's target of 90% we have made significant progress in moving closer to this target. As a firm, we are already implementing actions to achieve the 90% target as explained below. The AQR generally reports by exception and has identified the following areas for our attention.

— Improve the quality of the audit of the valuation of financial instruments in financial services entities (which will not be relevant to the Group).

— Strengthen the audit of loan loss provisions in financial services entities (which will not be relevant to the Group).

— Improve the consideration and challenge of cash flow forecast assumptions in relation to the impairment of goodwill (which will not be relevant to the Group).

— Enhance the consideration and challenge of management's estimation of provisions.

We have performed root cause analysis over these and other AQR findings and resulting actions have been implemented or are at an advanced stage of development.

We recognise the fundamental importance of quality and ethics in restoring trust in audit and acknowledge the role of the AQR in this process.

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Percentage of all audits reviewed graded Good/Limited improvements required

FRC Target

Legend:
- Mazars
- GT
- BDO
- PwC
- EY
- Deloitte
- KPMG

Values shown: 88%, 84%, 78%, 76%, 60%, 50%

Years: 2014/15, 2015/16, 2016/17, 2017/18, 2018/19

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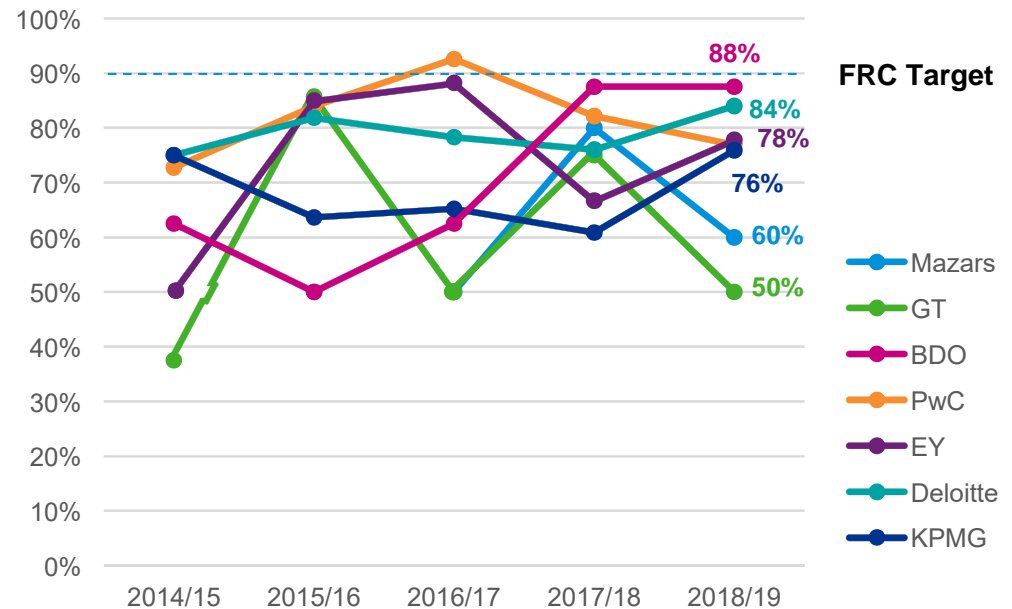
KPMG's Audit Quality

We are now just over half way through our transformation programme to improve our audit practice. It comprises the following parts:

Standardisation

We have standardised our approach. But we understand that audit is about more than just box-ticking.

Challenge & Support

We are giving our field teams more senior level support and challenge to get it right.

Training

We provide in-depth practical training to all our experienced auditors at the KPMG Audit University – an annual three-day immersive course.

Reporting
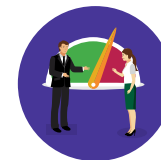
We tell you more of our findings, balancing the tension between what you want to know and the reporting standards we are held to.

Governance

We have strengthened our governance and will continue to re-assess our audit quality plan taking account of the recent external reviews impacting the profession.

Benefits to audit quality build over time

Audit Quality Transformation Programme

| 2017 | 2018 | 2019 | 2020 |

May Jun   May Jun   May Jun   Jun

Audits with these year ends

Audits with these year ends

Results feed

2018/19 AQR report

Results feed

2019/20 AQR report

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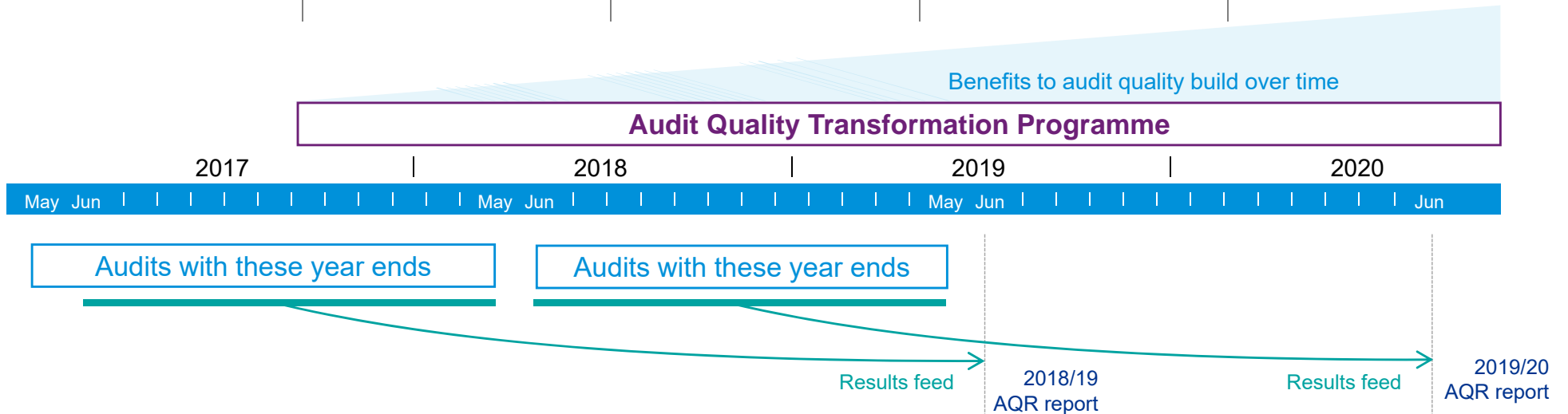
KPMG's Audit Quality

Our root cause analysis has demonstrated that, building on prior actions, we need to:

— Continue the deployment of **standardised** and structured audit programmes to support teams in demonstrating consistency in approach:

— Embed **coaching** as a core activity to enable continuous improvement in audit quality delivery;

— Further increase the **support and challenge** provided to teams in responding complex and emerging issues; and

— Enhance our **project management** capability to enable quality audits to be delivered on a consistent and sustainable basis.

Standardisation

— Mandated approaches
— Template work papers
— Case study examples
— Embedded training via the 2019 KPMG Audit University

Coaching

— Bespoke coaching programme supported by external experts and psychologists
— Significant investment in training and implementation monitoring
— Led by engagement leaders to accelerate deployment
— Aligned with performance measures

Increased support and challenge to teams

— Increased audit headcount
— Expanded in-flight review team
— Extended partner risk panel challenge process
— Further investment in Audit Centre of Excellence ('ACE') to support and challenge teams in complex or emerging areas

Project management

— Expansion of mandatory planning deadlines to accelerate audit execution
— Project management skills embedded as a recurring theme in KPMG Audit University
— Development of specialist support team to effectively embed skills

Areas of good practice identified at the firm level:

— Oversight, support and challenge from the Audit Quality Committee
— Overall approach to standardisation to focus on consistent high quality audit delivery
— Challenged delivered through the risk panel process
— Monitoring of emerging issues through second line of deference feedback and alignment to quality plan
— Investment in integrated training via the KPMG Audit University

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FRC's areas of focus

The areas of focus from the FRC's Annual Review of Corporate Reporting 2018/19 along with four thematic reviews issued in 2019 should be considered for reporting in the current financial period. Further improvements and candid disclosures in corporate reporting are called for to address matters of increasing concern to stakeholders as well as enhancing public trust. The FRC suggests lack of disclosures on key and emerging issues implies that management is unaware of their potential impact, is not managing the issues effectively or is being opaque.

Narrative reporting	The FRC expects the information included in the strategic report to provide quality communication with shareholders and other stakeholders regarding a range of environmental, social and governance issues, including climate risk, as well as a balanced and comprehensive analysis of the development and performance of the company's business during the financial year. In times of uncertainty investors look for greater transparency in reporting to inform decision making and so careful disclosure is expected in areas exposed to heightened levels of risk such as going concern, Brexit and all areas of material estimation uncertainty.
Brexit	Improvements in disclosures have seen companies highlighting a range of specific risks which varied by industry. The FRC noted that they should also identify mitigating action that had been taken and disclosures in this area would continues to be monitored.
Alternative Performance Measures (APMs)	The FRC still finds deficiencies in identifying and reconciling APMs to audited numbers from the primary financial statements, absent or unclear definitions of APMs and explanations of why certain amounts were excluded from adjusted measures, when they appear to be part of the normal business. The FRC's existing checklist set out in its APM thematic review issued in 2017 continues to be its benchmark.
Significant accounting Judgements	Several cases of insufficient disclosures where a particular judgment had a significant impact on reporting were found, including complex cases relating to consolidation judgment and the question of control over another entity. The FRC expects disclosures of judgment demonstrating full understanding of the rights and obligations arising from the relevant arrangements distinguishing between substantive and protective rights.
Significant estimates	The FRC continues to focus on disclosure of significant estimates to give clearer insight into possible future material changes in balance sheet values over the twelve months ahead. Disclosures regarding the sensitivity of changing assumptions and range of possible outcomes are expected.

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KPMG

	CONFIDENTIAL
Paper title:	Internal Audit –Progress Report
Board/Committee	Audit Committee
Date of meeting:	18th June 2020
Author:	BDO
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	For noting
Recommendation:	The Committee is requested to note the internal audit progress and Covid 19 response report.

Summary

BDO continue to deliver their 2019/20 internal audit plan with a number of reviews currently being planned or delivered remotely. The report gives a good summary of the reviews that have taken place, the number of recommendations made and the assurance level give for that area.

Two reviews, in SBC, are expected to be delayed or postponed as a result of staff working remotely but it is expected that the majority of the plan will be delivered before the end of the financial year, enabling BDO to give their annual opinion.

Since the last meeting of the Group Audit and Risk Committee, four reports, on REF, Data quality, Apprenticeships and Accounts Receivable have been issued and these are presented as separate papers. Underway are reviews of Student Data, Tier 4 Compliance, Estates Development and IT Security. The team at BDO have been able to conduct these reviews remotely and University Group staff have been engaged well with the process while working from home.

Attached as Appendix A is BDO's report on its Covid 19 response.

Recommendation:
The Committee is requested to note the internal audit progress and Covid 19 response report.

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INTERNAL AUDIT PROGRESS REPORT

LONDON SOUTH BANK UNIVERSITY GROUP

June 2020

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INTERNAL AUDIT PROGRESS SUMMARY

2019-20 Audit Programme

The status of our work is a follows:

Final reports	Draft reports	Fieldwork	Planning
▶ REF		▶ Estates	▶ LSBU Family Transition
▶ Financial systems and controls – part 2		▶ Student data continuous auditing – part 2	▶ SBC health and safety
▶ Data quality – HESA		▶ UKVI Tier 4	▶ Risk management
▶ Apprenticeships		▶ IT security	▶ SBC Data quality
▶ Recommendation follow up			

Dashboard

Audit status
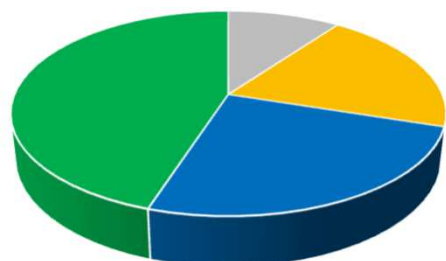
- ▪ Not yet started
- ▪ Postponed/cancelled
- ▪ Planning
- ▪ Fieldwork
- ▪ Draft report
- ▪ Final report

Changes to the Plan

▶ The apprenticeships audit was due to include LSBU and SBC. The SBC part needs to be carried out on site so we have postponed that part of the audit for the time being.

▶ The SBC student data audit has been delayed as staff need to be onsite in order to access the information required. This has been rescheduled for July.

▶ Management has requested the days for the audit of SBA health and safety is allocated elsewhere as the academies have another third party carrying out these audits. Some of days have been used to follow up the recommendations from the SBA financial controls review.

INTERNAL AUDIT PLAN 2019-20 DETAILED SCHEDULE

Audit area	Entity	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made ▲ (red)	■ (orange)	● (green)	Assurance level Design	Effectiveness
Governance, compliance and risk management												
Risk management	Group	10	29 Jun 20	4 Jun 20	Planning	6 Oct 20						
LSBU family transition	Group	10	TBC		Planning	6 Oct 20						
Health and safety	SBC	8	26 Jun 20	10 April 20	Planning	6 Oct 20						
Health and safety	SBA	6	N/A	N/A	Cancelled	18 Jun 20						
Finance and management information												
Financial systems and controls (continuous auditing – finance)	LSBU	25	12 Aug 19	24 Jul 19	Final report	7 Nov 19	7 Nov 19	2	4	3	blue square	blue square
			17 Feb 20	24 Jan 20	Final report	18 Jun 20	18 Jun 20	1	8	2	orange octagon	orange octagon
	SBC	7	9 Dec 19	25 Nov 19	Final report	13 Feb 20	13 Feb 20	2	2	1	orange octagon, green circle	blue square, green circle
	SBA	5	2 Dec 19	14 Nov 19	Final report	13 Feb 20	13 Feb 20	4	4	0	orange octagon	orange octagon
Data quality/ MIS	LSBU	8	9 Mar 20	4 Mar 20	Final report	18 Jun 20	18 Jun 20	0	1	2	green circle	green circle
	SBC	5	27 Jul 20	9 Mar 20	Planning	6 Oct 20						
Continuous auditing – student data	LSBU	25	28 Oct 19	10 Oct 19	Final report	13 Feb 20	13 Feb 20	0	3	4	blue square	blue square
			18 May 20	13 May 20	Fieldwork	18 Jun 20						

INTERNAL AUDIT PLAN 2019-20 DETAILED SCHEDULE

Audit area	Entity	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made ▲	🟧	🟢	Assurance level Design	Effectiveness
Core activities												
Apprenticeships	LSBU	9	20 Apr 20	3 Apr 20	Final report	6 Oct 20	18 Jun 20	0	2	1	🟦	🟦
	SBC	6	TBC		Postponed	6 Oct 20						
UKVI compliance (Tier 2 and 5)	LSBU	8	14 Nov 19	1 Nov 19	Final report	13 Feb 20	13 Feb 20	0	7	0	🟠	🟦
UKVI compliance (Tier 4)	LSBU	7	4 May 20	27 Apr 20	Fieldwork	6 Oct 20						
Research and enterprise												
REF preparation	LSBU	6	11 Feb 20	27 Jan 20	Final report	18 Jun 20	18 Jun 20	0	4	4	🟦	🟦
Estates infrastructure and services												
Estates development/ capital programme	LSBU SBC	15	8 Jun 20	19 May 20	Fieldwork	6 Oct 20						
Information technology												
IT security	Group	20	11 May 20	4 May 20	Fieldwork	6 Oct 20						
Management and recommendation follow up												
Recommendation follow up	Group	8			Ongoing							
Management		18	Ongoing									

APPENDIX II – OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF INTERNAL CONTROLS	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 🟢	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 🟦	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 🟧	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 🔺	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 🔺	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 🟧	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 🟢	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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RISK AND ADVISORY SERVICES

C19 RESPONSE FOR AUDIT COMMITTEES

June 2020

C19 RESPONSE FOR AUDIT COMMITTEES

The impact of the coronavirus pandemic on the UK and global economies has been severe and has led to significant changes in demand across a number of sectors. The speed and strength of UK and global economic recovery will depend in large part on the success of public health measures and economic policies.

It is likely that all businesses will be impacted in some way and studies from the last recession suggest that companies that are proactive can gain a lasting competitive advantage; therefore it is more important than ever for Audit Committees to be seeking assurance over their organisation's business impact assessments and the response plans for the short, medium and long term. When it comes to the role of the Audit Committee in seeking assurance over the organisations management of the crisis, knowing the right questions to ask and where to find the information can make all the difference.

Most organisations will follow a three stage process through a crisis: React; Resilience; and Realise.
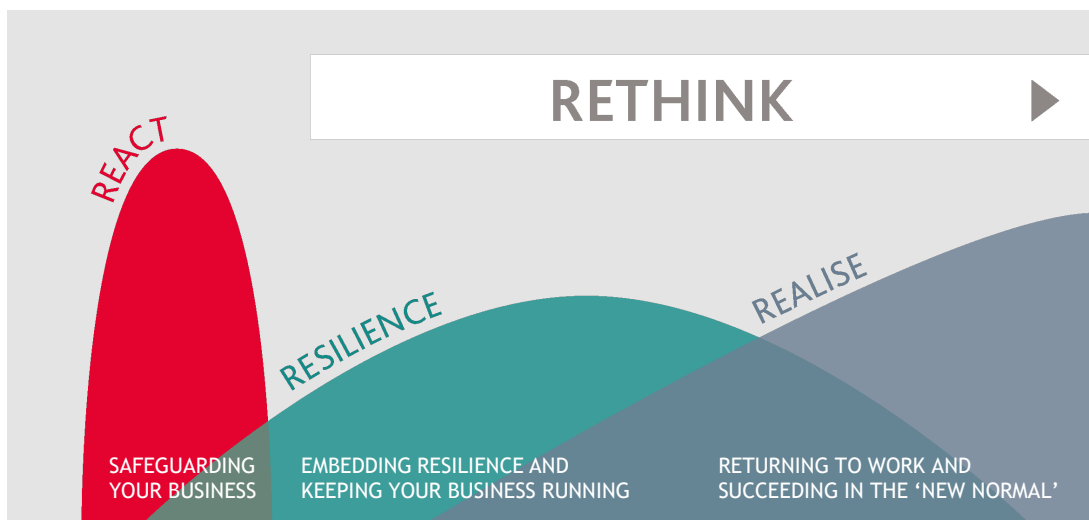
Therefore, Audit Committee's will need to request different information over time. At the moment, most Audit Committees will be seeing assurance over the react and resilience stages of crisis which means they will need assurances over the key decisions and activities that management have been carrying out to safeguard the business and keeping it running. It is a delicate balance for Audit Committees to request regular up to date assurances whilst not adversely impacting management's capacity to respond effectively to the crisis, however, you would expect Audit Committees to be seeking assurances over the following areas throughout the react and resilience stages:

▶ **Deal with the emergency:** Crisis management and re-establishing governance and working protocols, communication platforms and remote workforce and working technologies.

▶ **Impact Assessment and Understanding Events:** Government policy, guidelines and support packages; future economic environment, reviewing the risk profile, possible future scenarios for the business.

▶ **Financial Sustainability:** Anticipation of financial pressures, applying for government financial support options, liquidity and Cashflow management, preserving value and wealth and dealing with key stakeholders including the bank, customers, supplier, employees.

▶ **Operational Resilience:** Managing people, dealing with suppliers, proactively minimising operational strain and capacity issues, and IT systems and infrastructure resilience.

As most organisations start to move into the recovery stage Audit Committees will need to start requesting assurances over return to work arrangements. Although we anticipate some clear government guidelines on this area, organisations should already be thinking about the practicalities of this in what is likely to be a restricted environment.

There will be complex and serious risks and challenges that organisations will need to overcome to survive and comeback more resilient than ever to succeed in the "New Normal".

We have captured a number of issues Audit Committees should be considering and reviewing during the current crisis:

- Staff and customer health and well-being
- Redeployment of staff
- Employee layoffs/furloughing of staff
- Remote working practices
- Staff communications

PEOPLE

RISK MANAGEMENT
- Regulatory compliance
- Re-profiling for emerging risks
- Maintaining data privacy
- Insurance cover
- Stress testing scenarios

KEY RISKS

- Disruption to new projects/ventures
- Stalled or suspended production/operations
- Decline in employee productivity
- Supply chain risk and supplier viability
- Managing supplier and customer contracts
- Sales slowdown

OPERATIONS

BUSINESS RESILIENCE
- Response to increases in cyber-attacks
- Protecting against fraud and financial crime
- Managing cash flow and working capital
- Business and process resilience and response

Consulting the subject matter experts in the BDO Risk and Advisory Services team we have provided some further details on five key areas that Audit Committees should be questioning and seeking assurance over.

1. Cyber security

Following any significant global event, cyber criminals are quick to exploit opportunities to make fraudulent gains. COVID-19 is no different and 'phishing' campaigns were soon up and running hoping to trick unsuspecting users into clicking malicious links.

Since February 2020, the UK National Fraud Intelligence Bureau has identified over 500 cases of fraud where Coronavirus was mentioned, with losses at the beginning of April, 2020 totalling over £1.6m and this is probably a conservative figure.

Audit Committees should be aware of these threats and request assurance that the Cyber Security strategy is adequate in light of the increased risks. With the heighted threats, it may be appropriate for Audit Committees to request a regular update on IT/Cyber Security incidents, even if unsuccessful.

There are a number of key actions which help improve organisations' cyber resilience during the pandemic:

▶ Raise awareness amongst employees warning them of the heightened risk phishing attacks and where practical, conduct an internal phishing exercise.

▶ Enable two-factor authentication for all remote access accounts. This is particularly important where accessing company information on personal devices such as mobile phones and tablets.

▶ Remind users that they should only use corporate approved communication channels and that company devices should not be used for personal social media use or use of software with known security issues such as certain popular video conferencing applications. Provide sufficient training for the recommended corporate software to ensure employees are not tempted to use alternative applications.

▶ Ensure that anti-virus software is updated for all provided laptops and that vendor supplied updates ('patches') are applied according to the agreed processes.

▶ Provide tools for secure file sharing, such as Mimecast or OneDrive and disable laptops from using other media such as USB drives.

▶ Ensure employees are aware of the route for reporting any IT or Cyber Security incidents. Where IT employees have been furloughed, ensure responsibilities have been assigned to handle reported incidents or system generated alerts.

2. Financial fraud

As organisations continue to operate in these very difficult times, the usual controls, policies, systems and processes often take second place. Fraudsters only need one instance of a control failure to succeed, and with the reduction of some controls to accommodate new ways of working, the likelihood of that 'one instance' occurring and going undetected has significantly increased.

Fraudsters will be exploiting reduced staffing levels (and possible lack of experience with new staff being hired to cover shortfalls) to circumnavigate segregation of duties controls, especially in finance, HR, procurement, contracting and other payment authorisations.

Bank mandate fraud is likely to increase as fraudsters exploit key personnel in finance being overstretched or unavailable. Businesses should review their processes and controls to ensure they are suitable for mass 'home-working'. HR should focus on agency and temporary staff pre-employment checks to ensure recruits are suitable, especially in high-risk areas such as finance and procurement.

Organisations should continue to work closely with their finance, HR and procurement teams to ensure they remain vigilant to fraud risks. Despite all the other pressures, now is the time to revisit your fraud risk assessments in the light of the emergency measures being introduced by the government and ensure that business continuity plans take into account the rapidly emerging fraud risks and consider the following actions:

- ► Controls should be process-mapped and then walked through to test them against the current situation, and re-visited every time there is a change to staffing, processes or legislation. Even a small change can create an opportunity for exploitation - the strongest chain is only as effective as the weakest link.

- ► Remind staff of the need to maintain the highest levels of security whilst home-working.

- ► Be cautious in dealings via email and telephone, remembering that fraudsters can hi-jack communications.

- ► Ensure new staff (or staff deployed to new tasks) receive the proper levels of training in applying controls and checking.

3. Regulatory compliance

In the current climate, some regulators are relaxing reporting requirements and deadlines. This is not changing the obligations they impose on organisations.

Organisations will still be expected to obey the rules, behave ethically, and implement robust control and compliance mechanisms.

Audit Committees should be asking if the organisation:

- ► Has identified the critical compliance obligations for the organisation

- ► Has mapped the controls required to ensure compliance and the resources needed to apply them

- ► Has assessed which controls could be temporarily removed or relaxed for greater focus on the critical ones

- ► Has considered if employees know what to do if there is a regulatory breach.

- ► Has assigned responsibility for disclose or activity to the regulator or the market

- ► Has identified changes to rules in its sector, and how it will comply with them.

- ► Is treating customers fairly, especially vulnerable ones

- ► Is providing a safe and healthy working environment, including for home workers

- ► Is publishing true, accurate information that is not misleading.

4. Data privacy

As a result of the pandemic, data privacy has been catapulted back into the limelight. Whether organisations like it or not they have been forced to process personal information in different ways than they would have done so previously, purely due to their response to the pandemic.

The requirements of the GDPR, DPA2018 and other data protection regulations have gone nowhere as a result of the pandemic. Organisations must stay on top of their data processing activities (especially those that have materialised as a result of the pandemic) and ensure they are fully accountable for these. It is vital that they continue to ensure the protection of personal data.

There are currently a significant number of considerations being discussed in the data privacy world as a result of the pandemic. These include:

- ► The processing of employee health information – as a result of the pandemic there is confusion about what you can and what you can't collect from employees and in what scenario. It is vital that organisations have a valid and fully justified legal basis behind any new personal data processing that falls into this category. For example has your organisation engaged in employee temperature checks (remembering that the collection of any health information is classified as special category).

- Privacy challenges as a result of working from home – many organisations have had to move extremely quickly to ensure that their employees are able to work from home. It is extremely likely this will be regarded as the new normal going forward but also brings with it privacy risks that need to be considered which include internal challenges such as the increased use of personal devices. External challenges also exist such as an increased risk of cyber criminals and a reduced service from external providers.

Although the pandemic has meant that organisations have had to do things differently, it has had no impact at all on the requirement to comply with the existing regulations. The risk for any Audit Committee is that there is a lack of assurance over the robustness of the new ways of working or some of the new data processing activities that may have materialised as a result of the pandemic.

An additional risk for Audit Committee's to consider is that their organisation may have taken their eye off the ball in respect of meeting data protection regulation compliance already in existence whilst trying to respond to 'other' issues that have materialised as a result of the organisations response to the pandemic. This is understandable given that survival or getting back to business as usual is the key objective for a significant amount of organisations, however it is very important to remember that although it never went away, the spotlight is back on privacy and it is vital that organisations continue to apply good governance and controls around this.

Management should continue to be totally transparent with their audit committees when it comes to discussing privacy risk anyway, but it is even more important than ever as a result of the pandemic that this becomes a regular event going forward. Regular reporting and visibility of the new processing activities and privacy risk considerations by individuals or teams that have ownership of data protection risk provides the Audit Committee with some comfort that the organisation are continuing to meet their objective of needing to be fully accountable for data protection regulation.

5. Performance and Reporting

Monitoring, measuring and reporting on the financial and operational health of the organisation will be crucial during the crisis and as we move into the Realise phase.

Audit Committees should asking if management is effectively monitoring measuring and reporting on key activities such as:

- Revenues, liquidity and cash-flow
- Incoming and outgoing orders, invoices issued, payments received, product despatched and cash collected
- Inventory received, what can and can't be sold in the current climate, the obsolesce implications, and the impact on your financial position
- Failures to notify relevant stakeholders of investment guideline breaches
- Other critical activities for your organisation.

6. Scenario Planning

The financial impact of coronavirus will be significant for many organisations. It will be vital to have a clear plan for a number of potential scenarios to assist in decision making and ensure sufficient cash headroom.

'What if' scenarios should be rehearsed so that the responses to changing circumstances can be quickly implemented.

Audit Committees should be ready to challenge management on:

- The robustness of management's approach to scenario planning
- The reliability of underpinning data
- The basis of assumptions made.

7. Focus of Internal Audit

In this period of uncertainty there are a number of challenges around Internal Audit functions that the Audit Committees should be aware of and managing. For example:

- Internal Audit functions are being asked to second staff into the business, perform management roles and/or provide consulting/advisory services. This could create a conflict of interest and reduce resources available to deliver assurance to the Audit Committee
- Internal Audit functions being furloughed without consultation of the Audit Committee or its Chair.

Audit Committees should also be reviewing internal audit annual plans to assess if they are still appropriate and are providing assurance in priority areas which may have changed as a result of the current situation.

8. Supply chain and contract management

The COVID-19 crisis has exposed significant issues around the way we conduct our business in a globalised economy. The inter-connectedness across the value chain in many cases highlighted the fragility of the supply chain and limitations of existing models. It has also demonstrated how supplier shortfalls are closely linked to the promises organisations made on the customers/client side.

A recent IACCM (International Association for Contract and Commercial Management) survey highlighted that c.80% of businesses were experiencing moderate to severe disruption their supplier contracts and challenges linked to the delivery of their customer agreements. This has resulted in a spike in emergency negotiations on both the buy and sell side.

Therefore, the pandemic has quickly become a question as to what extent business obligations are now deliverable and how to best navigate through the crisis with key customer and supplier relationships intact. Consequently, there are some key actions we would expect leading organisations to be taking right now, including:

Establishing your exposure

► Identifying key obligations and exposures across customer and supplier contract portfolios

► Determine which obligations are at risk

► Develop understanding of financial penalties associated with non/partial delivery

► Force majeure, frustration provisions: what are the eligibility criteria, notifications requirements, risks associated with enactment and cost implications etc.?

► Termination rights on all sides

► Link delivery of customer contracts to your supplier base and identify potential customer contract exposures arising through known supplier shortfalls

Closely monitor supply chain risk profile

► Map your supply requirements against the current status of your supply chain

► Identify what supply is at risk through discussions with supplier

► Analyse key supplier resilience including:

  – Financial indicators throughout the corporate family structure

  – Contractual clauses including step-in rights and any parent company guarantees

  – Intelligence gathering: sector, geopolitical, company specific issues, past behaviours etc.

► Evaluate emerging supply chain risk profile, reviewing Tier 1 (and wherever possible Tier 2 etc.) to identify:

  – Consolidation risk by limiting supply to a small pool of suppliers

  – Market/geographic risk of supply (how those territories are impacted and what restrictions on delivery will affect your operations)

  – Known single points of vulnerability – scarcity of parts/resources; shipment risk etc.

  – Which suppliers have known issues/high risk of service non-delivery (note previous step)?

  – Keep an eye on long term supply chain strategy (what will the future supply chain model look like? How do we want to be perceived by the market and what impact will that have on our immediate response?)

  – Consideration of alternative sources of supply where the above identifies unacceptable risk

Adjust contract management approach (buy and sell side)

► Constant communication – how is the business staying aligned to evolving customer demands along with the changing dynamic over what is deliverable through the supply chain?

► Prepare for uptick in emergency contract negotiations: How robust are these negotiation strategies in terms of linking evolving customer needs and supplier capabilities with the business' commercial and operational parameters? Increased risk of failed negotiations or agreeing to undeliverable terms under these circumstances

► Contract administration: capture all variations accordingly and ensure any changes have the appropriate audit trail and approvals

▶ Contract <u>compliance</u>: bolster contract monitoring given higher risk of non-compliance/sub-optimal delivery and erroneous charging

▶ <u>Supplier and customer risk monitoring</u>: the risk of business failure is heightened and likely to be so for some time, so we would expect a focus on reviewing resilience and financial risk indicators across key customers and suppliers to identify those at risk so the business can plan accordingly

▶ <u>Commercial efficiency/cost reduction</u>: enhancing focus on getting good value from your contracts – compliance to terms, efficiency of spend being driven through the contract and the alignment between the commercial terms and the services actually now being delivered. Spot opportunities to renegotiate customer and supplier contracts based on new demand profiles etc.

▶ <u>Reputation and relationship management</u>: Survival is paramount, but businesses need to come through the crisis with their reputation and key third party relationships intact. How we behave will be judged, so collaboration with all parties to work out the art of the possible is a more optimal route than entrenchment into contractual positions and enforcing legal rights wherever feasible.

9. Managing change

The focus to date in response to the pandemic has been primarily based on reacting to the challenge confronting all of us and there has clearly been a great 'crisis' response from so many people and organisations in establishing effective interim activities and operations.

Moving forward, management now need to move away from the existing crisis response phase and, if not already underway, turn attention to planning how the organisation:

▶ Rethinks what it does to ensure it adapts to whatever its 'new normal' will be

▶ Realises the potential improvements and successfully implements the changes

To be able to deliver this it is important that management think about the risks that could be confronting the organisation over the next 12-24 months and consider how the organisation should best respond. The significance and impact of these risks will clearly vary depending on the specific circumstances and how impacted by Covid-19 the organisation has been. The following provides a list of a number of risk areas that we believe should be considered as part of this risk (and opportunity) assessment:

Financial planning & Cost Management	Customers & Demand	People & Employees	The Supply Chain	Digitalisation & Technology	Transactions & Acquisitions	Risk Management & Security
• What are the financial focus areas moving forward • What needs to be done to enact the cost management / efficient measures • Are business processes are effective / efficient as they should be • Property portfolio management	• Have your customers' expectations changed • Can you meet your customers' needs in a different way • Is there a different understanding of demand and revenue generation	• Returning to work • Expectations of flexible ways of working • Managing unavailability	• Global v Local supply chains (including ethical sourcing) • Dependencies on single source suppliers • Inventory management and stocking • Contract effectiveness	• Collaboration tools / Remote working • Critical Systems & Opportunities • Cloud solutions and security	• Have any pre-crisis targets become more appealing • Have any new opportunities / targets been identified during the crisis	• Risk Assessment, future resilience and planning • Business continuity and disaster recovery

Once management have assessed the above and confirmed the high level objectives for the next 1-2 years then the next critical activity is to convert the objectives into a workable and achievable change plan.

The effort required to deliver successful change is normally underestimated, this can be for a whole host of reasons, but at the heart of the challenge is the complexity of balancing the impact of change on People, Process, Technology and Data. Management should be considering the impact of the proposed changes on all four of these aspects and then look to embed change management good practice to deliver change successfully. This will significantly increase the likelihood of establishing sustainable and long lasting improvements. The critical change activities we would expect to see, include the:

▶ Definition and understanding of a clear vision and project objectives

▶ Allocation of a Senior sponsor who owns and drives the changes (with a project team)

▶ Inclusion and communication of your people and to those impacted

▶ Assessment of the aspects of People, Process, Technology and Data that need to change

▶ Monitoring and review of progress against agreed deliverables and timescales.

By creating a clear vision for how the organisation needs to adapt in the future and marrying this to a well-developed and executed change plan, an organisation should be well positioned to manage key risks, adapt to changing requirements and therefore successfully response to the challenges and opportunities of the 'new normal'.

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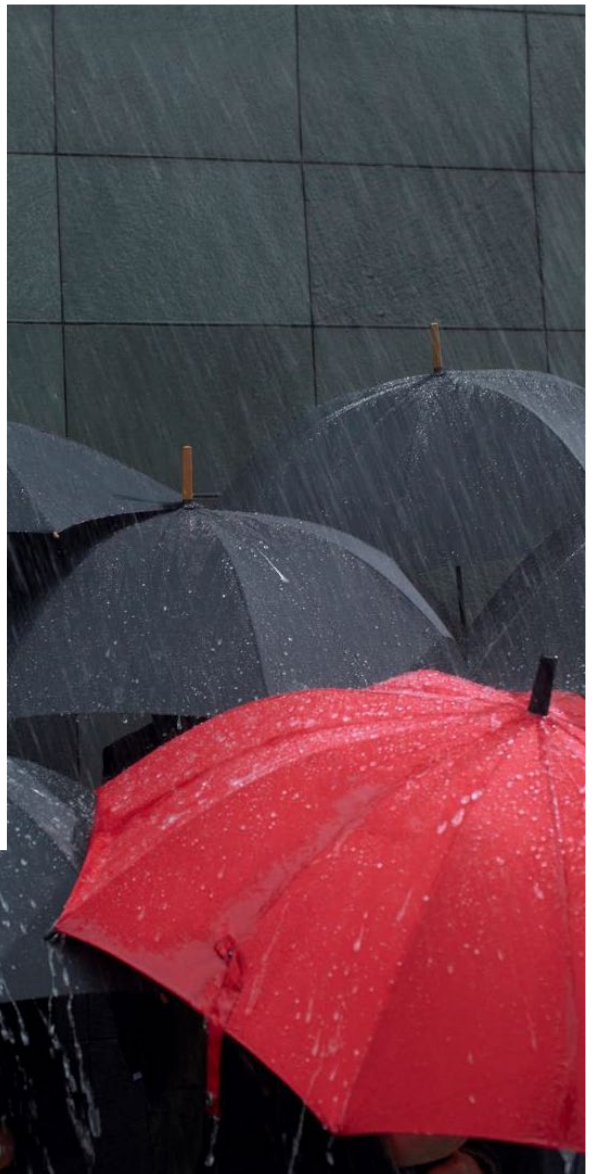
	CONFIDENTIAL
Paper title:	Internal Audit –Follow Up Report
Board/Committee	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author:	BDO
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	For noting
Recommendation:	The Committee is requested to note the report.

Summary

This report provides an update on progress with implementing agreed actions coming out of internal audit reviews undertaken by the previous internal auditors; PWC and RSM. A summary of the number of recommendations and progress made for each of LSBU, SBC and SBA is on page 3 of the report and shows that all but one recommendation have either been implemented, are in progress or the recommendation is not yet due or superseded.   The actions that have been implemented represent 61% of total recommendations with a further 25% of recommendations in progress.

Recommendation:
The Committee is requested to note the report.

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INTERNAL AUDIT FOLLOW UP REPORT

LONDON SOUTH BANK UNIVERSITY

June 2020

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INTERNAL AUDIT RECOMMENDATION FOLLOW UP

Executive Summary

The Audit and Risk Committee is required to assess whether internal audit recommendations previously made to address control weaknesses have been effectively implemented. This report provides an update on the current position. We followed up on outstanding recommendations reported as overdue by the previous auditors, PwC and RSM and recommendations raised by BDO that were due before the 31 May 2020. Our assessment of recommendations that are overdue is based on the original agreed date for implementation.

Current status

As at 4 June 2020:

2017/18	2018/19	2019/20
LSBU	LSBU	LSBU
Of the 4 recommendations brought forward:	Of the 35 recommendations brought forward:	Of the 23 recommendations raised:
▶ 3 have been completed	▶ 21 have been completed	▶ 8 have been completed
▶ 1 is overdue but in progress	▶ 4 have been completed but not verified	▶ 6 have been completed but not verified
SBC	▶ 7 are overdue but in progress	▶ 5 are overdue but in progress
Of the 3 recommendations brought forward:	▶ 3 have been superseded by a BDO recommendation	▶ 4 are not yet due
▶ 1 has been completed	SBC	SBC
▶ 2 are overdue but in progress	No recommendations were brought forward:	Of the five recommendations raised:
	SBA	▶ 1 has been completed
	Of the 7 recommendations brought forward:	▶ 3 are overdue but in progress
	▶ 4 have been completed	▶ 1 is not yet due
	▶ 2 have been superseded	SBA
	▶ One has been completed but not yet verified	Of the eight recommendations raised:
		▶ 1 has been completed
		▶ 2 have been completed but not verified
		▶ 3 are overdue but in progress
		▶ 1 is overdue and no progress has been made
		▶ 1 is not yet due

Full details of the status of these recommendations are set out from page 4.
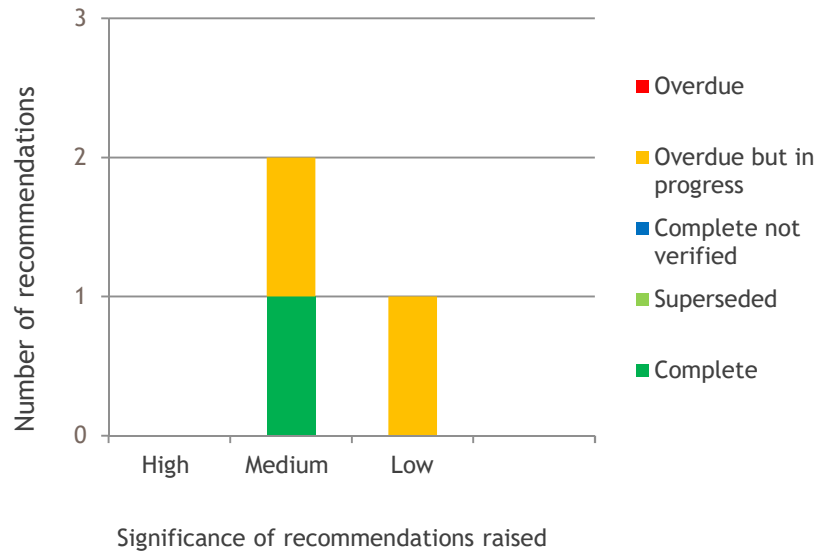
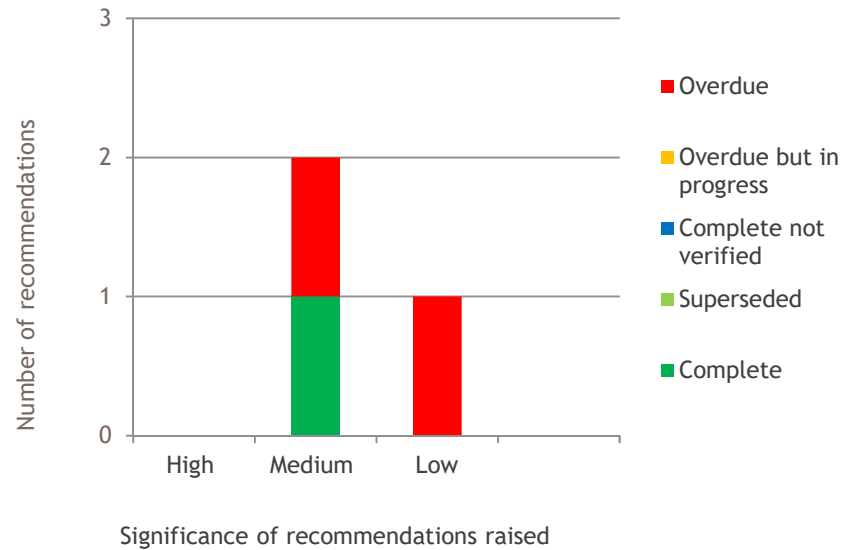# INTERNAL AUDIT RECOMMENDATION FOLLOW UP SUMMARY 2017/18
LSBU

Audit Title	Significance (definition at appendix 1)				Total raised	Complete	Complete not verified	Superseded	Overdue but in progress	Overdue	Not yet due
	🔺	🟧	🟢	No rating							
IT	0	3	0	0	3	3	0	0	0	0	0
International Partnership Arrangements	0	1	0	0	1	0	0	0	1	0	0
Total	0	4	0	0	4	3	0	0	1	0	0
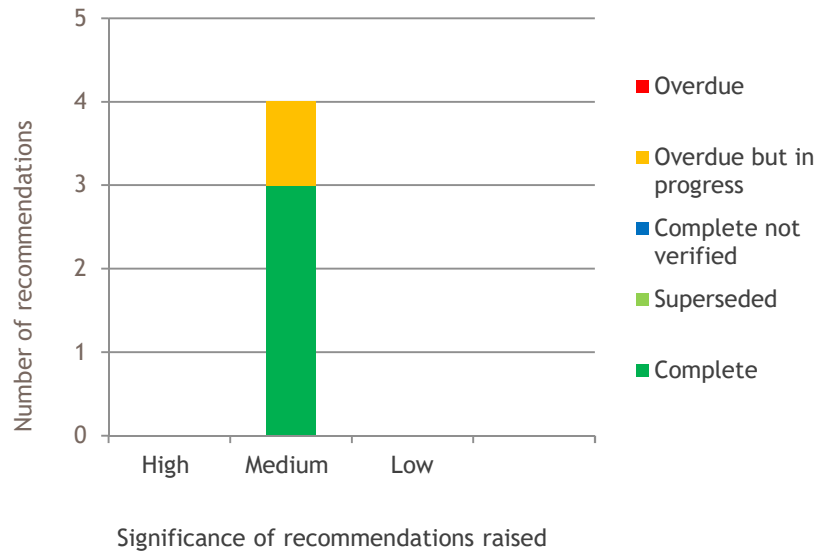
Status as at June 2020:

Significance of recommendations raised

Status as at January 2019:

Significance of recommendations raised

4
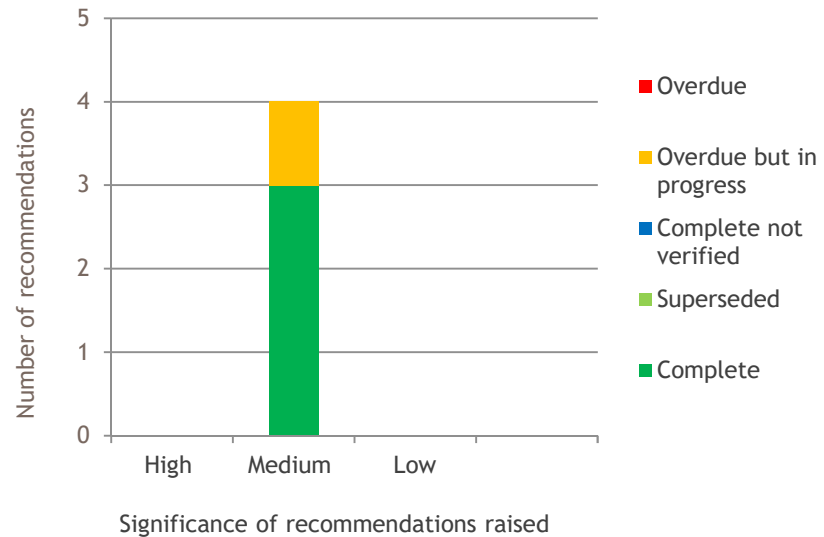
2017/18 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
LSBU

INTERNATIONAL PARTNERSHIP ARRANGEMENTS							
Finding	Agreed Action	Sig.	Original Due date	Revised due date	Resp. Person	Update	Status
A signed Memorandum of Cooperation should be in place for every international partnership arrangement. This document sets out the terms and conditions in place for all agreements. We selected a sample of four international partnerships and tested whether or not there was a Memorandum of Cooperation available for each Partnership. For one of the partnerships (ASU) a copy of the Memorandum of Cooperation was provided, however this was not signed by either party.	The International Office will work with the systems team in Research Enterprise & Innovation to enable the use of their Haplo software platform to track and manage all potential partnership activity. This will enable snapshot reporting of progress across the institution enabling all interested parties to track progress in real time, and utilise the CRM benefits within this platform.	🟧	30/09/18	31/08/20	Stuart Bannerman (Director International)	January 20 - The HAPLO storage and management system has been completed as planned but it has not met the expectations of the International team (design of the product, rather than functionality). HAPLO is currently redesigning it and preparing for another round of testing. It is now due to be implemented by 29 February 2020, to be rolled out by 31 July 2020.	Overdue but in progress.

# INTERNAL AUDIT RECOMMENDATION FOLLOW UP SUMMARY 2017/18
SBC

Audit Title	Significance (definition at appendix 1)				Total raised	Complete	Complete not verified	Superseded	Overdue but in progress	Overdue	Not yet due
	▲	■	●	No rating							
Key Financial Controls	0	1	0	0	1	1	0	0	0	0	0
Curriculum Planning	0	1	1	0	2	0	0	0	2	0	0
Total	0	2	1	0	3	1	0	0	2	0	0

Status as at June 2020:

Significance of recommendations raised

Status as at January 2020:

Significance of recommendations raised

6

2017/18 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
SBC

CURRICULUM PLANNING							
Finding	**Agreed Action**	**Sig.**	**Original Due date**	**Revised due date**	**Resp. Person**	**Update**	**Status**
At the time of the audit no evidence was provided with relation to CPD.	The CPD sessions will be reviewed and updated to reflect all seven themes identified by the Board to ensure that individual staff targets are aligned to College's targets.	🟧	29/04/18	30/09/20	Abigail Maya – People Services Manager	May 20 - All CPD sessions are always actively reviewed and spend is agreed at senior management level in order to ensure alignment with College targets. We will continue to work towards the seven themes identified and agreed by the Board.	Overdue but in progress

INTERNAL AUDIT RECOMMENDATION FOLLOW UP SUMMARY 2018/19
LSBU

Audit Title	Significance (definition at appendix 1)				Total raised	Complete	Complete not verified	Superseded	Overdue but in progress	Overdue	Not yet due
	🔺	🟧	🟢	No rating							
GDPR Plan	2	2	0	0	4	4	0	0	0	0	0
CMA Compliance	1	5	1	0	7	4	1	0	2	0	0
Procurement	1	2	0	0	3	2	0	0	1	0	0
SBIC	0	2	1	0	3	3	0	0	0	0	0
Continuous Auditing: Key Financial Systems	0	0	1	5	6	3	0	1	2	0	0
Risk Management	0	0	0	3	3	0	1	0	2	0	0
Continuous Auditing: Student Data	0	0	0	9	9	5	2	2	0	0	0
Total	4	11	3	17	35	21	4	3	7	0	0

INTERNAL AUDIT RECOMMENDATION FOLLOW UP SUMMARY 2018/19
LSBU

Status as at June 2020:
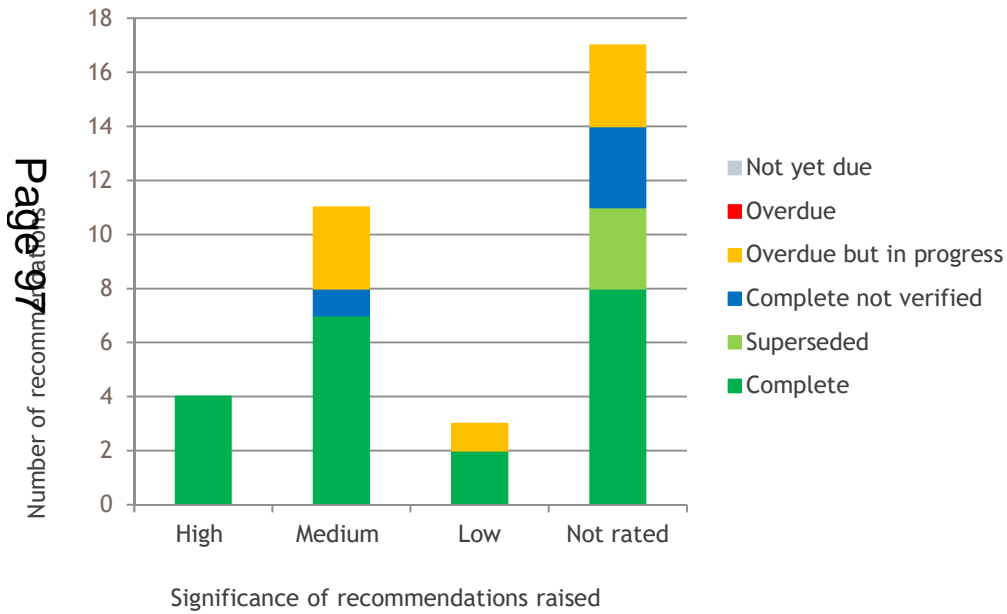
Status as at January 2020:

2018/19 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
LSBU

CMA Compliance (#3)							
Finding	**Agreed Action**	**Sig.**	**Original Due date**	**Revised due date**	**Resp. Person**	**Update**	**Status**
Whilst we acknowledge that all key teams attend the CMA Working group and that individual teams are aware of what needs to be done, there seems to be inconsistencies in how these tasks are performed, including the differing levels of collaboration and communication across the different departments. As there are 4 Departments involved and 7 different Schools to input, having the roles and responsibilities for each team defined and documented (including a key lead for the department) will set clear expectations for the work and responsibilities and bring improved transparency; especially as there is work that is reliant on other teams. For example, the Schools should make sure that the course specifications are accurate and completed, and that any changes are communicated to Marketing, Admissions and Teaching Quality. This may also hold key departments and/or individuals accountable for ensuring the quality and integrity of the information for example. Furthermore, embedding central coordination for managing CMA Compliance will be beneficial in managing the process and requirements effectively.	a) A CMA 'roles and responsibilities' document is being prepared covering key roles and responsibility for school and PSG staff. To be agreed by team by end of November. b) Changes to CMA working group attendance to ensure participants are clearly accountable by end November. c) Accountabilities for academic staff to be embedded within job descriptions.	🟧	31/01/20	~~28/02/20~~ 31/08/20	a & b) Nicole Louis, CCO c) Pat Bailey, Deputy Vice Chancellor	June 20 - a) A comprehensive CMA Roles and Responsibilities document has been produced. b) CMA Steering Group membership has been extended to all DESEs. This was completed in November 19 and is detailed in the roles and responsibilities document c) Job descriptions are being reviewed and will contain explicit reference to CMA compliance, accountabilities to be explicitly included and completion is now summer 2020.	Part c) Overdue but in progress

2018/19 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
LSBU

CMA Compliance (#6)							
Finding	Agreed Action	Sig.	Original Due date	Revised due date	Resp. Person	Update	Status
There is no process in place to consistently manage any updates or changes required on the information provided in the course specification, printed prospectus and website. Furthermore, there was no control or mechanism in place to communicate any course changes nor course cancellations to the students. We note from our interviews, that each of the academic departments are responsible for the course information including any changes but there had been instances where this is performed without informing the relevant teams and/or without informing the students after the course specification had been provided. At present, any required course detail changes or cancellations are required to be flagged by the Academics, otherwise it will be unknown to the other teams. Often these changes may be flagged in informal discussions but this is often too late i.e. the student had already received the prior version of the course details. We do acknowledge that there is a 'Programme and module amendments' policy and a 'Programme and module discontinuation' policy, including a change process being recently created and sent to the board for approval.	a) Course Directors have been briefed by AQE team to notify the school marketing manager of any course changes following the review and updating of 2019/20 course specification sheets. document. b) Course Directors were identified as owning the process for overseeing communication to applicants when courses change post-provision of applicant offer packs. This is will be laid out in the CMA roles and responsibilities document. c) The wider responsibilities of the role of a Course Director will be set out in a Job Description and this will include responsibilities linked to course management which impacts CMA. d) AQE team to produce guidance document on categorisation of changes to course specifications indicating what constitutes a material change. By October, owner AQE Team (individual to be confirmed)	■	30/11/19	~~28/02/20~~ 31/08/20	a) & b): Follow up with Nicole Louis, Chief Commercial Officer (CCO), for confirmation on action owners c) Pat Bailey, Deputy Vice Chancellor d) Mark Griffith, Acting Director of TQE	January 20 - CMA roles and responsibilities document requires the Course Directors to notify the School Marketing Manager of any course changes following the review and update of the specifications. The Course Directors are also identified as owning the process for overseeing communication to applicants when courses change. The wider responsibilities of the role of a Course Director will be set out in a Job Description. This is to be completed by the end of February. The AQE team has produced a guidance document on categorisation of changes to course specifications indicating what constitutes a material change. June 20 – What constitutes a material change is defined in the course management calendar which was approved by QSC. The Provost is reviewing the School role descriptions, which will be released over the summer, to include the Course Directors. (and responsibility for CMA compliance)	Part c) Overdue but in progress

2018/19 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
LSBU

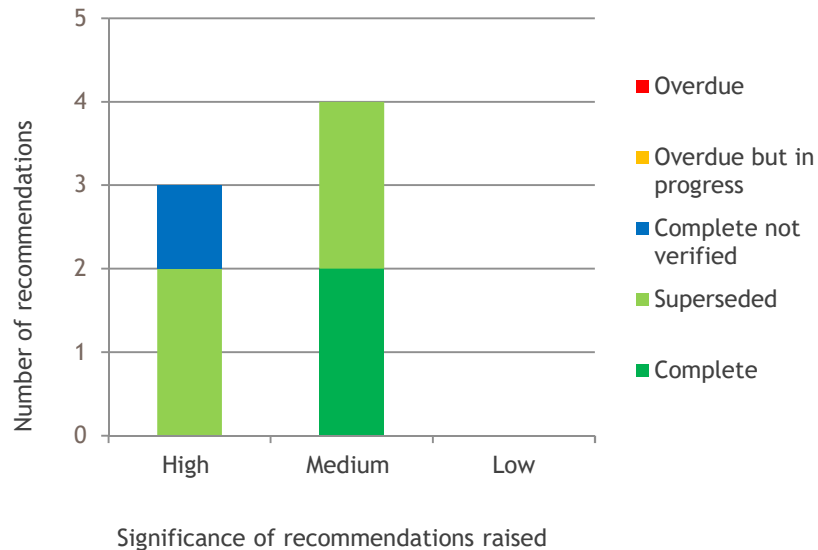| Procurement (#3)							
Finding	**Agreed Action**	**Sig.**	**Original Due date**	**Revised due date**	**Resp. Person**	**Update**	**Status**
As best practice, for all contracts both one-off and rolling, there should be regular review and monitoring of the actual spend against the agreed contractual amounts, to ensure the spend is in line with the contract value. As discussed with Management, there are no controls or processes in place to ensure there is regular review of contract spend or controls to flag any overspends, as a detective measure. Budget managers within each department are responsible and accountable for their own monitoring of spends and due to the devolved nature, there is minimal oversight from Procurement. However as good practice, we would ask Management to reiterate their responsibilities for ensuring spends are within agreed amounts and if not, to provide further justification to Management or otherwise.	Subject to discussion with the incoming Director of Procurement, we would expect to identify key contracts and carry out quarterly monitoring of spend against the awarded value, for the life of the contract. We will also reiterate the current Contract Management guidance available on the LSBU intranet to all contract managers.	🟧	01/10/19	31/10/20	James Rockliffe, Director of Procurement	June 20 - The system does not currently provide an efficient way of preventing spend above contractual amounts. We will investigate the feasibility of implementing such functionality through Agresso in terms of implementation and training. In the meantime, category plans are in place for the key areas of IT, Estates and Professional Services and these are reviewed quarterly. Included is a review of spend against key contracts (high priority and/or high criticality).	Overdue but in progress

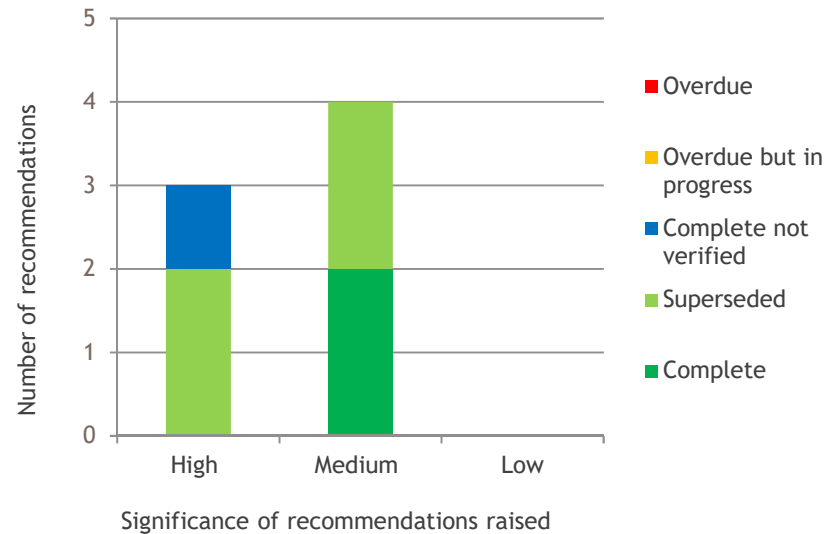# INTERNAL AUDIT RECOMMENDATION FOLLOW UP SUMMARY 2018/19
SBA

Audit Title	Significance (definition at appendix 1)				Total raised	Complete	Complete not verified	Superseded	Overdue but in progress	Overdue	Not yet due
	▲	🟧	🟢	No rating							
Key Financial Controls	4	2	0	0	6	4	0	2	0	0	0
Safeguarding	1	0	0	0	1	0	1	0	0	0	0
Total	5	2	0	0	7	4	1	2	0	0	0

Status as at June 2020:

Status as at January 2020:

INTERNAL AUDIT RECOMMENDATION FOLLOW UP SUMMARY 2019/20
LSBU

Audit Title	Significance (definition at appendix 1)				Total raised	Complete	Complete not verified	Superseded	Overdue but in progress	Overdue	Not yet due
	🔺	🟧	🟢	No rating							
Financial Controls 1	2	4	3	0	9	5	1	0	3	0	0
UKVI Tiers 2 and 5	0	7	0	0	7	0	4	0	1	0	2
Student Data 1	0	3	4	0	7	3	1	0	1	0	2
Total	2	14	7	0	23	8	6	0	5	0	4
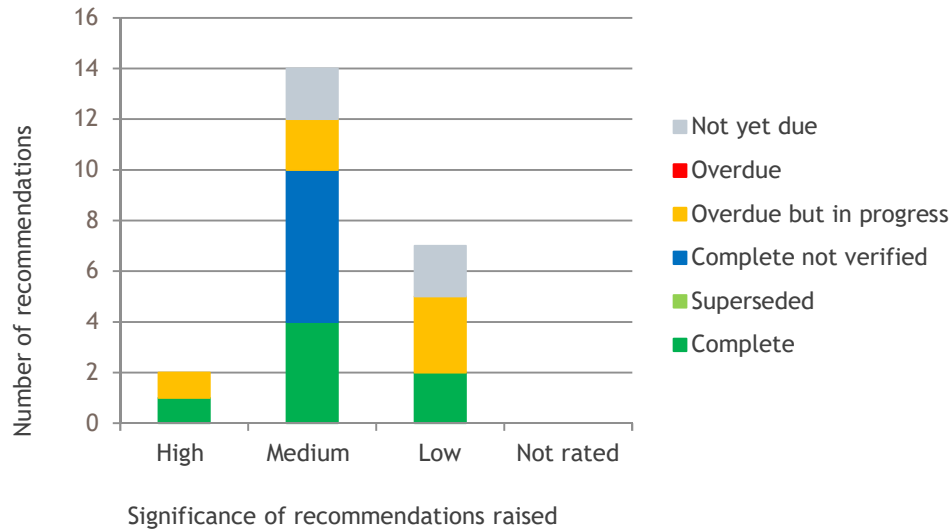
Status as at June 2020:

There is no comparative data for 2019/20 as this is the first committee where the recommendations have been tracked.

2019/20 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
LSBU

Financial Controls (#2)							
Finding	Agreed Action	Sig.	Original Due date	Revised due date	Resp. Person	Update	Status
There are no controls to restrict changes to supplier standing data and there is no exception reporting of changes to supplier details. When suppliers request changes to their details (eg addresses or bank details), it is logged by the Procurement team. It validates the request through a secondary channel (eg if requested via email, it is confirmed via phone, or vice versa). The change is then processed and confirmed as accurate by a second member of the team outside of Agresso, before being processed in the system. A periodic check of the validity of all changes to supplier details is not being completed. It is possible for a member of the Procurement team to amend supplier details and confirm the change without a secondary check or approval, as this is not a system enforced control. We understand a check used to be completed periodically by the former Operations Procurement Manager, who left in April 2019, but that this has not occurred since the role was removed. In the absence of controls to restrict changes to supplier details and a lack of exception reporting, there is an increased risk of erroneous or fraudulent changes being made to supplier standing data.	The Procurement team should explore whether an exception report can be generated of all changes to supplier details. On a monthly basis, the exception report of all changes to supplier details made in the month should be reviewed independently and checks should be implemented to verify that changes are bona fide. Management could explore whether a workflow could be added to Agresso to require independent approval of any changes to supplier details prior to standing data being amended.	▲	31/12/19	31/08/20	James Rockliffe, Director of Procurement	March 20 - Agresso still does not produce an exception report. The Head of Procurement has explored how to do this through visits to other Universities and reviewing the system including what training will be needed. There is an ambition for supplier changes to be made via workflows. The Operations Manager will be picking this up with the Agresso system's lead.	Overdue but in progress

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2019/20 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
LSBU

UKVI Tiers 2 and 5 (#6)							
Finding	Recommendation	Sig.	Original Due date	Revised due date	Resp. Person	Update	Status
Tier 2 file checklists are not consistently reviewed and signed off. Recruitment creates manual staff files for each Tier 2 employee which have a checklist on the front covering the key UKVI processes from job advertisement to CoS application and RTW checks. It was intended that the checklist should be independently checked as complete by a member of HR. One of the seven manual files checked did not have a checklist, and for another four the checklist had not been independently checked. The sign-off field section is not dated. There is a risk that Tier 2 requirements have not been complied with prior to CoS applications and that RTW checks have not been completed prior to a Tier 2 employee starting work.	Independent file reviews should be carried prior to CoS applications being made, and checklists should be signed and dated to evidence this. The files can be signed off by another member of the recruitment team with a sample verified by the Recruitment Partner on a monthly basis.	■	29/02/20	31/07/20	Marisha Drayton, Recruitment Partner	May 20 - The impact of COVID 19 means that the lack of access to files and systems means actions are unable to be completed with full assurance.	Overdue but in progress

2019/20 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
LSBU

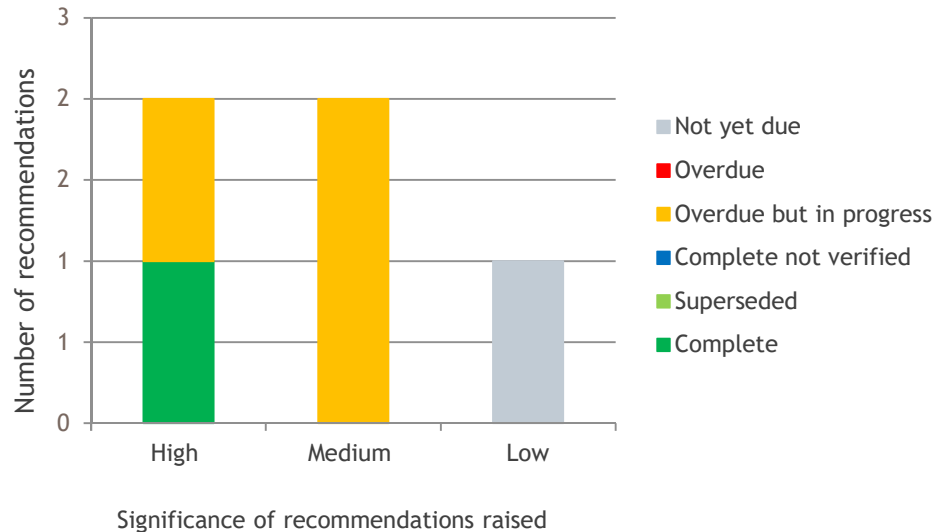| Student Data 1 (#1)							
Finding	**Recommendation**	**Sig.**	**Original Due date**	**Revised due date**	**Resp. Person**	**Update**	**Status**
The Student Point of Contact (SPOC) report does not provide useful management information on student engagement and we identified a number of weaknesses with the design of the report. Currently the Student Engagement procedure defines the minimum threshold of engagement as entry onto campus and use of Moodle. We were informed that attendance at lectures is also considered in practice but not included within the procedure. The current process to monitor student engagement is time consuming and inefficient. Students not meeting the required level of engagement are contacted using a series of emails and letters to ascertain why engagement is below the minimum expected. The activity undertaken by the Student Engagement team and responses received are manually recorded in a column within the Excel SPOC report. We identified instances where the Student Engagement team was not provided with key curriculum information such as the dates of reading weeks and where students were on placement. As such, students were being chased because of poor attendance when they were not required to attend classes. The SPOC report reviews engagement over a two week period at a time. It does not consider longer term engagement or look at trends.	SBU should review how it monitors student engagement and whether the factors monitored can be adapted for different courses which have different requirements. An assessment should be made over whether the SPOC report can be adapted to address its current shortcomings or whether the SAM report should be enhanced. Either way, the tools used should help put the student's engagement in context and have the facility to capture and process key dates where engagement is not to be expected, such as reading weeks and placements . The minimum engagement as defined in the Student Engagement procedure should be updated to include lecture/workshop attendance. Consideration should be given to whether this should include submission of assignments as well. Records should only be kept of students failing to meet defined levels of engagement. This should reduce the amount of data required to be annotated and analysed. Engagement analysis should be longer term rather than just on a weekly basis to identify patterns of poor engagement.	🟧	31/05/20	30/09/21	Jamie Jones, Deputy Director of Student Services	May 20 - The University has paused engagement and attendance monitoring using SPOC/SAM as of early March. Student engagement is now monitored through module activity within Moodle through reports to course directors with inactivity addressed by the Director of Study and Student Experience in each School. The revised project will unlikely be addressed until the full impact of COVID 19 is clearer. The expectation is this should be revised in September 2021.	Overdue but in progress

INTERNAL AUDIT RECOMMENDATION FOLLOW UP SUMMARY 2019/20
SBC

Audit Title	Significance (definition at appendix 1)				Total raised	Complete	Complete not verified	Superseded	Overdue but in progress	Overdue	Not yet due
	▲	■	●	No rating							
Financial Controls	2	2	1	0	5	1	0	0	3	0	1
Total	2	2	1	0	5	1	0	0	3	0	1

Status as at June 2020:

There is no comparative data for 2019/20 as this is the first committee where the recommendations have been tracked.

2019/20 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
SBC

Financial Controls (#2)							
Finding	Recommendation	Sig.	Original Due date	Revised due date	Resp. Person	Update	Status
Supplier bank detail changes are not independently verified with the respective supplier and there is a lack of segregation of duties over the setting up of suppliers and changing their bank details. Supplier are asked to send their bank detail changes on company headed paper through to SBC's AP team. This is reviewed by the AP Officer and verified by the Finance Director via completion of a paper form. If satisfied that the details are accurate, then the bank details are changed within Agresso. There is no check back with SBC's known supplier contact that the change is genuine. Authorisation to add suppliers/ make changes to supplier bank details within Agresso is not system controlled ie there are no controls or workflow in place following approval via paper forms for the bank details to be changed/ supplier to be set up. Therefore, one member of staff can make these changes within the system without any other input from anyone else. There is also no exception reporting in place to check whether changes to the supplier master file is accurate. There is a risk that non-genuine changes requested by fraudsters would be processed. There is also a risk that staff within the AP team could fraudulently or erroneously amend supplier details which would go undetected.	The AP team should implement an additional step into the supplier change process whereby it contacts the key contact at the supplier to check whether the bank detail change is genuine. Management should assess whether exception reporting could be introduced to check amendments to the supplier master file prior to payment runs being processed. The individual who carries out this check should not have edit access to the supplier master file. Management should explore whether an extra workflow control step could be introduced within Agresso whereby the Finance Director (or someone who does not have edit access to the supplier master file in Agresso) approves the bank detail change rather than the use of a hardcopy form.	▲	ASAP	31/10/20	Bridget Omakobia, Head of Finance, Payroll and Pensions	June 20 - When changes to supplier bank details are requested, the AP Officer now rings the supplier contact to confirm that the request is genuine. Whilst Agresso does have a module to enable workflow approval of supplier bank changes, this is not being implemented currently. A wider group wide purchase to pay process is being reviewed. Exception reports can be run to identify supplier bank detail changes. This will be run at the end of the month going forward. Once this process is implemented, this recommendation will be closed.	Overdue, but in progress

2019/20 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
SBC

Financial Controls (#3)							
Finding	**Recommendation**	**Sig.**	**Original Due date**	**Revised due date**	**Resp. Person**	**Update**	**Status**
GRN are not sent to the Accounts Payable Officer upon receipt by the relevant departments. A PO is raised and approved within Agresso. The department that requested the PO is has responsibility to inform the AP team that the product/service has been received and the quantity is correct prior to payment. However, this process is not documented and in practice does not take place. There was no evidence of a goods receipt note on file or recorded in the system for the sample of ten purchase invoices tested. The approval of invoices within Agresso is carried out by the Finance Director. This is a system driven process for POs raised within Agresso and the AP team pays invoices that can be matched to a PO, without confirmation of receipt of goods by the department receiving the goods. There is a disparity between the College and University Financial Regulations and the requirement to good receipt. There is a risk that payment of invoices is made where goods/services have not been received. Also POs raised in Symmetry, for invoices not paid before August 2019 have not been migrated across to Agresso. Although the AP Officer and the Procurement Officer can access Symmetry to check if a PO has been raised previously there is nothing documented in Agresso that there is a PO.	The College's Financial Regulations should be updated to align with the University's Financial Regulations to require goods/service receipting by the budget holder/department that originally requested the goods/service.

The AP team should not process invoices for payment until it has received confirmation that goods/services have been received. This control should be built into Agresso (in line with the University's control framework) so that the GRN is linked to the PO and the invoice, and that a three way match (GRN, PO and invoice) can be made prior to payment being made.

The AP team should ensure that a check of Symmetry is performed prior to processing invoices for payment. It should investigated whether the relevant POs can be transferred across and if not, the PO number should at least be recorded in Agresso. | 🟧 | ASAP | 31/10/20 | Bridget Omakobia, Head of Finance, Payroll and Pensions | June 20 - The College does not utilise goods receipt notes. When invoices are received by Finance, these are sent to the individual who requested the purchase order. These are subsequently signed to confirm the goods/services were as expected.

This has not yet been formally recognised in the Financial Regulations. The College is investigating automating this process to reduce current inefficiencies. | Overdue, but in progress |
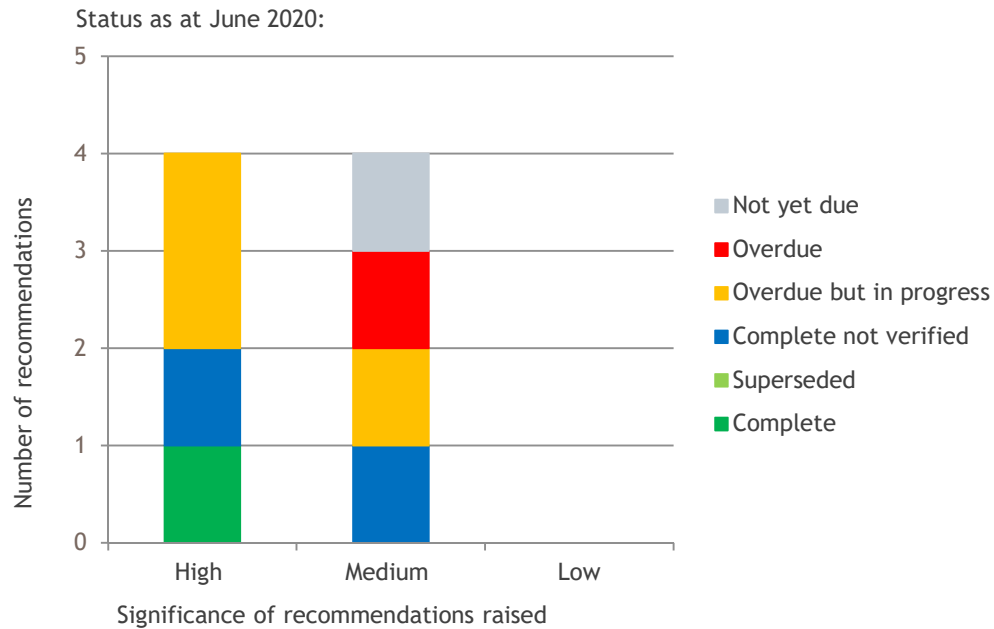
2019/20 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
SBC

Financial Controls (#4)							
Finding	**Recommendation**	**Sig.**	**Original Due date**	**Revised due date**	**Resp. Person**	**Update**	**Status**
The supplier due diligence process is inadequate and evidence to support the checks that are carried out is not retained. At present the AP Officer checks the Companies' House website to corroborate supplier details provided on the new supplier form. Once the AP Officer is satisfied the company exists and the details match, the AP Officer will continue to on-board the new supplier. For a sample of five suppliers there was no evidence on file to evidence that this process had been carried out. There are no financial checks performed on the supplier and the Financial Regulations do not contain information regarding the supplier due diligence process nor what checks are expected to be performed. There are also no procedures in place for this process. There is a risk that without a more robust and documented due diligence process and inappropriate suppliers will be engaged with. The new supplier guidance issued by the University specifically states that the financial stability of the company should be checked through a credit check on the supplier.	The due diligence requirements should be reviewed and updated to include financial checks. The due diligence checks carried out on each supplier should be retained to evidence that appropriate checks have been carried out.	🟧	ASAP	31/10/20	Bridget Omakobia, Head of Finance, Payroll and Pensions	June 20 - The College is still determining its appetite for due diligence. Conversations are to be held with the Director of Procurement. The due diligence processes will be captured in the revised Accounts Payable Procedures. Due diligence checks are still not stored in a central location. Going forward this will be captured in a shared location.	Overdue, but in progress

INTERNAL AUDIT RECOMMENDATION FOLLOW UP SUMMARY 2019/20
SBA

Audit Title	Significance (definition at appendix 1)				Total raised	Complete	Complete not verified	Superseded	Overdue but in progress	Overdue	Not yet due
	▲	■	●	No rating							
Financial Controls	4	4	0	0	8	1	2	0	3	1	1
Total	4	4	0	0	8	1	2	0	3	1	1

Status as at June 2020:

There is no comparative data for 2019/20 as this is the first committee where the recommendations have been tracked.

2019/20 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
SBA

Financial Controls (#2)							
Finding	**Agreed Action**	**Sig.**	**Original Due date**	**Revised due date**	**Resp. Person**	**Update**	**Status**
There is a lack of segregation of duties over the accounts payable process. The process is manual and does not have system based approvals. One individual for each school can perform a number of steps in the process independently. They have the ability to load purchase orders onto PS Financials, post goods received notes onto PS Financials and post invoices for payment to the BACS run. The Finance Officer can add, remove and make changes to supplier details without anyone else being involved in the process. The Finance Officer is also responsible for transferring the payment (CSV file) to the banking system. Although these individuals cannot authorise or make payments there is a risk that fraudulent or erroneous invoices could be posted, uploaded to a payment run, paid and go undetected. There are also insufficient checks performed over the payments made to suppliers. The Finance Office is also responsible for generating the CSV file and uploading it to the banking system. Although the payment file is manually authorised and the amount transferred to the bank is also authorised independently of the Finance Officer, there is no check in place to confirm that the two are consistent. If there was a change made to the payment listing following approval, this would not be identified.	1) Management should explore whether system enforced approvals/workflow can be added to PS Financials for the accounts payable process. Segregation of duties should be implemented for the accounts payable process and the Finance Officer and Finance Assistant roles should be restricted so they are unable to carry out the majority of the process by themselves. Some parts of this role (raising of POs and goods receipting) could be split between the two finance roles or delegated to school staff. 2) A check should also be implemented to ensure that the payment listing and payments uploaded to the bank account agree.	▲	29/02/20	30/06/20	Helena Abrahams	May 20 1) Budget holders in the schools are now responsible for raising requisitions in the Purchasing module of PSF. Requisitions are pulled through to PO status and authorised by the Principals in each school. This addresses the issues with segregation of duties in the AP process. 2) No check has been introduced to confirm whether the payment listing and the payments uploaded to the bank account agree. A monthly check will be completed going forward and could be reviewed by the end of June.	1) Complete 2) Overdue but in progress

2019/20 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
SBA

Financial Controls (#4)							
Finding	**Recommendation**	**Sig.**	**Original Due date**	**Revised due date**	**Resp. Person**	**Update**	**Status**
The following issues were identified at UTC with regards to the recording of school meals: • The number of school meals provided and to which children is not recorded. It is assumed all children have a meal each day and a fixed daily charge (£2.35 per day) is made to the ParentPay account. No adjustment is made if the child is off sick/ does not have a meal. • UTC is unable to reconcile the amounts paid by parents to the amount of meals a child has actually received and therefore will not know if the ParentPay balance is accurate or not. • UTC does not review ParentPay balances and follow up on outstanding debt. • As no information is recorded, UTC would be unable to assess whether it is obtaining value for money from the catering company in relation to school meals. There is risk parents may be overcharged for meals not taken and/or UTC may also be overcharged. Without appropriate recording of meals taken UTC is unable to monitor school meal income and debt appropriately meaning income, expenses and debt may not be accurately recorded.	UTC should implement a process to record the actual school meals taken per child per day and ensure that ParentPay accurately reflects this. A weekly review of ParentPay balances should be performed to identify parents who are in debt and appropriate action should be taken to follow up these debts. A reconciliation should also be done of the number of meals provided, those being recharged to parents, those receiving free meals and whether the catering contract is providing value for money.	▲	29/02/20	28/02/21	Helena Abrahams	May 20 – Limited progress had been made. This is now further delayed due to Covid-19. Records of school meals provided at charge and free of charge are not captured. The main changes that SBA has made relate to training of staff in the schools and understanding of how ParentPay works. The catering contract was let on a fixed number of daily meals being provided at each school. Discussions with the catering company about the contract and the way that they invoice us are currently on hold.	Overdue but in progress

2019/20 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
SBA

Financial Controls (#5)							
Finding	Recommendation	Sig.	Original Due date	Revised due date	Resp. Person	Update	Status
At UAE we identified the following issues in relation to school meal income: • There is an inconsistent approach to recording students who receive meals. Sometimes cards are scanned and other times the student will be entered manually on the till (even if they have their card with them) which may lead to input errors or omissions. • If a student's ParentPay balance reaches -£13.62 they will be put on a list by the till. When they next have a meal they are recorded on this list and not always on the till. This manual list is not provided to the Admin Assistant and therefore their balance may not be amended to reflect meals they have had once they have reached the -£13.62 threshold. • The weekly reconciliation is used to review debt only. It is not used to check whether the total number of meals recorded each week accurately reflects those charged for and those given for free. Nor is the reconciliation used to assess whether the catering contract is providing value for money.	Cards for each student should be scanned regardless of whether they are known by the member of staff on the till. Manual entry should be restricted to where students do not have their pass with them. Even if students are on the debtors list their meal should be put through the till system. The weekly reconciliation should include total number of meals and free meals provided.	🟧	29/02/20	28/02/21	Helena Abrahams	May 20 - No progress had been made. This is now further delayed due to Covid-19.	Overdue

2019/20 MEDIUM AND HIGH SIGNIFICANCE OVERDUE RECOMMENDATIONS
SBA

Financial Controls (#8)							
Finding	Recommendation	Sig.	Original Due date	Revised due date	Resp. Person	Update	Status
SBA's financial policies and procedures are held on LSBU's network which school staff do not have access to. It was also been noted Financial Regulations have been updated but have yet to be signed off by the Board. Without sight of, or access to, financial policies and procedures, staff may be unaware of the policies/procedures to follow and may inadvertently bypass or be non-compliant with them. Furthermore, because the finance system does not have robust controls, SBA is reliant on staff following policies and procedures.	All relevant staff should be given access to SBA's financial policies and procedures. The Financial Regulations should be approved by the Board.		29/02/20	30/09/20	Helena Abrahams	May 20 - As soon as the updated Financial Regulations have been approved by the Audit and Risk Committee, all staff will be provided with access. Staff will be reminded during the September inset days of how to use the financial system and where to access the regulations.	Overdue but in progress

APPENDIX I – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance		
High		A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium		A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low		Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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	CONFIDENTIAL
Paper title:	Internal Audit –Accounts Receivable.
Board/Committee	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author:	BDO
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	For noting
Recommendation:	The Committee is requested to note the report and its findings

Summary

Overall the report gives a limited level of assurance for both control design and operational effectiveness of the controls in place around Accounts Receivable. One high risk, 8 medium and 2 low risk recommendations have been made.   All recommendations have been accepted by management and actions to address these findings will be completed by the end of September 2020.

This is the first time that there has been a 'deep dive' internal audit review of Accounts Receivable and the findings are very useful in understanding what needs to happen to improve the control environment in this area. This includes putting in place suitable supervision of the team to ensure routines and procedures are followed and to work closely with other departments that are part of the Accounts Receivable process.

The high risk recommendation relates to the ongoing financial due diligence on customers. In response to this finding the team will put in place more ongoing reviews of credit limits to minimise the risk of bad debt and put in place a more robust process for assessing credit terms.

One of the medium risk recommendations is in relation to bank receipts that the team have not been able to allocate against postings in Agresso. These receipts mainly in settlement of student fee invoices and the problem has arisen as a result of changed processes due to switching our banking to Barclays and turnover of staff responsible for these transactions. The team are working with ICT to resolve the process issues around the automatic matching of these transactions and the target is for this work to

be completed by the end of July in time for these receipts to be accurately reflected in the year end accounts.

Recommendation:
The Committee is requested to note this report and its findings.

BDO

LONDON SOUTH BANK UNIVERSITY
INTERNAL AUDIT REPORT – FINAL

FINANCIAL CONTROLS – ACCOUNTS RECEIVABLE
MAY 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Limited	Limited

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

DISTRIBUTION	
Natalie Ferer	Group Financial Controller
Julian Rigby	Head of Financial Processing
REPORT STATUS LIST	
Auditors:	Christian Hayward and Raeshan Downer
Dates work performed:	17 - 27 February 2020 with further information received 14 April 2020
Draft report issued:	22 April 2020
Final report issued:	29 May 2020

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	⬣	System of internal controls is weakened with system objectives at risk of not being achieved.
Effectiveness	⬣	Non-compliance with key procedures and controls places the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	▲	1
Medium	■	8
Low	●	2
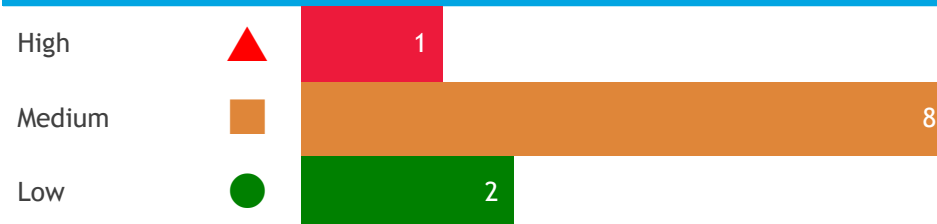
TOTAL NUMBER OF RECOMMENDATIONS: 11

BACKGROUND:

LSBU earns the majority of its income from student fees (e.g. tuition and halls of residence fees) and from commercial customers. Typical commercial customers that LSBU engages with include NHS Trusts (that pay for continuous professional development courses), tenants (including start up incubators) and academic conferences. Total income for the LSBU Group for the year ended 31 July 2019 increased by 24.6% based on figures for the year ended 31 July 2018 (£35.8m) to £181m. Of this increase, £3.2m was attributable to an operating surplus within the University whilst the remainder was due to the expansion of the LSBU Group.

Student fees payments are made in different ways including through the Student Loans Company, self-funding and through employee-sponsored apprenticeships. There are 12 different types of instalment plans for self-funded students and the majority of these fees are paid via card payment through the WPM system or via bank transfer.

There is an e-invoicing system in place for commercial income in which staff across University departments raise sales order requisitions. These are authorised in line with the authorised signatory list (ASL) in Agresso. Once the sales order requisition has been approved, the Finance team will raise an invoice and send it to the customer.

There are processes in place to conduct financial due diligence on new customers. The Accounts Receivable (AR) team conducts Dunn & Bradstreet credit checks on all prospective customers with expected spend exceeding £3k. Once corresponding credit limits are set in Agresso invoices cannot be raised that exceed the credit limit.

LSBU has two main bank accounts with NatWest and Barclays with the latter being used as the primary bank account since the formation of the Group. LSBU intends to close its NatWest account although income is currently being received in to both accounts. Student income received into NatWest is being automatically diverted to LSBU's Barclays account.

The Provision for bad debt is calculated based on the University's experience of collecting student and other debt. It is estimated that, at the date of signing the Financial Statements where a repayment arrangement has been agreed with the debtor, 90% of the remaining debt is fully provided at a conservative rate.

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Trade debtors stated in the year end accounts for FY2018/19 was £15,787. Student fee debt is much higher. At 31 January 2020 tuition fee debt relating to all historic financial years up to and including 2018/19 was £8.54m, the majority of which related to student tuition fee debt for self-funded students (£6.73m). Aged debts result in students being placed on a Bad Financial Standing (BFS) category in the student facing systems. This affects the students' ability to use University facilities and view their marks in the student portals.

Credit notes for customers are raised primarily for the purposes of cancelling invoices raised for services not rendered in error. Credit notes for commercial customers are raised within the Agresso system and are signed off in line with the ASL before being approved by the AR team. Credit notes for student income are generated for numerous reasons, such as a student moving course, a student undertaking a longer course in statements and after making deductions the same subject or a student's funding circumstances change (ie changing from SLC-funded to self-funded or leaving the institution).

Customer refunds are raised by staff across University departments and processed through the requisition process in Agresso. These are then approved in Agresso by the AR team prior to being paid to the customer. Student refunds are initiated by the Fees and Bursary team and the Financial Regulations detail LSBU's approach to reducing Anti-Money Laundering (AML) risk arising from student fee refunds.

The purpose of our review was to provide assurance over the controls LSBU has in place to manage the risks over its accounts payable processes in relation to student and commercial income.

KEY FINDINGS:

We raised eleven findings; one of high significance, eight of medium significance and two of low significance.

Our high significance finding relates to the fact that there is no ongoing financial due diligence of customers, including both on whether credit limits for all customers continue to be appropriate and for specific instances where customer credit limits are extended. Furthermore, although there is a customer set up form in place, controls in relation to ensuring that credit checks are checked before services are provided to LSBU customers are also not in place.

Our medium findings related to both control design gaps and non-compliance with defined policies and procedures.

Non-financial due diligence is not conducted as part of customer engagement processes for either LSBU or SBUEL customers.

LSBU currently has a high number of unallocated receipts sitting on its two bank accounts (NatWest and Barclays) which have not been matched to student or commercial customer accounts in Agresso and QLX as a result of problems with the automated receipt to matching process.

We also identified that some current customer and student debts were not being chased in line with University policy (eg monthly requests for payments) primarily as the systems and processes used to support credit control activities at LSBU are inefficient.

Duplicate customer accounts exist in both the LSBU and SBUEL ledgers of Agresso as there are no system driven or manual controls in place to prevent and detect duplicate customer accounts being set up in the system. Therefore, customers can be allocated multiple credit limits.

Although Agresso enforces credit limits for all standard commercial customers, SBUEL customers that are set up on a subscription invoicing basis are able to exceed their credit

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

limits in Agresso and there is no oversight of the outstanding debt of these customers relative to their credit limits.

There are no controls in place to ensure that all invoicing requirements have resulted in invoices being raised as reconciliations between the Agresso data and individual spreadsheets do not take place.

Student related credit notes do not require approval in QLX and the notes area of the system is not always used for recording the reason for the refund. From a sample of ten credit notes we identified three that did not have a note with a reason for raising the credit note attached to them on QLX prior to being sent to the income department.

From 178 refunds made to students from 1 August to 31 December 2019 we identified two instances where documentation retained by the Fees and Bursaries team was insufficient to demonstrate that the refund had been made to the account from which the original payment was made. This means that LSBU is unable to demonstrate that it has complied with AML regulations and its own Refund policy.

CONCLUSION:

We are able to provide limited assurance over both the design and operational effectiveness of controls in operation at LSBU. Although we have raised findings across a number of the scope areas reviewed, we have identified issues with LSBU's systems as a common theme underpinning many of our findings.

OUR TESTING DID NOT IDENTIFY ANY CONCERNS SURROUNDING THE CONTROLS IN PLACE TO MITIGATE THE FOLLOWING RISKS:

✓ Accounts receivable and credit control process do not align to the University's policies and procedures / the policies and procedures are not fit for purpose

✓ Responsibilities over the accounts receivable and credit control processes are not clearly assigned

✓ Income received is not reconciled and accurately reflected in the accounts

✓ Debts are written off without appropriate management oversight or authorisation

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

RISK: INSUFFICIENT DUE DILIGENCE IS PERFORMED ON COMMERCIAL CUSTOMERS AND/OR NOT PERFORMED PRIOR TO WORK BEING CARRIED OUT OR CONTRACTS BEING SIGNED

Ref	Sig.	Finding
1	▲	**Customer financial due diligence**

Although the AR team conducts credit checks on all new customers with spend above £3k, there are no ongoing financial due diligence checks performed nor checks when credit limits are extended. Furthermore, there are no checks performed to verify whether new work will exceed the credit limit (eg if there are outstanding invoices).

There are currently 1,432 and 870 customer accounts on the LSBU and SBUEL ledgers respectively with total combined credit limits of c.£80m. Although only 352 customers across both ledgers incurred transactions in 2019, there is no ongoing assessment of the appropriateness of the credit limits assigned to them, in part because there is no 'credit risk analysis module' in Agresso. Additionally, as the requirement to complete credit checks on customers was not in place before 2014, active customers set up before 2014 will not have been credit checked during the lifetime of the customer engagement.

There is also no formal process to re-run credit checks before limits are extended.

There are also 6,663 LSBU and 959 SBUEL customers set up in Agresso that have been set to either closed or parked in Agresso. These customers do not have credit limits as their limits have been set to either '0' or '999999999'. If these customer accounts are re-opened, there is no requirement to conduct additional credit checks and therefore those with unlimited credit may not be restricted to suitable limits.

Although SBUEL commercial customers are all credit checked and set up on contracts on the HAPLO system prior to services being provided there are no equivalent controls in place for LSBU customers.

In the absence of ongoing and proactive credit limit analysis LSBU may be exposing itself to unnecessary credit risk.

Furthermore, although the sales order system will not process a new sales order through Agresso if it exceeds the respective customer's credit limit there are no controls in place to check balances against credit limits prior to actual services being delivered to customers. Therefore, services may be delivered which exceed the credit limit.

Failure to enforce the mandatory completion of credit checks prior to services being provided to customers increases the risk that customers are unable to pay for services provided.

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LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

RECOMMENDATION:

In the absence of access to a credit analysis module in Agresso, LSBU should adopt a proportional approach to reviewing credit limits for existing customers in order to minimise risk exposure while maximising revenue and cash flow. The Head of Financial Processing should review the credit limits of the top ten customers by spend for the previous financial year and the top ten customers by credit limit annually. The appropriateness of these should be assessed.

LSBU should also conduct additional financial due diligence in instances where credit limits are extended. This should also be applied to customer accounts that are either 'closed' or 'parked' in Agresso when reopening them. If possible, an additional field should be added to Agresso requiring the user to confirm that additional credit checks have been completed in cases of creating new credit limits or re-opening closed or parked customer accounts.

In addition to the above, the University should assess whether an equivalent approach for setting LSBU customers up as is currently used for SBUEL customers is feasible. If a similar approach is not possible the AR team should conduct periodic spot checks of invoice date and services delivered dates to identify instances of non-compliance. Prior to any work being completed, the University and SBUEL should check whether this would take the customer over its current credit limit.

MANAGEMENT RESPONSE:

We will implement a review of top ten spend vs limit analysis. We will also now re-run the credit check (prior to the department raising an order). If a customer is at the level where a new charge will exceed the current limit and if a pending order places the customer "over limit" on due work, we will contact the client and arrange payment to bring their balance to a level to allow the new invoice to be raised.

The Head of Financial Processing will assess and approve any short-term credit limit adjustments up to the level stated on the re-run credit report.

The HAPLO system has a credit check tool embedded into the process, before any work has been completed for new REI (Research, Enterprise and Innovation/ SBUEL) business, and is used in any contracts awaiting negotiation. This side of the business is riskier in terms of financial exposure, as the companies are often start-ups, new businesses, or incubators. We are now working alongside REI to include a more robust process that requests finance input into any contract value that exceeds a limit by workflow from the HAPLO system, so we can assess potential exposure and put in place appropriate credit limits on Agresso before any final bill generates.

The very low level of write-off across the LSBU commercial ledger demonstrates that we do have sufficient controls in place for established clients, but the system will not allow alerts to be generated before a new order is being agreed. We will investigate whether it is feasible to display the credit limit info on the front-end of Agresso alongside an outstanding balance and have the Business Support Managers able to review this within their own schools before an order is raised.

The parked or terminated clients result because we cannot delete any historical income data in the system although going forward we will investigate if customer accounts that are no longer used can be archived within Agresso. We will perform a clean-up of all old customers on the SBUEL account, that related to Granby Martin (our former third party commercial lettings partner) and delete those customers without any transactions from the system.

| Responsible Officer: | Julian Rigby, Head of Financial Processing |

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

Implementation
Date:

31 July 2020

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

RISK: INSUFFICIENT DUE DILIGENCE IS PERFORMED ON COMMERCIAL CUSTOMERS AND/OR NOT PERFORMED PRIOR TO WORK BEING CARRIED OUT OR CONTRACTS BEING SIGNED

Ref	Sig.	Finding
2		**Non-financial customer due diligence**

Non-financial due diligence (eg assessing the risk of customers operating in high risk jurisdictions or customers with reputational risks) is not conducted as part of customer engagement processes for either LSBU or SBUEL customers.

Non-financial due diligence is more applicable for customers engaging with SBUEL as they can include start-up businesses and companies with unknown business models. However, failure to risk assess new customers engaging with LSBU Group and conduct non-financial checks of where necessary may expose the University to reputational risk of engaging with high risk customers.

RECOMMENDATION:

LSBU should establish a list of basic non-financial due diligence checks to be completed on all new LSBU and SBUEL customers. Any additional non-financial due diligence should be conducted on a risk based approach and LSBU should consider using a similar approach that it has in place for assessing donors. LSBU should update its Financial Regulations to include a section on LSBU's approach to engaging with potential high-risk customers.

MANAGEMENT RESPONSE:

We will implement guidelines around measuring the business practises and activities of companies – especially around anti-slavery, or links to countries with human rights violations.

We can look at inserting a similar clause into the HAPLO workflow, which would allow this type of diligence to be in place before a contract is negotiated.

Responsible Officer:	Julian Rigby, Head of Financial Processing
Implementation Date:	1 September 2020

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RISK: INCORRECT ALLOCATION OF RECEIPTS		
Ref	Sig.	Finding
3		**Unallocated income**

LSBU currently has a high number of unallocated receipts sitting on its two bank accounts (NatWest and Barclays) which have not been matched to student or commercial customer accounts in Agresso and QLX as a result of issues with the automated receipt to matching process.

The NatWest unallocated receipts balance per the January 2020 bank reconciliation included 520 receipts that had not been allocated to customer or student accounts. This totalled £2,563,043.40 of which £2,135,493.93 was over one month old. Similarly the Barclays unallocated receipts balance per the January 2020 bank reconciliation included 620 receipts that had not been allocated to accounts. This totalled £7,168,097.72 of which £3,139,067.24 was over one month old.

Receipts are automatically matched to student and commercial customer accounts within the sales ledger control account based on payment references (student reference number or customer invoice number). However, the automatic matching process has been undermined by insufficient detail on payment references caused by the following two issues:

1. Payments received into NatWest are currently being automatically switched to LSBU's Barclays account. This automated switch has been set up as LSBU wishes to move all banking activity to the Barclays account following the move to Barclays in October 2019. However, payment reference data that exists in the NatWest banking system which is needed to identify the payee is currently not being migrated across properly meaning LSBU is unable to identify the payee. LSBU had been using an Access database to connect customer payment information with Agresso accounts but this is no longer working or supported.

2. The LSBU How to Pay website page states that students are required to pay through LSBU's payment portal or through Western Union. However, some students continue to pay through bank transfer and a number of students do not provide suitable reference numbers on online banking transactions or remittance slips used to pay through Barclays. Failure to allocate customer receipts to accounts effectively affects LSBU's credit control activities as LSBU is unable to assess whether all students/customers have paid for services received.

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

RECOMMENDATION:

LSBU should review the system issues currently preventing consistent allocation of customer receipts. LSBU should work with its developers to recover the Access database and should work with Barclays to increase the functionality of the switch function so that all payment reference information is captured

LSBU should also increase manual activities for allocating customer receipts. For instance, in month reconciliations would enable LSBU to identify customer receipts that have not been allocated in real time.

LSBU should investigate why students are currently paying directly through bank transfer instead of through Western Union and its online payment channels and should communicate the importance of paying through its recognised channels to institutional payees such as overseas colleges and sponsoring companies. LSBU should request that if payments are made through these channels that appropriate payment references are provided.

MANAGEMENT RESPONSE:

There were issues with the level of detail being received on our Barclays bank statements that prevented the full details of receipts being transferred to Agresso on posting. This caused delays in postings receipts to the finance system.

The second issue was our merchant and card acquirer, Elavon did not respond to automated messages from Barclays regarding the switch of bank accounts from NatWest to its services in November 2019. This issue caused £2.4m of merchant payments to be paid into our old NatWest account and we were unable to match those against the entries we had expected to appear in our Barclays account.

The third issue stems from the actual bank reconciliation tool in Agresso. The automated bank reconciliation couldn't automatically reconcile the bank entry with the various receipts posted and as described above, were not able to match these manually.

Manual matching and adjustments to the bank rec process have allowed us to match some of the transactions and as of the end of May 2020, there are £3.5m of receipts still to allocate on the bank rec.

Going forward, we have engaged with ICT and have agreed to build a database that will securely house all our banking data securely on a LSBU server, maintained by ICT. This will include our information from Barclays and our online payment providers, WPM and WU. All receipts will be validated against our student records and customer details; and payment files will be auto-created for export into the relevant finance system. A similar process has already been implemented for receipts relating to international students and is working well.

Receipts that cannot be identified will be housed in a separate file, which we can securely send out to our FMI partners to help investigate, identify and post within the same period.

Responsible Officer:	Julian Rigby, Head of Financial Processing
Implementation Date:	31 July 2020

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

	RISK: DEBTS ARE NOT PROACTIVELY CHASED LEADING TO DELAYS IN RECEIVING INCOME ON A TIMELY BASIS

Ref	Sig.	Finding
4	🟧	**Chasing overdue customers and student debts**

Audit testing of credit control activities identified that some current customer and student debts have not been chased in line with University policy (e.g. monthly requests for payments) primarily as the systems and processes used to support credit control activities at LSBU are ineffective. There are a number of reasons meaning that debt chasing procedures are currently ineffective:

1. Processes underpinning the debt collection function are manual and time consuming. The Agresso and QLX systems are not capable of producing a chase list in a usable format meaning that the process for identifying debts to be chased and assigning cases amongst the team is labour intensive. Customer statements (which can vary significantly due to the range of instalment plans in place) also cannot be automatically sent to customers from Agresso and QLX meaning that debt collection templates (method of communicating with debtors) must be produced manually. This task is time consuming

There is no credit management dashboard in either Agresso or QLX meaning that the Head of Financial Processing is unable to view whether all debts have been chased and is unable to follow-up on overdue debt collection activity where required. The AR team has a month end checklist that outlines the necessary tasks to be completed on a monthly basis. However, the checklist is not being completed which prevents the Head of Financial Processing from performance managing the AR team.

Our detailed sample testing identified that two of ten student debts selected had been chased but had not been chased on a monthly basis. We also identified that three of six non-student debts that were more than 30 days overdue had been chased but had not on a monthly basis.

Debt collection processes must be proactive but also need to consider the fact that students pay at different times. Failure to chase debts on a monthly basis in line with University policy affects both the University's cash flow and increases the risk of the University incurring losses.

RECOMMENDATION:

LSBU should establish whether a debt collection module can be added to either Agresso or QLX to streamline and automate existing processes.

If this is not possible, the team should complete the checklist on a monthly basis and provide the Head of Financial Processing with an itemised list of debts chased in relation to total debts due for both student and customer income.

MANAGEMENT RESPONSE:

There is a debt collection module on QLx, but it is not suitable for the range of instalment plans in place at LSBU. We will change the existing month-end checklist and add debtors reports and chase lists on the Credit Control database, to ensure that all debtors are chased at least once a month.

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Responsible Officer:	Julian Rigby, Head of Financial Processing
Implementation Date:	31 July 2020

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

RISK: INSUFFICIENT DUE DILIGENCE IS PERFORMED ON COMMERCIAL CUSTOMERS AND/OR NOT PERFORMED PRIOR TO WORK BEING CARRIED OUT OR CONTRACTS BEING SIGNED

Ref	Sig.	Finding
5	🟧	**Duplicate customers in Agresso**

Duplicate customer accounts exist in both the LSBU and SBUEL Agresso ledgers as there are no system driven controls or manual checks in place to prevent and detect creation of duplicate customer accounts in the system.

We identified three duplicate customers in the LSBU customer list in Agresso and four duplicate customers in the SBUEL customer list in Agresso (eg six and eight customer accounts in the ledgers respectively). In some instances there may be business justification for setting up multiple customer accounts in Agresso for the same customer (e.g. engagements with different parts of the same NHS Trust). However, these duplicates all related to the same customer engagement and were therefore considered to be duplicates that had been set up erroneously.

Disaggregation of customer records in Agresso due to duplicate customer accounts may result in customers obtaining credit limits in excess of their recommended credit limits. Duplicate customer records could also cause customer management issues as invoices can be raised on the wrong customer accounts. At present, the AR team has to manually check whether sales order requisitions have been raised on the correct account.

RECOMMENDATION:

LSBU should review the duplicate customers identified during our audit and close the necessary customer accounts in Agresso. LSBU should also conduct additional credit checks on these duplicate customers and reset credit limits in the system to appropriate levels.

LSBU should also assess whether the Agresso system contains system rules for identifying and preventing the creation of duplicate customers. In the absence of formal system rules, the Head of Financial Processing should conduct a bi-annual review of customers in Agresso and test whether there are any duplicate customers set up and introduce a manual check for assessing whether existing customer accounts exist before setting customers up.

MANAGEMENT RESPONSE:

We can affect an immediate clean up on Agresso, by looking at transactions raised over the last 36 month period to gauge activity and terminate those customers.

We will close duplicate accounts and investigate if we can archive accounts that have not been used for a period. We will review customer accounts quarterly to check for duplicates.

Responsible Officer:	Julian Rigby, Head of Financial Processing
Implementation Date:	31 July 2020

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RISK: COMMERCIAL CUSTOMERS EXCEED THEIR CREDIT LIMITS		
Ref	Sig.	Finding
6	🟧	**Credit limit enforcement on subscription invoicing basis customers**

Although Agresso enforces credit limits for all standard commercial customers, SBUEL customers that are set up on subscription based invoicing are able to exceed their credit limits in Agresso and there is no oversight of the outstanding debt of these customers relative to their credit limits.

In the absence of a customer balance and limit report for the purposes of analysing the status of subscription invoicing basis customers, we used data analytics to assess whether debt balances for all LSBU and SBUEL customers on 19 February 2020 exceeded credit limits. We identified six SBUEL customers with debt balances in excess of the respective credit limits. These customers, that were all rental customers, had debt balances that were on average 114% over their credit limits.

Subscription based invoicing is appropriate for rental customers as it enables credit term roll-overs for rent charging and arrears generation purposes. However, there is no monitoring of these customers as the University does not currently have an 'over credit limit' report it can run and it has not assigned responsibility for analysing customer balances of these customers to a member of staff. Consequently, customers set up on subscription based invoicing may have credit balances that are in excess of their credit limits.

RECOMMENDATION:

The University should introduce a 'customer credit limit report' for both the LSBU and SBUEL ledger. LSBU should use this report for the purposes of analysing subscription invoicing basis customers and LSBU should assign the responsibility for generating and analysing this report to a member of the AR team.

For income recovery purposes, the AR team should notify account managers of customers operating in excess of their credit limits and LSBU should take remedial action where necessary.

MANAGEMENT RESPONSE:

We will implement a credit limit report in a quarterly timeline that looks at the trends in billing and regularity of payments; so mirroring the top ten spend vs limit report analysis on the LSBU ledger. It would then be the responsibility of the credit control team to use this as a lever to apply different levels of potential restrictions or escalation to Heads of Department for review.

We will look at whether ABW has the functionality to display outstanding balance and credit limit for each customer on the front-end version of Agresso.

Responsible Officer:	Julian Rigby, Head of Financial Processing
Implementation Date:	30 September 2020

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

RISK: INCOME DUE IS NOT IDENTIFIED OR NOT INVOICED IN A TIMELY MANNER

Ref	Sig.	Finding
7	🟧	**SBUEL invoicing processes**

The HAPLO system used by Business Support Managers (BSMs) for recording SBUEL activity does not record invoicing requirements and is not integrated with the Agresso system. The total value of SBUEL 2019 invoices was around £2.9m. Currently some REI new business contacts maintain spreadsheets to record work completed and invoicing requirements and sales order requisitions are raised by BSMs based on these invoicing requirements.

However, in addition to the fact that the two systems are not integrated there are no controls in place to ensure that all invoicing requirements have resulted in invoices being raised as reconciliations between the Agresso data and individual spreadsheets do not take place. LSBU does have an outstanding sales order report, but the system does now show sales orders that have been cancelled, unapproved, or deleted.

Failure to implement system-generated controls around raising invoices (eg HAPLO and Agresso integration) or to conduct manual checks in the form of reconciliations to ensure that the University always raises invoices following the delivery of services increases the risk that services delivered are not subsequently invoiced.

RECOMMENDATION:

LSBU should assess whether the HAPLO workflow can be updated to include adding an invoice number into the system, or sending an alert if the process has not been finalised.

If this is not possible, a member of the AR team should conduct periodic reconciliations between spreadsheets and the Agresso invoice data to ensure all invoices have been raised.

MANAGEMENT RESPONSE:

HAPLO does insert the Dunn and Bradstreet credit-check process currently, but the credit score and decision are not mandatory fields. We will have to investigate whether it would be logical to enforce the check being work-flowed before any we sign any new contracts.

Usually, we would seek to avoid spreadsheets being maintained off-line, but would be able to reconcile on a monthly basis any discrepancies between the REI data and our billing info in Agresso. A member of the AR team will undertake this reconciliation.

Responsible Officer:	Julian Rigby, Head of Financial Processing
Implementation Date:	30 September 2020

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

RISK: CREDIT NOTES ARE ISSUED WITHOUT APPROPRIATE APPROVAL		
Ref	Sig.	Finding
8		**Student credit note approval**

Student credit notes (required in instances of students changing session codes or courses) do not require approval in QLX and the notes area of the system is not always used for recording the reason for the refund.

We tested ten credit notes to check whether there was a valid reason for the credit note being issued in QLX and identified three credit notes that did not have a note with a reason for raising the credit note attached to them on QLX.

Although there are processes for approving student credit notes before they are entered in to QLX, failure to enforce approval of credit notes in QLX or provide a reason for raising the credit note in the system causes a lack of transparency in the overall process.

RECOMMENDATION:

LSBU should assess whether QLX has the functionality to enforce system approval of all student credit notes.

If this is not possible, the Fees and Bursaries team should be reminded of the importance of leaving notes detailing the reason and the approval provided for credit notes in the notes area of QLX. The Fees, Bursaries & Central Enrolment Manager should conduct a periodic spot-check of credit notes raised in the system to ensure they have been raised appropriately.

MANAGEMENT RESPONSE:

The Fees and Bursaries team will enter a reason code each time a credit note is requested through Student Services, or a funding change, or on the course change log notified by Schools to ensure consistency across all systems.

Responsible Officer:	Julian Rigby, Head of Financial Processing / Andrew Ratajczak, Fees, Bursaries & Central Enrolment Manager
Implementation Date:	30 September 2020

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

RISK: INCOME DUE IS NOT IDENTIFIED OR NOT INVOICED IN A TIMELY MANNER		
Ref	Sig.	Finding
9	🟧	**Student refund processing – AML implications** We conducted data analytics on all 178 refunds made to students from 1 August to 31 December 2019 and assessed whether refunds had been made to the account from which the original payment was made. Two instances were identified where the payment could not be traced back to the original account as the original source of the funds was not known due to the payee reference on the cash book being missing. Therefore, the University would have also not been able to verify that it was refunding the payment using the original payment method. Failure to assess whether refunds are made to the original payee's bank account and retain adequate record keeping to demonstrate that the University has complied with AML regulations and its Refund policy increases the risk that LSBU is either non-compliant or is seen to be non-compliant with AML regulations.

RECOMMENDATION:

The University should ensure that it keeps adequate records of the source of all student funds it receives, including documentation that supports the originating bank details and account name.

LSBU should update the refund request form to include a section on whether the source of the funds is known. In instances where the source of funds is unknown, the University should consult its Money Laundering Reporting Officer (MLRO) and request further guidance.

MANAGEMENT RESPONSE:

We have turned on the additional narrative functionality with Barclays and so our bank statement provides more detail for overseas payments. We will also ensure that any refund application made in the Fees and Bursaries Team, provides evidence of the original payment method (e.g. a bank statement) so any anomalies can be double-checked.

We are in discussions with our online payment provider (WPM) about how they can assist to generate a bulk refund file to return funds to the original payment method on debit or credit card.

We review our AML every year in accordance with new guidelines or updates to the governance. Currently, we do not believe the policy needs to be updated; we just need to ensure that at all points in the refund process, we are requesting the correct documents. If we are not refunding the original payee, we request written confirmation with photographic ID from the payee that they have authorised the payment to be made into another bank account. Then we request confirmation of that person's bank account, alongside photographic ID of the new payee. This is within the current AML guidelines of the institution.

Responsible Officer:	Julian Rigby, Head of Financial Processing / University Solicitor
Implementation Date:	31 August 2020

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

RISK: DEBTS ARE NOT PROACTIVELY CHASED LEADING TO DELAYS IN RECEIVING INCOME ON A TIMELY BASIS

Ref	Sig.	Finding
10	🟢	**Metrics included in FMI performance report**

The Head of Financial Processing produces a performance report for the FMI department on a monthly basis. However, the report focuses solely on the status of student debt and does not include other key accounts receivable related performance metrics.

We identified that the FMI performance report does not give any information on the status of customer aged debts (eg total overdue debt and status of debt relative to due date), despite this information being available. The report also does not include the performance of the AR team relative to its main KPI regarding invoice-processing time. This is primarily because Agresso is incapable of producing the management information needed to calculate the invoice raising KPI.

Failure to report on a broad range of metrics inhibits the FMI team from assessing the sales and credit control performance of the AR team and the wider institution and prevents the need for corrective action being identified if necessary.

RECOMMENDATION:

The Head of Financial Processing should include a separate section on customer debt activity in the FMI report. This should include a section on the status of current overdue debts by the amount of time overdue.

LSBU should also assess whether Agresso is capable of producing a KPI report showing the time taken to raise invoices once sales order requisitions have been approved. This performance metric and any other KPIs deemed relevant and useful for oversight purposes should be included in the FMI report.

MANAGEMENT RESPONSE:

We will review our current KPI reporting and frame some new metrics (e.g. measuring top ten debtors, movement in year, DSO, and customers near limit or "at risk").

Responsible Officer:	Julian Rigby, Head of Financial Processing
Implementation Date:	30 September 2020

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

RISK: CREDIT NOTES ARE ISSUED WITHOUT APPROPRIATE APPROVAL		
Ref	Sig.	Finding
11	🟢	**System enforcement of customer credit note approval in line with ASL**

We reviewed the system controls in relation to raising customer credit notes in Agresso and confirmed that whilst credit notes must be approved in the system, Agresso does not automatically enforce credit note approval in line with the authorised signatory list. LSBU processed 50 credit notes between 1 August and 31 December 2019.

Consequently, all approved credit notes have to be reviewed by the AR team prior to being processed. This is process is unnecessarily manual and inefficient and is taking time away from other AR related activities.

RECOMMENDATION:

LSBU should establish whether the Agresso system could automate approval of credit notes in line with the authorised signatory list. This functionality should be set up in line with the authorised signatory list so that the AR team is able to avoid conducting a manual check.

MANAGEMENT RESPONSE:

We will investigate if Agresso can automate the process of requesting sales credit notes through workflow but we should continue to have final approval by Finance of all credit notes raised.

Responsible Officer:	Julian Rigby, Head of Financial Processing
Implementation Date:	30 September 2020

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GOOD PRACTICE:

LSBU has designed a number of credit control templates for chasing student debts. Templates are stored in the AR shared folder in MS Teams and are sent to students at different periods based on the escalation required to recover the debts. The use of standard templates ensures LSBU communicates with students in a consistent manner.

All ledger items from the QLX system feed through to the Agresso system overnight. However, this includes items for KX (Halls income) or other income sources. The Head of Financial Processing reconciles the QLX student income ledger to Agresso to determine reconciling items requiring adjustment on a monthly basis

Normal (e.g. non-subscription based) commercial customers with credit limits imposed within Agresso cannot exceed those limits and adjustments cannot be made to the limits. To utilise credit terms greater than the current limit within Agresso, a new credit limit must be raised by a member of the AR team, which supersedes the current limit. The previous limit is no longer available to view and the new limit is imposed immediately.

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Natalie Ferer	Group Financial Controller
Ian Macleay	Finance Clerk
Ravi Mistry	Finance & Management Information Systems Manager
Andrew Ratajczak	Fees, Bursaries & Central Enrolment Manager
Julian Rigby	Head of Financial Processing

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APPENDIX I – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial ●	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate ■	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited ⬣	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No ▲	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High ▲	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium ■	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low ●	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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APPENDIX II - TERMS OF REFERENCE

BACKGROUND:

In previous years, the University has had a suite of continuous financial audits included in its Annual Internal Audit Plan. These are usually performed in August and January each year and focus on checking whether a list of predetermined controls in the areas of payroll, accounts payable, accounts receivable, general ledger and cash are in place and operating effectively.

Both management and the Audit and Risk Committee have found these audits useful and they assist management in identifying controls which are being bypassed.

We have revisited the scope of the financial audits and agreed with management that deeper dive audits will be carried out this year. The first audit of payroll and accounts payable was performed in August 2019. This also included a review the key controls (those already pre-determined) for general ledger and cash.

The second audit, to be performed in February 2020 will be a deep dive of accounts receivable.

There are two main types of income; student and commercial. Student income is enters into the accounting system via the Student Record System, QL, which updates Agresso overnight. There is a monthly reconciliation between QL and Agresso to ensure everything has been transferred across. Student income for 2019/20 to date is around £140m. Student fees are paid in different ways including through self-funding, Student Loans Company and through employee-sponsored apprenticeships. There are 12 different types of instalment plans for students who are self-funded. The majority of student fees are paid via card payment through the WPM system or via bank transfer. The University no longer accepts cash for payment of invoices or student fees.

For commercial income there is an e-invoicing system in place. The relevant department will send an invoice request through the system for finance to raise. Approvals also take place through the system. There are processes in place to take on new customers, perform credit checks and set credit limits.

Credit controls activity for both student debt and commercial debt is performed by the same team but there are different processes followed for each type. These are set out in the Financial Regulations. Write offs are reviewed at year end. Refunds are quite common for overseas students who pay a deposit for a course but do not end up enrolling. These are processed by Registry. There are requirements to repay the amounts owed to the same bank account/ individual who made the original payment.

Halls income and collection is handled by a separate team and recorded on a different system, QX. Halls income is around £7m each year.

PURPOSE OF REVIEW:

The purpose of the audit is to provide assurance over the controls LSBU has in place to manage the risks over its accounts payable processes in relation to student and commercial income.

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the areas under review are:

- Accounts receivable and credit control process do not align to the University's policies and procedures / the policies and procedures are not fit for purpose

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- Responsibilities over the accounts receivable and credit control processes are not clearly assigned
- Insufficient due diligence is performed on commercial customers and/or not performed prior to work being carried out or contracts being signed
- Income due is not identified or not invoiced in a timely manner
- Incorrect allocation of receipts
- Income received is not reconciled and accurately reflected in the accounts
- Commercial customers exceed their credit limits
- Debts are not proactively chased leading to delays in receiving income on a timely basis
- Debts are written off without appropriate management oversight or authorisation
- Credit notes are issued without appropriate approval
- Inappropriate or unauthorised refunds are made and/or refunds are not made to the same individual/account in which the original payment was made.

SCOPE OF REVIEW:

The following areas will be covered as part of this review:

- Procedures for the accounts receivable process
- Roles and responsibilities for income and credit control
- Due diligence for commercial customers and allocation of credit limits
- Identification and invoicing of student and commercial income due
- Allocation of receipts including the reconciliation of unallocated cash
- Reconciliation of income accounts
- Following up of debtors and compliance with the Financial Regulations
- Monitoring of credit limits for commercial customers
- Write off process and authorisation of write offs
- Issue and approval of credit notes and refunds including the channels in which refunds are being made.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPENDIX III

SCOPE AND APPROACH:

We used a range of audit techniques as part of our accounts receivable audit, including system walkthroughs, sample testing and data analytics of transactional information.

We reviewed key policies and procedures including the Student Income Collection procedures and the University's Financial Regulations and assessed whether they accurately reflected processes and control activities observed during our review. We also assessed whether policies and procedures were accessible to relevant members of staff.

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We reviewed the controls relating to engaging with new commercial customers and selected ten current customers (five from both LSBU and SBUEL with credit limits over £3k and with transaction history between 1 August and 31 December 2019) to assess whether credit checks and due diligence were completed prior to the customer being set-up in Agresso. We also assessed whether LSBU conducts non-financial due diligence on new customers.

The access rights from Agresso were reviewed to evidence whether the authority to set up customers in Agresso and change customer credit limits is restricted to the AR team. We also conducted data analytics on the LSBU and SBUEL customer lists to assess whether duplicate or blank customer information exists in Agresso.

A review of the work flows and system access rights set up in Agresso was undertaken to assess whether approval of sales order requisitions in line with the Authorised Signatory List (ASL) is system enforced. We selected a sample of ten sales order requisitions (both LSBU and SBUEL) raised from 1 August to 31 December 2019 and assessed whether they were approved in line with the ASL.

We reviewed the Agresso system rights to evidence that only the AR team is capable of creating sales invoices within Agresso. We also used data analytics on a report of all invoices raised from 1 August to 31 December 2019 to identify potential duplicate sales invoices and the number and value of invoices raised and subsequently cancelled. We also tested a sample of ten invoices raised in 2019 to assess whether they were raised inside LSBU's 48-hour invoice raising KPI.

A walk through of the student fee income identification process, from initial fee information population in the V4 system (which houses student fee information) moving to QLX and transfer of the identified income to the Agresso system was undertaken. We established whether the Fees and Bursaries team conducts verification checks on the student fee information batches sent across to the AR team.

We reviewed the completed income reconciliation for January 2020 and established the reason for reconciling items with the Head of Financial Processing. We also conducted a walkthrough of the income allocation process in relation to each student income stream and assessed whether self-funded students receive invoices according to their fee schedules.

We reviewed the processes in place for allocating student and customer income in QLX and Agresso and reviewed the NatWest and Barclays bank reconciliations from January 2020 to assess the extent of unallocated income. We also assessed whether the monthly income reconciliations were reviewed independently.

The system rules in relation to customer credit limits were reviewed. We assessed whether Agresso will allow sales order requisitions that exceed customer credit limits to be raised. We also reviewed balances of all LSBU and SBUEL customers on the aged debt report to evaluate whether any customers have exceeded their credit limits. From a strategic customer management perspective we assessed whether LSBU monitors customer spend against credit limits on a periodic basis to identify limits that are no longer appropriate.

We reviewed both the student and customer debt-chasing processes and assessed whether debts are chased in a systematic way as outlined in the Financial Regulations. With regards to customer income, we selected a sample of six overdue debts across the different time categories (30-60 days, 61-90 days and 90+ days) and tested whether credit control processes had been followed by reviewing notes in QLX and Agresso relating to correspondence with customers. We also reviewed the processes in place to assign students to the Bad Financial Standing' (BFS) category and assessed whether ten overdue debts had been proactively chased.

We reviewed the reporting structures in place relating to the AR function and reviewed the January 2020 debtor's paper to FMI to assess whether it contains sufficient information to give an overview on credit control processes and the statuses of student debt. We also assessed the processes for writing off debt and reviewed the student debt write off

LONDON SOUTH BANK UNIVERSITY, ACCOUNTS RECEIVABLE

processes for FY2018/19 to assess whether these were approved by the Audit & Risk Committee in line with the Debt Write Off procedure.

We reviewed the controls relating to the raising of credit notes for both students and customers. We selected a sample of ten student credit notes and assessed whether they were both approved in line with the ASL and that a valid reason for the credit note being raised was recorded in QLX. We also selected a sample of ten credit notes for commercial customers and tested whether approval was provided in line with the ASL. We also analysed credit note data by customer from 1 August and 31 December 2019 and reviewed credit notes relating to users that had requested significant numbers of credit notes and credit notes of high values to identify any potential unusual activity.

We conducted data analytics on refund data between 1 August and 31 December 2019 to assess whether student fee refunds were paid to the same individual that the original payment was made from. We also used data analytics to establish the extent to which refunds are made and whether there are any recurring themes in the refund data. We assessed whether LSBU has controls in place for ensuring that the payment of refunds to customers and students are monitored appropriately. We also conducted data analytics to assess whether refunds paid between 1 August and 31 December 2019 were paid to the same account that the original payment was made from.

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	CONFIDENTIAL
Paper title:	Internal Audit –Data Quality – HESA student return.
Board/Committee	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author:	BDO
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To note
Recommendation:	The Committee is requested to note the findings of the report.

Summary

We are pleased to report that a substantial level of assurance for both control design and operational effectiveness has been given in relation to the HESA student return process. One medium and 2 low risk recommendations have been made.

The full report is included as a supplement for information.

Recommendation:

The Committee is requested to note the findings of the report.

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	CONFIDENTIAL
Paper title:	Internal Audit – Research Excellence Framework (REF)
Board/Committee	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author:	BDO
Executive/Operations sponsor:	Pat Bailey, Provost
Purpose:	For noting
Recommendation:	The Committee is requested to note the findings of the report

Summary

Overall the report gives a moderate level of assurance for control design and a moderate level of assurance for operational effectiveness of the controls in place around the REF process. Four medium and 4 low risk recommendations have been made. All recommendations have been accepted by management and actions to address these findings will be completed by the end of July 2020.

LSBU performed reasonably well in REF2014 (89th position, GPA 2.52, 125 staff submitted). The report provides confidence that an improved GPA of ≥2.80 is achievable for REF2021, with at least 175 staff submitted; if this is delivered, it would represent a substantial strengthening of our research performance, and aligns well with our strategic goal of 'Real World Impact'.

It is reassuring that the governance, processes, data on outputs and impact case studies, and dissemination of assessment criteria were all assessed as being in place, and without significant risk. Of the 8 recommendations, significant risks were associated with the accuracy of data provided by Schools, the reviewing of outputs, REF training, and lessons/roadmap resulting from REF2014; however, the Research Office responses indicate that appropriate actions are in place to address the issues raised.

It is worth noting that the research team has just 2 staff members overseeing the REF2021 submission (just supplemented now by an additional part-time Project Officer, to support the final phase of submission). The research strategy has not been explicitly structured around REF2021 (the details of which differ significantly from REF2014, and were only announced in 2018), but around the 15 Research

Centres that provide the research foci. The research is therefore managed primarily through the Research Centre Heads, with the 8 REF Unit of Assessment Leads pulling together the submissions. There is thus a very small central team overseeing a highly devolved activity, and this clearly provides some challenges when managing a complex process such as REF.

The Research Office is therefore happy with the high level findings of the audit, confident of a strong submission for REF2021, and appreciates the constructive recommendations.

The full report is included as a supplement for information.

Recommendation:
The Committee is requested to note the findings of the report.

	CONFIDENTIAL
Paper title:	Group Internal Audit 2020/21 Plan
Board/Committee	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author:	BDO
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	For approval
Recommendation:	The committee is requested to approve the attached internal audit plan.

Summary

The three year Internal Audit Strategy and plan has been rolled forward from the plan approved by the Group Audit and Risk Committee last year and takes into consideration management's views of where the focus and priorities are. The plan has been mapped against the latest risk register and reflects BDO's knowledge of risks from across the sector. On the attached document pages 8-10 list the risks identified on the Group Risk Register and associated audits in the draft plan.

Recommendation:
The committee is requested to approve the attached internal audit plan.

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Internal Audit Strategy 2020-23

LONDON SOUTH BANK UNIVERSITY

DRAFT FOR AUDIT AND RISK COMMITTEE

June 2020

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BDO

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INTRODUCTION

Introduction

Our role as internal auditors is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

Our approach is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Our approach complies with best professional practice, in particular, the principles set out in the Institute of Internal Auditors' (IIA's) International Professional Practices Framework (IPPF).

The purpose of this paper is to set out, and seek agreement from, the Group's Audit and Risk Committee on the Internal Audit Annual Strategy for 2020/23.

Internal Audit at London South Bank University

We have been appointed as internal auditors to the London South Bank University Group ('the Group'), to provide the Audit and Risk Committee and the Group Executive with assurance on the adequacy of risk management, governance and internal control arrangements.

Responsibility for these arrangements remains fully with management who should recognise that Internal Audit can only provide 'reasonable assurance' and cannot give any guarantee against material errors, loss or fraud. Our role is aimed at helping management to improve their risk management, governance and internal control mechanisms, so reducing the effects of any significant risks facing the organisation.

INTERNAL AUDIT APPROACH

Background

Our risk based approach to internal audit uses the organisation's own risk management processes and risk registers as a starting point for audit planning, as this represents the Group's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Group's own arrangements for managing risk. As this is our first year as auditors we have had limited time to compile the Internal Audit Strategy and therefore been unable to assess whether senior management's own assessment of risk accurately reflects the organisation's current risk profile. We will build our understanding of the Group's risk profile throughout our first year of audit work.

Internal Audit Strategy

A three year Internal Audit Strategy for 2020–2023 is outlined on page 12.

The Strategy has been rolled forward from 2019-22 and taken into consideration management 's initial views of where its focus and priorities are. This is to ensure that our audit activity provides sufficient coverage over areas of principal risk, effectively addresses any assurance gaps, and is prioritised to those issues most pertinent to the Group.

As well as taking management's initial views into consideration we have also used information such as the current risk registers (LSBU, SBC and SBA), the Internal Audit Annual Report and the content of the Group's recent internal audit reports. We also used our wider knowledge of risk and assurance from across our higher and further education client base.

Internal Audit Annual Plan

The Internal Audit Plan for 2020-21 is outlined in the three year Internal Audit Strategy for 2020–2023. We will continue to keep the plan under review throughout the year and we will highlight for consideration any significant areas of risk identified during that period that may need to be included as part of the internal audit plan.

Where auditable areas correspond to corporate risks we will take into account the mitigation strategies in place when performing our reviews. This is to ensure that the mitigating controls, as well as the actions that have been identified by management, are in operation and are effective.

Individual Audits

In determining the timing of our individual audits, we will seek to agree a date most convenient to the Group and which ensures the availability of key stakeholders. Once this plan is agreed we will discuss priorities and workloads with management and re-issue the plan including the proposed phasing of our internal audit work.

For each audit, we will identify the key objectives of the area subject to audit and the risks of those objectives not being met. We will assess the 'unmitigated' risk (ie before the operation of the controls in place) and, having identified and tested those controls, make an assessment of the 'mitigated' risk. This will enable us to confirm that the control infrastructure does reduce risk to a level the Group is comfortable with. Each of our audit reports will include two opinions:

▶ Firstly, on the design of controls that are in place

▶ Secondly, on the operational effectiveness of those controls in practice.

Variations to the Plan

We acknowledge that variations to the plan may arise from our reviews, changes to the Group's risk profile or due to management requests. Approval will be sought from the Audit and Risk Committee before any changes to the plan are made.

INTERNAL AUDIT RESOURCES AND OUTPUTS

Staffing

The core team that will be managing the programme is shown below:

Name	Grade	Telephone	E-mail
Ruth Ireland	Partner	07545 779124	Ruth.Ireland@bdo.co.uk
Gemma Wright	Senior Manager	07976 198745	Gemma.Wright@bdo.co.uk
Anthony Higginson	Assistant Manager	0792 903 3651	Anthony.higginson@bdo.co.uk

This team will be supported by specialists from our national Risk and Advisory Services (RAS) team and wider firm, as and when required.

Reporting to the Audit and Risk Committee

Each year we will submit the Internal Audit Plan for discussion and approval by the Group Audit and Risk Committee. We will liaise with the Chief Financial Officer and Group Financial Controller and other senior officers, as appropriate, to ensure that internal audit reports, summarising the results of our visits, are presented to the appropriate Audit and Risk Committee meeting.

Internal Audit Charter

We have formally defined Internal Audit's purpose, authority and responsibility in an Internal Audit Charter, which can be found in Appendix I. The Charter establishes Internal Audit's position within the Group and defines the scope of its activities.

Working Protocols

We have defined operating protocols for managing each assignment. These can be found in Appendix II. The protocols take account of how we will communicate with stakeholders before, during and after each audit, and the process we go through to create and confirm our reports and recommendations to improve the economy, efficiency and effectiveness of the Group's activities.

Definitions

We define in Appendix III our approach for grading individual audit findings and overall audit reports. These definitions have been designed to make the ratings clear to both the Internal Audit team and audit stakeholders.

OUR APPROACH TO PLANNING

Strategic objectives of the Group

Internal audit focus – adding value approach

1 Governance and control culture

2 Current risk profile

3 External influences

4 Value add

What is the strength of the current environment?

What risks is internal audit assurance sought on?

What work is mandated within the sector?

What value is sought from internal audit?

Evaluate:
- ▶ Strength of internal control framework and risk management arrangements
- ▶ Organisational culture, leadership and tone at the top
- ▶ Are new systems being designed and embedded?
- ▶ Are there significant changes ongoing or planned?

Consider:
- ▶ Current risk profile
- ▶ New and emerging risks in the sector/from the wider external environment and their potential impact
- ▶ Assurance available from compliance functions and other teams (2nd line of defence).

Incorporate:
- ▶ Mandatory requirements of sector the sector – the need for an opinion on value for money and to perform work in support of the Audit & Risk Committee's data opinion.
- ▶ An approach that meets the standards of the Chartered Institute of Internal Auditors.

Understand:
- ▶ Stakeholder perception of value
  - Audit and Risk Committee
  - Executive Management
  - Management and staff.

Scope and make up of internal audit plan

- ▶ Value for money reviews
- ▶ Continuous auditing
- ▶ Assurance audits (risk based)

- ▶ Compliance reviews
- ▶ Project advisory
- ▶ Workshops, training and knowledge share

- ▶ Benchmarking
- ▶ Consulting assignments

OUR APPROACH TO PLANNING

1 | Governance and control culture

The governance and control culture is a fundamental consideration when developing the internal audit approach. We believe that governance is not only effected by procedures, rules and regulations (hard controls); another equally important component is the established culture and the behaviour of employees within the organisation. The behaviour of employees determines the effectiveness of governance.

From our review of internal audits performed by us so far, we have not identified any particular concerns about the governance and control culture. However, we will continue to draw conclusions through the course of our work and feed these back to the Group both formally, and informally in the form of observations, as the audit plan delivery progresses.

2 | Current risk profile

On an ongoing basis, our audit plan will be based upon a detailed assessment of those risks that affect the achievement of the Group's strategic objectives. Our audit programme will be designed to ensure that controls are in place such that key risks are appropriately managed and controlled.

In order to understand the Group's objectives and key risks, we considered the following:

▶ The Group's risk register

▶ SBC's risk register

▶ SBA's risk register

▶ The University's strategy and objectives

▶ The content of the most recent internal audit reports for LSBU, SBC and SBA.

The programme of work developed from the Audit Strategy is in line with the Code of Ethics and International Standards of the Institute of Internal Auditors (IIA) by:

▶ Undertaking an annual assessment of the Group's own risk mapping.

▶ Taking a systematic and prioritised review of how effective the Group's risks are managed by its policies, procedures and operations.

The Group's strategic risk register currently includes 26 key risks. We have illustrated on pages 8 to 10 which of these risks are covered by the three year internal audit strategy for the Group. Appendix II includes the SBC and SBA risk registers.

OUR APPROACH TO PLANNING
LINK TO REGIST REGISTER

The table below summarises the strategic risks outlined in LSBU's corporate risk register (May 2020). We have linked the risks on the register to the audits from the current Internal Audit Strategy 2020 – 2023 to illustrate the coverage of our planned internal audit work.

Risk Ref	Risk	Score/ RAG Rating	Covered in 2019/20	Associated Audits in IA Strategy 2020-2023
2	Revenue reduction if course portfolio, and related marketing activity does not achieve Home UG recruitment targets (NL)	High (9)		Student recruitment (LSBU) Communications and marketing
3	Sustainability of pension schemes (RF)	High (9)		n/a
457	Anticipated international & EU student revenue unrealised (NL)	High (9)		Student recruitment
625	Impact of Govt. Education Review on HE funding (RF)	High (9)		
629	OFS threshold not met in relation to condition of registration B3 (DJ)	High (9)		
37	Affordability of Capital Expenditure investment plans (RF)	High (6)	Estates capital programme	London Road refurbishment post project review
1	Capability to respond to policy changes & shifts in competitive landscape (DP)	High (6)		
467	Progression rates don't increase (DJ)	High (6)		
626	Impact of assurance activity & new initiatives fails to address issues around student experience (PB)	High (6)		Student experience
632	Alignment of estate with sector requirements across the Group (PI)	High (6)		
633	Unable to deliver recovery plan from Covid-19	High (6)		Business continuity/ Covid-19 response

OUR APPROACH TO PLANNING

The table below summarises the strategic risks outlined in LSBU's corporate risk register (May 2020). We have linked the risks on the register to the audits from our Internal Audit Strategy 2020 – 2023 to illustrate the coverage of our planned internal audit work.

Risk Ref	Risk	Score/ RAG Rating	Covered in 2019/20	Associated Audits in IA Strategy 2019-2022
628	Availability of NHS placements (WT)	Medium (6)		
631	Full financial benefits including income and expenditure levels fail to leverage potential (RF)	Medium (6)		Budget setting and monitoring
398	Academic programmes not engaged with technological and pedagogic developments (DJ)	Medium (4)		
494	Inconsistent delivery of placement activity (NL)	Medium (4)		Placements Partnerships and collaborations
518	Core student system inflexibility / failure (DJ)	Medium (4)		Business continuity and emergency response plans
627	Impact of new strategy upon organisational culture (MMJ)	Medium (4)		Strategic planning
402	Income growth from Research & Enterprise unrealised (PI)	Medium (4)		Research and enterprises
630	HE Policy – B3 registration Regulation and potential introduction of student number controls (DJ)	Medium (4)		
584	External incident compromises campus operations or access (MMJ)	Medium (4)		Business continuity and emergency response plans
495	Higher Apprenticeship degrees (FM)	Medium (3)		
305	Data security and data protection	Medium (3)		GDPR

OUR APPROACH TO PLANNING

Risk Ref	Risk	Score/ RAG Rating	Covered in 2019/20	Associated Audits in IA Strategy 2019-2022
519	Negative Curriculum Assessment (DJ)	Medium (3)		TEF
6	Management Information perceived as unreliable, doesn't triangulate or absent (RF)	Medium (3)		Management information
362	Low staff engagement or staff cost containment programme impacts performance negatively (MMJ)	Medium (3)		HR - Learning and talent development / staff engagement
517	EU referendum impact on regulation and market (DP)	Low (2)		

OUR APPROACH TO PLANNING
Strategic planning approach

3   External influences

Our programme of work is designed to comply with the International Standards for the Professional Practice of Internal Auditing as set out by the Institute of Internal Auditors.

We will also comply with the following:

Statutory body/ Regulator	Detail of requirement
Office for Students	We will provide an overall opinion on governance, risk and internal control, as well as value for money to support your statement of internal control.
Universities UK/ Guild HE	Accommodation Code of Practice – a full audit every three years, with interim reviews to check compliance (if deemed appropriate).
Education and Skills Funding Agency	Required to provide evidence to support funding

4   Value add

We understand that 'value' is perceived differently by each client and therefore we do not seek to have a standard approach to this element of the audit programme. Our methodology considers the additional value the Audit and Risk Committee and management are seeking from internal audit, beyond the assurance our work provides.

We therefore consider this alongside our understanding of the risks. Added value may take a range of forms, from benchmarking and other peer comparisons, to involvement with advising on new systems implementation, advisory assignments and providing training and seminars.

We will clearly set out in the plan which elements of adding value activity we will deliver.

INTERNAL AUDIT STRATEGY 2020-2023

The table below outlines a summary of current two year Internal Audit Strategy for 2020-2022 (2022/23 is TBC).

Audit area	2020-21 Days	2021-2022 Days	2022-2023 Days
Governance, compliance and risk management	31	32	10
Finance and management information	48	60	50
Core activities	48	20	37
Research, enterprise and international	0	12	31
Estates infrastructure and services	18	22	10
Information technology	20	12	20
Human resources	13	20	20
Total planned audit days	**178**	**178**	**178**
Management planning, reporting and liaison	18	18	18
Recommendation follow up	10	10	10
Total days	**206**	**206**	**206**

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INTERNAL AUDIT STRATEGY 2020-2023
LSBU GROUP

Strategic Risk Ref.	Audit area	Audited in 2019/20	2019/20 opinion			2020-21 Days	2021-22 Days	2022-23 Days	Comments
			LSBU	SBC	SBA				
Governance, compliance and risk management									
All	Risk management	✓		TBC			10		Previously annual
	Corporate Governance					10			No previous coverage
1, 305, 517, 625, 629, 630	Legal and regulatory environment e.g. Prevent, CMA, OFS Regulatory Framework, GDPR, safeguarding					6		10	2018/19 - CMA (LSBU) and GDPR, Safeguarding (SBA)
627	Strategic and business planning						10		No previous coverage
518, 584	Business continuity and emergency response plans / Covid-19 responses					15			Covered in 2013/14 (LSBU)
	Value for money								Considered in relevant audits
	Health and safety	✓		TBC			12		Covered in 2017/18 (LSBU)
	Insurance								No previous coverage
	LSBU family transition	✓	TBC						No previous coverage

INTERNAL AUDIT STRATEGY 2020-2023
LSBU GROUP

Strategic Risk Ref.	Audit area	Audited in 2019/20	2019/20 opinion			2020-21 Days	2021-22 Days	2022-23 Days	Comments
			LSBU	SBC	SBA				
Finance and management information									
	Financial systems and controls (continuous auditing – finance)	✓	M M L L / L L	L S M S	L L	26	30	35	Annual all entities
	VAT								No previous coverage
	Procurement and tendering							15	Covered 2018/19 (LSBU)
7	Contract management						7		Last reviewed 2016/17 (LSBU)
518	Data quality and returns (TRAC/HESA/HESES)	✓	S S	TBC			10		TRAC reviewed 13/14 (LSBU)
6	Management information and performance reporting					15			No coverage since 15/16
518	Continuous auditing – student data	✓	M M / TBC TBC				20		Annual

INTERNAL AUDIT STRATEGY 2020-2023
LSBU GROUP

Strategic Risk Ref.	Audit area	Audited in 2019/20	2019/20 opinion			2020-21 Days	2021-22 Days	2022-23 Days	Comments
			LSBU	SBC	SBA				
Core activities									
2, 457, 630	Student recruitment, admissions and enrolment					7			Data quality aspects covered
2	Communications and marketing						10		Covered in CMA (LSBU)
398, 626	Student experience					18			No previous coverage
	Student well-being					8			No previous coverage
496	Apprenticeships	✓	M	M		7			Covered in 2016/17 (LSBU)
	Accelerated degrees								
628	Placements						10		
519	TEF preparation*					8			No previous coverage
	Access and participation							12	
	Student employability							10	
	UKVI compliance (all tiers)	✓	L TBC	M TBC				15	Tier 2 Tier 4

INTERNAL AUDIT STRATEGY 2020-2023
LSBU GROUP

Strategic Risk Ref.	Audit area	Audited in 2019/20	2019/20 opinion			2020-21 Days	2021-22 Days	2022-23 Days	Comments
			LSBU	SBC	SBA				
Research and enterprise									
	Research (eg REF, ethics, portfolio management)	✓	M	M				10	2019/20 REF
	The London South Bank Innovation Centre (LSBIC)								Audited 2018/19
402	Enterprise activity (South Bank University Enterprises Ltd)						12		Last reviewed 12/13 (LSBU)
	Partnerships and collaborations						12		
	Business engagement, executive education and knowledge exchange								
	International activity						9		Int. partnership in 2017/18 (LSBU)
	International Academic Partnership Unit								
	The Confucius Institute								

INTERNAL AUDIT STRATEGY 2020-2023
LSBU GROUP

Strategic Risk Ref.	Audit area	Audited in 2019/20	2019/20 opinion			2020-21 Days	2021-22 Days	2022-23 Days	Comments
			LSBU	SBC	SBA				
Estates infrastructure and services									
37, 632	Estates development / capital programme	✓	TBC			8			
632	Facilities management (including space management, energy management, conference and lettings, waste management, security)							10	
	Planned and preventative maintenance						10		No previous coverage (LSBU)
	Statutory testing / regulatory compliance						12		
	UUK Code compliance					10			
Information technology									
	IT Strategy						12		General IT audit 2017/18 (LSBU)
305	IT Security (cyber)	✓	TBC					20	
	IT Disaster Recovery					20			General IT audit 2017/18 (LSBU)
	IT asset security and management								
	IT Service delivery/support and helpdesk								

INTERNAL AUDIT STRATEGY 2020-2023
LSBU GROUP

Strategic Risk Ref.	Audit area	Audited in 2019/20	2019/20 opinion			2020-21 Days	2021-22 Days	2022-23 Days	Comments
			LSBU	SBC	SBA				
Human resources									
362	HR policies and procedures					5		10	
	Staff recruitment						10		
	Workload planning						10		
362	Learning and talent development / staff engagement							10	HR audit 2017/18 (LSBU)
362	Absence management					8			
362	Appraisal process and performance management								
Management, liaison and Audit Committee reporting									
Management time						18	18	18	
Recommendation follow up		✓				10	10	10	
TOTAL						206	206	206	

INTERNAL AUDIT PLAN 2020-21

Detailed internal audit plan 2020/21

Our proposed audit programme for 2020/21 is shown below. We will keep the programme under review during the year and will introduce to the plan any new significant areas of risk identified by management during that period. In determining the timing of our individual audits we will seek to agree a date which is convenient to the Group and which ensures availability of key officers.

Audit area	Days	Entity	Audit driver				Proposed outline scope and rationale	Proposed delivery month	Executive lead	To Group Audit & Risk Committee
			Routine gov / control	Key risk	Ext. driver	Added value				
Governance, compliance and risk management										
Corporate governance	10	LSBU	✓		✓		A review of the University's compliance with the revised CUC governance code.	Sep 20	Vice Chancellor	Nov 20
Regulatory audit	6	SBC	✓	✓	✓		A review of how the College is managing its obligations in relating to Prevent in the post Covid-19 environment.	Jan 21	Executive Principal	Jun 21
Business continuity/ Covid-19 risk assessment and response	15	All		✓	✓	✓	A review of the Group's response to the easing of the Covid-19 lockdown restrictions. This will review Group's risk assessment and response policies and procedures and compliance with the new ways of working.	Aug 20	Vice Chancellor	Sep 20

INTERNAL AUDIT PLAN 2020-21

Audit area	Days	Entity	Audit driver				Proposed outline scope and rationale	Proposed delivery month	Executive lead	To Group Audit & Risk Committee
			Routine gov / control	Key risk	Ext. driver	Added value				
Finance and management information										
Financial systems and controls	12	LSBU	✓				A review of the College's key financial controls. The specific areas of focus will be determined through a detail scoping meeting.	Dec 20	Chief Financial Officer	Feb 21
	7	SBC	✓				A review of the College's key financial controls. The specific areas of focus will be determined through a detail scoping meeting.	Mar 21	Executive Principal	Jun 21
	7	SBA	✓				A review of SBA's budget setting and monitoring processes.	Dec 20	Executive Principal	Feb 21
Management information and performance reporting	15	All	✓				A review of the management information and KPI framework to support monitoring of the new Group Strategy. We will also assess whether there is a robust methodology for calculating the KPIs.	Nov 20	Chief Financial Officer	Feb 21
Facilities contract management	7	SBA	✓			✓	A review of the contract management processes in place at SBA around a sample of its facilities management contracts including cleaning and catering.	Apr 21	Executive Principle	Jun 21

INTERNAL AUDIT PLAN 2020-21

Audit area	Days	Entity	Audit driver				Proposed outline scope and rationale	Proposed delivery month	Executive lead	To Group Audit & Risk Committee
			Routine gov / control	Key risk	Ext. driver	Added value				
Core activities										
Apprenticeships	7	SBC		✓	✓	✓	The deferred audit from the 2019/20 plan. This will include programme development, recruitment, enrolment and invoicing.	Oct 20	Executive Principal	Feb 21
Student experience	18	LSBU SBC		✓			Given the likely changes to the way teaching and learning is delivered this audit is to provide assurance over the University and College's controls for capturing student feedback, comments and complaints and identifying, prioritising and communicating actions to improve student experience.	Feb 21	Chief Customer Officer/ Executive Principal	Jun 21
Student wellbeing	8	LSBU			✓		The purpose of the audit is to provide assurance over the arrangements in place to support and promote student mental health and wellbeing at LSBU. This will also assess whether the University has considered the latest guidance from UUK.	May 21	Chief Customer Officer	Sep 21
Teaching Excellence Framework	8	LSBU			✓		The purpose of the audit is to provide assurance over the controls the University has in place to manage its preparations for the next Teaching Excellence and Student Outcomes Framework review.	Oct 20	Provost	Feb 21
Student admissions and enrolment	7	SBC	✓				A review of the effectiveness of the College's approach to admissions and enrolments as it moves from manual paper based processes to online processes.	Feb 21	Executive Principal	Jun 21

INTERNAL AUDIT PLAN 2020-21

| Audit area | Days | Entity | Audit driver | | | | Proposed outline scope and rationale | Proposed delivery month | Executive lead | To Group Audit & Risk Committee |
			Routine gov / control	Key risk	Ext. driver	Added value				
Estates infrastructure and services										
London Road refurbishment	8	LSBU	✓	✓		✓	Post project completion review of the London Road refurbishment project	Jun 20	Deputy Vice-Chancellor and Chief Business Officer	Sep 21
Universities UK/ Guild HE Code compliance	10	LSBU	✓		✓		A triennial review of the University's compliance with the UUK/Guild HE Code. The deadline for LSBU's audit report is 30 April 2021.	Dec 20	Deputy Vice-Chancellor and Chief Business Officer	Feb 21

INTERNAL AUDIT PLAN 2020-21

`	Days	Entity	Audit driver				Proposed outline scope and rationale	Proposed delivery month	Executive lead	To Group Audit & Risk Committee
			Routine gov / control	Key risk	Ext. driver	Added value				
Information technology										
IT disaster recovery	20	All	✓	✓			A review of the Group's arrangements over IT disaster recovery.	May 20	Chief Customer Officer	Sep 21
Human Resources										
Staff absence management	8	SBC	✓				The purpose of the audit is to provide assurance over the College's controls in relation to sickness absence management.	Jan 21	Executive Principal	Jun 21
HR policies and procedures	5	SBA	✓	✓	✓		A review of a sample of the Trust's HR related policies against compliance with legislation.	Aug 20	Group Director of People and Org Dev	Nov 20
Management and recommendation follow up										
Recommendation follow up	10	All	✓				Periodic assessment of the implementation of previous internal audit recommendations.	Ongoing	All	Sep 20 Nov 20 Feb 21 Jun 21
Management	18							Ongoing	N/A	Ongoing
TOTAL	**206**									

APPENDIX I: LINK TO SBC RISK REGISTER

The table below summarises the College's risks outlined its risk register (June 2020). We have linked the risks on the register to the audits from the current Internal Audit Strategy 2020 – 2023 to illustrate the coverage of our planned internal audit work.

Risk Ref	Risk	Residual Risk	Covered in 2019/20	Associated Audits in IA Strategy 2020-2023
1	DfE delay Vauxhall NESC project leading to growth in cost of project, delay in opening and negative impact on ability to grow income.	High	Estates capital programme	
2	Estates strategy is not affordable.	High	Estates capital programme	
3	Vauxhall NESC project costs exceed budget.	Medium	Estates capital programme	
4	College fails to improve Faculty contributions to sector norms and CFADs target; cost of delivery too high for	High		
5	Internally delivered student numbers do not grow	High		Admissions and enrolment
6	Other income opportunities are not pursued	Medium		
7	Facilities costs grow to maintain an old estate at Clapham	Medium		Planned and preventative maintenance Facilities management
8	College runs out of cash once ESFA fund is exhausted.	High		
9	Relations with staff though Unions becomes strained	High		
10	College fails to discharge safeguarding duties	Medium		Legal and regulatory compliance
11	College fails to discharge its Health and Safety obligations	Medium	Health and safety	

APPENDIX I: LINK TO SBC RISK REGISTER

Risk Ref	Risk	Residual Risk	Covered in 2019/20	Associated Audits in IA Strategy 2020-2023
12	College fails to discharge PREVENT duties	Medium		Legal and regulatory compliance
13	Failure to meet achievement targets	Medium		Management information and performance reporting
14	Failure to develop growth curriculum to meet local needs	High		
15	Failure to achieve Good at next Ofsted visit	Medium		
16	Breach of funding body rules	Low	Data quality	
17	MIS systems not robust enough for compliance and funding maximisation	Medium		Management information and performance reporting
18	Access to MIS systems fail	Medium		IT disaster recovery
19	Changes to funding rules	Medium		
20	Adverse press/social media coverage	Medium		Marketing and communications

APPENDIX II: LINK TO SBA RISK REGISTER

Risk Ref	Risk	Inherent Risk	Residual Risk	Covered in 2019/20	Associated Audits in IA Strategy 2020-2023	Alternative sources of assurance/ comments
1	Overspend budget, caused by weak expenditure management	4	2		Budget setting and monitoring	
2	Overspend budget, caused by poor budgeting	3	2		Budget setting and monitoring	
3	Received less income than budgeted, caused by poor budgeting	3	2		Budget setting and monitoring	
4	Overspend on capital schemes	1	0			
5	Short term cash shortages	1	0			
6	Long term cash shortages – insufficient reserves	1	0			
7	Improper or irregular use of funds	2	1			
8	Errors in accounts caused by inadequately skilled or inexperienced finance staff	3	2			
9	Loss caused by lack of security over assets including cash	3	2			
10	Fraudulent payments to suppliers	3	2	Accounts payable		

APPENDIX II: LINK TO SBA RISK REGISTER

Risk Ref	Risk	Inherent Risk	Residual Risk	Covered in 2019/20	Associated Audits in IA Strategy 2020-2023	Alternative sources of assurance/ comments
11	Fraudulent payments to staff	2	1	Accounts payable		
12	Insufficient insurance cover	2	1			
13	Failure to ensure that the income due to the school is collected in a timely and efficient manner and fully reconciled as per financial regulations.	4	3	Accounts receivable		
14	Failure to ensure that Goods and Services are purchased in line with Financial Regulations and that Suppliers are paid in a timely and efficient manner.	2	2	Accounts payable		
15	Failure to ensure that a comprehensive, up-to-date list of Suppliers to the School is maintained.	2	1	Accounts payable	Contract management	
16	Changes to funding via Government Policy.	3	2			
17	Failure to meet internal/external financial targets and deadlines.	3	2		Budget setting and monitoring Management information and performance reporting	
18	Poor Financial performance by one or more of the schools.	6	3		Budget setting and monitoring	
19	Changes in Leadership creating an instability in strategy, vision and values across the Trust and its Schools.	3	2		Corporate governance	

APPENDIX II: LINK TO SBA RISK REGISTER

Risk Ref	Risk	Inherent Risk	Residual Risk	Covered in 2019/20	Associated Audits in IA Strategy 2020-2023	Alternative sources of assurance/ comments
20	Failure to ensure that up-to-date information regarding the legislation relating to charities is maintained and kept updated by Trust Business Manager.	2	1			
21	Changes in personnel/ high turnover of staff creating instability in operations at the Trust.	3	2			
22	Failure of the School to produce open and regular management accounts.	3	2		Budget setting and monitoring	
23	Safeguarding incident at any of the Schools	3	2		Legal and regulatory environment	
24	Pandemic	9	Not assessed		Covid-19 response	
25	Failure to meet GDPR guidelines for storing and collating data in the Trust and its Schools	6	3			Judicium provide DPO service and annual audit
26	Inadequate challenge and ineffective local governance for Trust and Schools	2	1		Corporate governance	
27	UKVI regulations not met	2	1			SBA does not hold a sponsorship licence
28	Failure to comply with ESFA	3	2			
29	Failure to safeguard the Trusts' and its Schools' assets from theft or damage	2	1			

APPENDIX II: LINK TO SBA RISK REGISTER

Risk Ref	Risk	Inherent Risk	Residual Risk	Covered in 2019/20	Associated Audits in IA Strategy 2020-2023	Alternative sources of assurance/ comments
30	Failure to carry out the correct audit/review procedures to ensure building, maintenance, health and safety regulations are upheld in both schools	4	3			Judicium audits
31	Failure to maintain the asbestos register for both schools	3	2			Judicium audits
32	Failure of the Trust to follow employee legislation	3	2		HR policies and procedures	
33	Failure to ensure that the School complies with Tax legislation	3	2			

APPENDIX III: INTERNAL AUDIT CHARTER

Purpose of this Charter

This Charter formally defines Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within the Group and defines the scope of internal audit activities.

Internal Audit's Purpose

Internal Audit provides an independent and objective assurance and consulting activity that is designed to add value and improve Group operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit acts primarily to provide the Audit and Risk Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in Internal Audit's role is that it supports the Group's management to fulfil its own risk, control and compliance responsibilities.

Internal Audit's Authority

The Head of Internal Audit and internal audit staff are authorised to:

▶ Have unrestricted access to all of the Group's records, property, and personnel relevant to the performance of engagements

▶ Obtain the necessary assistance of the Group's personnel in relevant engagements, as well as other specialised services from within or outside the Group.

Internal Audit has no authority or management responsibility for any of its engagement subjects. Internal Audit will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence.

Internal Audit's Responsibility

The BDO Head of Internal Audit is responsible for all aspects of internal audit activity, including strategy, planning, performance, and reporting.

For each, the Head of Internal Audit will:

▶ Strategy:

– Develop and maintain an Internal Audit Strategy

– Review the Internal Audit Strategy at least annually with management and the Audit and Risk Committee.

▶ Planning:

– Develop and maintain an Internal Audit Plan to fulfil the requirements of this Charter and the Internal Audit Strategy

– Engage with management and consider the Group's strategic and operational objectives and related risks in the development of the Internal Audit Plan

– Review the Internal Audit Plan periodically with management

– Present the Internal Audit Plan, including updates, to the Audit and Risk Committee for periodic review and approval

– Prepare an internal audit budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan

– Submit the internal audit budget to the Audit and Risk Committee for review and approval annually

– Coordinate with and provide oversight of other control and monitoring functions, including risk management, compliance and ethics, and external audit

– Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage to the Group.

APPENDIX III: INTERNAL AUDIT CHARTER

Internal Audit's Responsibility cont.

▶ Performance:

– Implement the Internal Audit Plan

– Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan

– Allocate and manage resources to accomplish internal audit engagement objectives

– Establish and maintain appropriate internal auditing procedures incorporating best practice approaches and techniques

– Monitor delivery of the Internal Audit Plan against the budget

– Ensure the ongoing effectiveness of internal audit activities.

Reporting:

– Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of management actions to be taken

– Provide periodic reports to management and the Audit and Risk Committee summarising internal audit activities and the results of internal audit engagements

– Provide periodic reports to management and the Audit and Risk Committee on the status of management actions taken in response to internal audit engagements

– Report annually to the Audit and Risk Committee and management on internal audit performance against goals and objectives

– Report, as needed, to the Audit and Risk Committee on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan

– Inform the Audit and Risk Committee of emerging trends and practices in internal auditing.

Independence and Position within Client

▶ To provide for Internal Audit's independence, its personnel and external partners report to the Group Financial Controller, who in turn reports to the Chief Financial Officer, and to the Audit and Risk Committee.

▶ The Head of Internal Audit has free and full access to the Chair of the Audit and Risk Committee.

▶ The Head of Internal Audit reports administratively to the Group Financial Controller who provides day-to-day oversight.

▶ The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit and Risk Committee.

▶ The Internal Audit service will have an impartial, unbiased attitude and will avoid conflicts of interest.

▶ If the independence or objectivity of the internal audit service is impaired, details of the impairment should be disclosed to either the Vice Chancellor or the Chair of the Audit and Risk Committee, dependent upon the nature of the impairment.

▶ The internal audit service is not authorised to perform any operational duties for the Group; initiate or approve accounting transactions external to the service; or direct the activities of any Group employee not employed by the internal auditing service, except to the extent such employees have been appropriately assigned to the service or to otherwise assist the Internal Auditor.

APPENDIX IV: INTERNAL AUDIT CHARTER

Internal Audit's Scope

The scope of internal audit activities includes all activities conducted by the Group. The Internal Audit Plan identifies those activities that have been identified as the subject of specific internal audit engagements.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by Internal Audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management. The nature and scope of consulting engagements are subject to agreement with management. When performing consulting services, Internal Audit should maintain objectivity and not assume management responsibility.

Standards of Internal Audit Practice

Internal Audit will perform its work in accordance with the International Professional Practices Framework of the Chartered Institute of Internal Auditors. This Charter is a fundamental requirement of the Framework.

Approval and Validity of this Charter

This Charter shall be reviewed and approved annually by management and by the Audit and Risk Committee on behalf of the Board of Governors.

Annual Reporting

Following completion of the internal audit programme for 2018/19 we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements.

The annual report will be presented to the Audit and Risk Committee containing the overall annual opinion as to the adequacy and effectiveness of the Groups's arrangements for risk management, control and governance, and economy, efficiency and effectiveness.

APPENDIX IV: WORKING PROTOCOLS

Internal Audit Delivery

We summarise opposite the annual planning and assignment delivery model we will use at the Group. The model journeys through the four main processes associated with internal audit delivery; audit planning, assignment execution, reporting, and finally, remediation and action tracking. We have illustrated throughout the process those responsible for each step.

A key aspect of our work is high quality reporting. It is important to note that it is always our intention that final reports do not contain any nasty surprises. Our approach is always to maintain regular communications with management throughout the audit and to notify the key audit contacts of any significant issues as they arise.

We annually agree with the Audit and Risk Committee the internal audit strategy and annual plan.

We present the annual audit programme to the senior management team and feed their comments into our planning, and address audit work plans to management responsible for the area being audited to ensure proper ownership.

We liaise closely with the Group's external auditors to identify areas where they may place reliance on our work, ensure the annual schedule is phased so as to provide maximum benefit and limit the impact on business operations.

INTERNAL AUDIT ANNUAL PLANNING AND ASSIGNMENT DELIVERY

PLANNING
- Assessment of priorities, risks, prior audits and audit universe
- Liaise with assurance providers and audit sponsors
- Prioritise reviews, establish annual plan and obtain approval
- Identify appropriate BDO resources

ASSIGNMENT EXECUTION
- Detailed planning – research topic and confirm risks and controls
- Create terms of reference - agree with audit sponsor
- Carry out fieldwork interviews and testing – fortnightly progress update
- Hold debrief meeting onsite with key contacts to agree initial findings

REPORTING
- Create draft audit assignment report
- Review draft audit report
- Develop action plans with LSBU management
- Partner approves final audit report and issues to agreed distribution list
- Finalise audit files and assignment admin

REMEDIATION AND ACTION TRACKING
- Follow up audits agreed with LSBU management
- Action tracking and status updates
- LSBU action owners address audit recommendations

Responsibilities: ■ LSBU ■ Joint BDO and LSBU ■ BDO

APPENDIX IV: WORKING PROTOCOLS

Protocols for Individual Audit Assignments

Our approach to delivering internal audit services is based on clear protocols. How this will work in practice for an individual assignment is set out opposite. For simplicity, the process has been based on a typical two-week audit assignment.

Internal Audit Communications

Strong communication is fundamental to quality delivery and for maintaining trusting relationships with our clients. We communicate with management in full accordance with agreed protocols, including during annual meetings to confirm the audit programme for the forthcoming year, and quarterly update meetings to evaluate progress and discuss activities and priorities for the next quarter. We also provide monthly updates against an agreed set of performance indicators, and meet regularly with relevant directors and managers throughout the year to stay abreast of developments.

During audit assignments we hold planning meetings in person (our preference), by phone or by email to discuss terms of reference and scope prior to commencement of any fieldwork, and hold debrief meetings at the conclusion of each piece of fieldwork to discuss audit findings and resolve any outstanding issues.

WEEKS PRIOR TO FIELDWORK		
-4	●	Notify key stakeholders of audit at least four weeks prior to fieldwork
-3	●	Meet with sponsors to scope the audit and prepare terms of reference (TOR) 15 working days prior to fieldwork
-2	●	Approve TOR with sponsors at least ten working days prior to fieldwork
-1	●	Hold team briefing to confirm TOR and agree detailed plan with the team

FIELDWORK (1-2 weeks)	
	Kick off meeting with auditees and audit sponsor
	Connect regularly with audit sponsor throughout the fieldwork
	Fieldwork completed and initial findings agreed at close meeting

WEEKS FOLLOWING FIELDWORK		
+2	●	Draft report ready for quality review within ten working days of close meeting
+3	●	Review of draft report by partner and sent out for auditee comments within 15 working days of the close meeting
+6	●	Management respond within 15 working days of receipt of draft report
+7	●	Final report issued within five working days of receiving comments

APPENDIX IV: WORKING PROTOCOLS

The tables below set out the principal communication and reporting points between the Group and Internal Audit, which are subject to regular review. Any future changes to the communication and reporting points are reported to the Audit and Risk Committee for approval.

Table One: Liaison Meetings Between the Group and Internal Audit

Meeting	Frequency	Audit and Risk Committee	Group Financial Controller	Managers	Relevant Staff	External Audit
Internal audit liaison meeting	Quarterly		✔			
Internal audit update meetings	As required		✔	✔		
Quality Assurance Meeting	Annually		✔			
Liaison meeting with Chair of Audit and Risk Committee	As required	✔				
Audit and Risk Committee to discuss audit progress	As necessary	✔				
Meetings to raise immediate concerns	As necessary	✔	✔	✔	✔	
Meetings with external audit	As necessary					✔

Table Two: Key Reporting Points Between the Group and Internal Audit

Meeting	Audit and Risk Committee	Group Financial Controller	Managers	Relevant Staff	External Audit
Annual Internal Audit Plan	✔	✔			✔
Individual internal audit planning documents		✔	✔	✔	
Draft Internal Audit Reports		✔	✔	✔	
Final Internal Audit Reports	✔	✔	✔	✔	
Progress Reports	✔				

APPENDIX V – OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF INTERNAL CONTROLS	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 🟢	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 🟦	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 🟧	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 🔺	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 🔺	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 🟧	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 🟢	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

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	CONFIDENTIAL
Paper title:	2020/21 Group Risk Policy
Board/Committee:	Audit Committee
Date of meeting:	01 June 2020
Author(s):	Richard Duke, Director of Strategy & Planning
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Information.
Recommendation:	Review and recommend to Board

Executive Summary

A new risk policy was developed in 2019, and was reviewed by the Audit Committee and Board. The risk policy reflects the structures and content of the LSBU Group 2025 Strategy, and regulatory requirements. The policy is also Group wide.

This document represents an update on the 2019/20 document. The key changes from that document are:

- Removal of references to sub-strategies, as these are no longer part of the 2025 Group Strategy structure;
- References to review of risks at Strategic Pillar level;
- References to the ownership of risk by Executive Areas;

In terms of next steps, SBA, SBC and LSBU Boards will set Risk appetites in September 2020.

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LSBU Group Risk Policy 2020/21

The approach detailed in this policy, will be implemented throughout 2020/21, ready to be fully implemented by the Autumn of 2021.

Purpose of Risk Policy

The risk policy:

1.   Explains the London South Bank University Group's approach to risk management. Risk Management provides a mechanism and framework which at the highest level seeks to ensure that the London South Bank University Group achieves its strategic objectives, through effective identification, and management of uncertainties that could impact on these outcomes.
2.   Sets out the roles and responsibilities of all key parties. It also sets out the risk management process at LSBU and the main reporting procedures.
3.   Is part of the London South Bank University Group's internal control and corporate governance arrangements.
4.   Ensures the London South Bank University Group complies with compliance requirements placed upon it by the key regulatory bodies; the Office for Students (OfS) and Office for Standards in Education (OFSTED). Comprehensive risk management is a regulatory requirement for all registered providers by OfS and OFSTED. The OfS regulatory framework[1] details these requirements and are outlined below.

OfS Condition E2: Management and governance

   i.   Operate in accordance with its governing documents.
   ii.   Deliver, in practice, the public interest governance principles that are applicable to it.
   iii.   Provide and fully deliver the higher education courses advertised.
   iv.   Continue to comply with all conditions of its registration.

Included in the OfS assessment of institutions governance arrangements is that institutions have:

   • Evidence of risk management tools and processes (e.g. a risk register)

It is also essential for institutions to follow public interest governance principles. Principle number V is:

   • Risk management: The provider operates comprehensive corporate risk management and control arrangements (including for academic risk) to ensure the sustainability of the provider's operations, and its ability to continue to comply with all of its conditions of registration.

The Ofsted evaluation framework, does not specifically reference risk management, but there is a review of effective Governance, of which risk management is an important component.

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[1] OfS Regulatory Framework https://www.officeforstudents.org.uk/media/1406/ofs2018_01.pdf

Definition of Risk

For the purposes of this policy, risk is defined as:

'Circumstances that have not yet occurred that potentially impact upon the achievement of the organisation's objectives'.

This could be any event, outcome or action which could:
- Cause financial disadvantage to the Group, i.e. loss of income, additional costs, loss of assets, creation of liabilities;
- Cause damage to the reputation of the Group;
- Prevent an opportunity from being taken;
- Lead to a failure to capitalise on our strengths;
- Prevent or hinder achievement of any of the objectives of the Corporate Strategy or associated local delivery plans;
- Impact negatively on student experience or achievement;
- Reduce risks of non-compliance with regulators.

This is distinct to an issue, which is something that also might impact upon the achievement of objectives, but has already occurred.

Risk and wider Business Planning

The reporting of risk will align with the LSBU Group's approach to accountability, assurance and business planning. Risk represents one of the four components of this approach. The four areas are:

- Deliverable Monitoring (what we will deliver);
- Outcomes (KPIs and PIs);
- Regulation (Office for Students (including Teaching Excellence Framework and Access & Participation Plan, Knowledge Exchange Framework, Research Excellence Framework) Ofsted and United Nations Sustainable Development Goals;
- Risk.

Each of the above will be classified by the Executive Area of ownership and Strategic Pillar.

The LSBU Group and Risk Policy

There are four entities that comprise the LSBU Group:

- London South Bank University
- South Bank Colleges
- South Bank Academies
- South Bank Enterprises

The different regulatory requirements of each element of the Group, requires a devolved approach to risk. However, this policy's coverage relates to the whole Group, and where a devolved approach is taken, this is clearly specified.

2

Timelines

Time Period	Autumn	Winter	Spring	Summer
Group Level	Annual Risk Policy and Group Risk Register	Review Group Risk Register	Review Group Risk Register	Review risk appetite summary. Review Group Risk Register
Entity Level	Review Entity Risk Register	Review Entity Risk Register	Review Entity Risk Register	Set risk appetite. Review Entity Risk Register

Senior Leadership Team	Review of Pillar Risks

Business Units	Review Local Business Unit Risk Registers

Appendix B details the annual schedule of risk management in detail.

Risk Registers

The LSBU Group has three sets of risk registers across its risk management process. These are:

- LSBU Group Risk Register;
- Institutional Risk Registers;
- Local Risk Registers.

The population of the Group Risk Register is informed by risks outlined in Institutional Risk Registers. The risks in the Group Risk Register, maybe specific to an individual entity within the Group, but the risk is deemed great enough to impact the overall Group. Institutional Risk Registers are informed by local risk registers.

Each risk will have the following information recorded against it:

Risk	Risk description	Risk Type	Group wide or Institution Specific	Pillar	Executive Area	Cause and effect of risk	Likelihood rating	Impact rating	Mitigating actions	Residual likelihood	Residual risk classification	Risk owner

3

Local Risk Registers

- Each local risk register is owned by the lead of the business unit (e.g. PSG or School);
- Each risk will detail as to whether it represents a Group wide risk, or specific to an individual Group institution.

Institutional Risk Registers

- Institutional risk registers are owned by institution leads, as detailed in Table 1 (roles and responsibilities);
- As an appendix to the register, critical and high risks contained in local risk registers (sorted by pillar), relevant to individual institutions will be published;
- In addition to the standard risk register, an institutional regulatory risk report will be produced.
    - LSBU – OfS and OFSTED (levels 4+5 Apprenticeships)
    - SBC – OFSTED and ESFA
    - SBA – OFSTED
    - SBE – Not applicable.

Group Risk Register

- The Group risk register is owned by the Vice-Chancellor and Group Chief Executive Officer
- As an appendix to the Group risk register, Institution risk registers will be published.

This diagram details the hierarchy or risk registers.

Strategic Pillars

The 2020-25 Group Strategy is grouped into four pillars. Risks will be reported against these pillars, at each level of risk reporting. The strategic pillars are:

- Access to Opportunity
- Student Success
- Real World Impact

4

- Fit for the Future (split into three)
  - Technology and Estate
  - People, Culture & Inclusion
  - Resources, Market and Shape

Executive Areas

Each risk, at all levels, will be classified by Executive area, to allow for reporting for each Executive member. These Executive areas are:

- Academic Framework
- Place & Impact
- Student Journey
- People
- Finance
- Executive Office
- LSBU Teaching & Research
- Institute of Health & Social Care
- Lambeth College & Academies

Risk Categories

The following risk categories are used across the LSBU risk management framework. Each risk, regardless of level of reporting is assigned a risk area.

- Financial
- Legal and Compliance
- Academic Activity
- Reputation

Risk Appetite

Risk appetite is devolved to each individual entity of the LSBU Group. This is not aggregated at Group Level. A risk appetite is defined in each entity of the Group, using the consistent risk appetite framework. This framework is detailed in Appendix A. A risk appetite is set for each of the risk categories outlined above.

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Roles and Responsibilities

The table below details Committees, meetings and individuals roles and responsibilities as part of the risk management policy.

Table 1

Role	Responsibility
Group Board	Review and Approve Group Risk Policy, Institutional Risk Appetites and Group Risk Register Approve LSBU Risk Register.
Group Audit Committee	Review and Recommend Risk Policy, Institutional Risk Appetites and Group Risk Register to Board Recommend LSBU Risk Register to Board
Group Executive	Review and Recommend Risk Policy, Institutional Risk Appetites and Group Risk Register to Audit Committee Recommend LSBU Risk Register to Audit Committee
Group Senior Leadership Team	Review Risks by Pillar and Executive Area
SBA/SBC/SBUEL Board/Audit Committee	Approve relevant risk registers. Set institutional risk appetite.
Executive Area	Each Executive member is responsible for a grouping of risks allocated to each Executive Area.
Institutional Leads	The Provost (LSBU), Executive Principal Lambeth College / Pro Vice Chancellor Compulsory and Further Education (SBA and SBC) and CBO (SBUEL). Ownership of overall institutional risk register.
Local Risk owner	The Head of individual business units. Responsible for classification of risks at local level. To be undertaken with support of local senior management teams.
PPA	Collate and support all areas of the Group in completion of documentation, and offer challenge where appropriate.
Assurance Unit	Ensure risk registers appropriately reflect assurance requirements.

Risk Classification

Impact

- *Critical* – occurrence would have a critical effect on the ability of the Group to meet its objectives; could result in the removal of degree awarding status, financial impact undermining financial viability, severe reprimand by OfS/OFSTED or Parliament or the closure of any element of the Group.
- *High* – occurrence would have a significant effect on the ability for the Group to meet its objectives and may result in the failure to achieve one or more corporate objectives.
- *Medium* – occurrence may result in the failure to meet operational objectives and may reduce the effectiveness of the Group but it would not result in the failure of the Group's corporate objectives or put an element of the Group at risk.
- *Low* – occurrence would have little effect on operational or corporate objectives.

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More clarity in relation to these definitions, by risk category are detailed below. It is important to note that a risk is classified by type, not its impact. For example a risk around non-compliance relating to data protection is a legal risk, though its impact may well be financial or reputational.

	Critical	High	Medium	Low
Financial	Deterioration of Group operating margin greater than 5%	Deterioration of Group operating margin greater than 2%	Deterioration of Group operating margin greater than 1%	Deterioration of Group operating margin greater than 0.5%
Legal and Compliance	One or more of the Group's entities is no longer able to legally operate or significant reputational impact or deterioration of Group operating margin greater than 5%	High reputational impact or deterioration of Group operating margin greater than 2%	Medium reputational impact or deterioration of Group operating margin greater than 2%	Low reputational impact or deterioration of Group operating margin greater than 1%
Academic Activity	Removal of OfS registration or Ofsted special measures	OfS issuing a specific condition of registration or an OfSted rating of 1 (inadequate)	OfS issuing a of enhanced monitoring or an OfSted rating of 2 (requires improvement)	OfS formal communication, where improvement is required or Ofsted rating of 3 (good)
Reputation	National/International negative exposure over a period longer than a week, beyond the HE environment	National/International negative exposure over a period longer than a week within HE publications and forums	A single National/International negative exposure inside or outside of HE publications or forums.	Negative exposure at local level inside or outside of HE publications or forums.

Residual Likelihood

- Very High – Almost certain to occur within 1 year
- *High* – likely within 1 year
- *Medium* –may occur medium to long term
- *Low* – unlikely to occur

Risk Classification Matrix

Training

A training programme will be developed. This will be undertaken with support from colleagues in OD. The initial stage will be to identify relevant stake holders and owners in each part of the risk management process, and deliver training that meets these requirements.

Technology

An appropriate workflow system (e.g. 4Risk platform) will be used to maintain the register of risks. Registers at local level and sub-strategies at Institutional and Group will be owned by a single individual, and updates will be self-served. There will not be automated emails however, and its completion will be supported through regular communication with the PPA team.

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Appendix A - Risk Appetite Matrix

	Avoid / Averse	Minimal	Cautious	Open	Seek	Mature
Overall	Avoidance of risk and uncertainty is a Key Organisational objective	(as little as reasonably possible) Preference for ultra- safe delivery options that have a low degree of inherent risk and only for limited reward potential	Preference for safe delivery options that have a low degree of inherent risk & may only have limited potential for reward	Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VfM)	Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)	Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust
Financial	Avoidance of financial loss is a key objective.	Only prepared to accept the possibility of very limited financial loss if essential.	Prepared to accept possibility of some limited financial loss. Resources generally restricted to existing commitments.	Prepared to invest for return and minimise the possibility of financial loss by managing the risks to a tolerable level. Resources allocated in order to capitalise on opportunities.	Investing for the best possible return and accept the possibility of financial loss (with controls may in place). Resources allocated without firm guarantee of return – 'investment capital' type approach.	Consistently focused on the best possible return for stakeholders. Resources allocated in 'social capital' with confidence that process is a return in itself.
Legal Compliance	Play safe; avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge. Similar situations elsewhere have not breached compliances.	Limited tolerance for sticking our neck out. Want to be reasonably sure we would win any challenge.	Challenge would be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	Chances of losing any challenge are real and consequences would be significant. A win would be a great coup.	Consistently pushing back on regulatory burden. Front foot approach informs better regulation.
Academic Activity	Defensive approach to objectives – aim to maintain or protect, rather than innovate. Priority for tight management controls & limited devolved authority. General avoidance of systems/ technology developments.	Innovations always avoided unless essential or commonplace elsewhere. Decision making authority held by senior management. Only essential systems / technology developments to protect current operations.	Tendency to stick to the status quo, innovations in practice avoided unless really necessary. Decision making authority generally held by senior management. Systems / technology developments limited to improvements to protection of current operations.	Innovation supported, with demonstration of commensurate improvements in management control. Systems / technology developments used routinely to enable operational delivery. Responsibility for non- critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust rather than tight control.	Innovation the priority – consistently 'breaking the mould' and challenging current working practices. Investment in new technologies as catalyst for operational delivery. Devolved authority – management by trust rather than tight control is standard practice.
Reputation	No tolerance for any decisions that could lead to scrutiny of, or indeed attention to, the organisation. External interest in the organisation viewed with concern.	Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the organisation. Senior management distance themselves from chance of exposure to attention.	Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be a failure. Mitigations in place for any undue interest.	Appetite to take decisions with potential to expose the organisation to additional scrutiny/interest. Prospective management of organisation's reputation.	Willingness to take decisions that are likely to bring scrutiny of the organisation but where potential benefits outweigh the risks. New ideas seen as potentially enhancing reputation of organisation.	Track record and investment in communications has built confidence by public, press and politicians that organisation will take the difficult decisions for the right reasons with benefits outweighing the risks.

Appendix B – Risk Management Structures and Timelines (exact months might change from year to year, depending upon calendars)

		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Governance Forums	Group Board			Review and Approve Risk Appetite and Policy	Review and Approve Risk Register				Review and Approve Risk Register		Review and Approve Risk Register		Review and Approve Risk Register
	Group Audit Committee			Review and Recommend Risk Appetite and Policy	Review and Recommend Group Risk Register				Review and Recommend Group Risk Register		Review and Recommend Group Risk Register		Review and Recommend Group Risk Register
	Group Executive			Review and Recommend Risk Appetite and Policy	Review and Recommend Group Risk Register				Review and Recommend Group Risk Register		Review and Recommend Group Risk Register		Review and Recommend Group Risk Register
	SBC Board (and Audit Committee)		Review and Recommend Risk Appetite	Review and Approve Entity Risk Register				Review and Approve Entity Risk Register		Review and Approve Entity Risk Register		Review and Approve Entity Risk Register	
	SBA Board (and Audit Committee)		Review and Recommend Risk Appetite	Review and Recommend Entity Risk Register				Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register	
	SBE Board (and Audit Committee)		Review and Recommend Risk Appetite	Review and Recommend Entity Risk Register				Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register	
Strategy Implementation	Group Senior Leadership Team		Review of Risks by Executive Area. Major Project Risk Registers and Collated Group Corporate Risk Register at each meeting										
	Business Units		Review Local Risk Registers			Review Local Risk Registers			Review Local Risk Registers			Review Local Risk Registers	
	UMC (and SBA/SBC/SBUEL equivalents)		Review Entity Risk Register and Recommend to Executive			Review Entity Risk Register and Recommend to Executive			Review Entity Risk Register and Recommend to Executive			Review Entity Risk Register and Recommend to Executive	
	Other Business Planning Activities			Review of Local Risk registers in OE Reviews					Review of Local Risk registers in OE Reviews				

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	CONFIDENTIAL
Paper title:	Corporate Risk Report
Board/Committee	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author:	Richard Duke, Director of Strategy & Planning
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	For discussion
Recommendation:	For noting and discussion

Executive Summary

The corporate risk register currently has:

- Zero critical risks;
- Eleven high risks;
- Fourteen medium risks;
- One low risk

Since the last risk register, presented in March 2020:

- Risk 2, Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets has seen its likelihood increase (unchanged overall risk severity);
- Risk 457, Anticipated international & EU student revenue unrealised has transferred to Nicole Louis and the risk likelihood has increased from low to high, therefore increasing risk severity to high;
- Risk 628, Availability of NHS placements has transferred to Warren Turner;
- Risk 633, Unable to deliver recovery plan from Covid-19 has been added to the risk register (the Board is in receipt of a Covid-19 Recovery Plan Paper);
- Risks 362 (Low staff engagement impacts performance negatively), 584 External incident compromises campus operations or access) and 627 (Impact of new strategy upon organisational culture) have transferred owners from Nicole Louis to Marcelle Moncrieffe-Johnson;
- Risk 630 (HE Policy - B3 Registration Regulation and potential introduction of student number controls), has had its wording adjusted and transferred from Nicole Louis to Deborah Johnston;
- Risk 1, Capability to respond to change in policy or competitive landscape has had its likelihood increased to high.

These changes have been made as a result of the review of the Senior Leadership Team (SLT) of the Group Risk Register on 29th April 2020. The SLT reviews the Group Risk Register at each of its monthly meetings, and the last review was 27th May 2020.

This format is under review, with plans for future Corporate Risk reports to integrate a Group Approach, which will incorporate the 2025 Group Strategy. A proposed Risk Policy will be re-presented to the Audit Committee in June 2020 and to the Board in July 2020.

LSBU Corporate Risk: Board Summary Report – Apr 2020
Cover Page: Risk Exposure Matrix – Severity by risk type (from Risk Appetite)

Severity Rating/Risk Type – Appetite	Low	Medium	High	Critical
Financial (open)	(517) EU Referendum Impact on regulation & market (DP)	(631) Full financial benefits including Income and expenditure levels fail to leverage potential of Group (RF) (402) Income growth from Research & Enterprise unrealised (PI) (630) HE Policy – B3 Registration Regulation and potential introduction of student number controls (DJ)	(3) Sustainability of current pension schemes (RF) (625) Impact of Govt. Education Review on HE funding (RF) (2) Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL) (457) Anticipated international & EU student revenue unrealised (NL)	
Legal / Compliance (Cautious)		(305) Data security and data protection (519) Negative Curriculum Assessment (584) External incident compromises campus operations or access (MMJ)		
cademic Activity (See[		(628) Availability of NHS placements (PB) (495) Higher Apprenticeship degrees (FM) (398) Academic programmes not engaged with technological and pedagogic developments (DJ) (494) Inconsistent delivery of Placement activity (NL) (518) Core student system inflexibility / failure (DJ) (627) Impact of new strategy upon organisational culture (MMJ)	(629) OfS Thresholds not met in relation to Condition of Registration B3 (DJ) (37) Affordability of Capital Expenditure investment plans (RF) (467) Progression rates don't increase (DJ) (633) Unable to deliver recovery plan from Covid-19 (DP)	
Reputation (Open)		(6) Management Information perceived as unreliable, doesn't triangulate or absent (RF) (362) Low staff engagement impacts performance negatively (MMJ)	(626) Impact of assurance activity & new initiatives fails to address issues around student experience (PB) (632) Alignment of estate with sector requirements across the Group (PI) (1) Capability to respond to change in policy or competitive landscape (DP)	

Date: Apr 2020   **Author**: Richard Duke – Director of Strategy & Plai **Executive Lead**: Richard Flatman – Chief Financial Officer

Impact		1 – Low	2 – Medium	3 – High
4 Critical *Corporate plan failure / removal of funding, degree award status, penalty / closure*				
3 High *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*		(495) Higher Apprenticeship degrees (FM) (305) Data security and data protection (NL) (519) Negative Curriculum Assessment (DJ) (6) Management Information perceived as unreliable, doesn't triangulate or absent (RF) (362) Low staff engagement impacts performance negatively (MMJ)	(37) Affordability of Capital Expenditure investment plans (RF) (467) Progression rates don't increase (DJ) (633) Unable to deliver recovery plan from Covid-19 (DP) (626) Impact of assurance activity & new initiatives fails to address issues around student experience (PB) (632) Alignment of estate with sector requirements across the Group (PI) (1) Capability to respond to change in policy or competitive landscape (DP)	(629) OfS Thresholds not met in relation to Condition of Registration B3 (DJ) (3) Sustainability of current pension schemes (RF) (625) Impact of Govt. Education Review on HE funding (RF) (2) Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL) (457) Anticipated international & EU student revenue unrealised (NL)
2 Medium failure to meet operational objectives of the University		(517) EU Referendum Impact on regulation & market (DP)	(398) Academic programmes not engaged with technological and pedagogic developments (DJ) (494) Inconsistent delivery of Placement activity (NL) (518) Core student system inflexibility / failure (DJ) (627) Impact of new strategy upon organisational culture (MMJ) (402) Income growth from Research & Enterprise unrealised (PI) (630) HE Policy – B3 Registration Regulation and potential introduction of student number controls (DJ) (584) External incident compromises campus operations or access (MMJ)	(628) Availability of NHS placements (WT) (631) Full financial benefits including Income and expenditure levels fail to leverage potential of Group (RF)
1 Low *little effect on operational objectives*				
		1 – Low	2 – Medium	3 – High
		This risk is only likely in the long term	*This risk may occur in the medium term.*	*The risk is likely to occur short term*
			Residual Likelihood	

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	CONFIDENTIAL
Paper title:	Annual debt write-off
Board/Committee	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author:	Julian Rigby, Head of Financial Processing
Executive/Operations sponsor:	Richard Flatman, CFO
Purpose:	For approval
Recommendation:	The Committee is requested to authorise the write off of debts totalling £724k.

Executive Summary

The University has a policy of writing off debt which is more than six years old unless there is a reasonable expectation that the money can be recovered. In line with Financial Regulations, Audit Committee approval is required for the write off of debts where the total value exceeds £50,000.

The Committee is requested to approve the write off tuition fee debt relating to self-paying students of **£724k**. These are fees that the student was responsible for paying themselves and there is no sponsor or student loan to settle these balances. This compares to £564k written off in 2019 and £497k in 2018 and reflects the higher tuition fees charged from September 2012 onwards.

Ledgers balances include £1,053k of credits relating to money received from the now defunct Student Loan Company (SLC) and NHS sponsor organisations. These balances have not shown any movement during the year. It has been confirmed by the new Student Finance England that, unless a student raises any over-payment directly with them, then it's very unlikely that these credits will be recalled. However, it is prudent that they remain on our balance sheet as a creditor and not be written off.

May 2020 Tuition Fee Aged Debts	13/14 £k	12/13 £k	11/12 £k	10/11 £k	09/10 & Prior £k	Total £k
Invoices less than 5 years old	42	18	13	0	3	76
Paying by instalments	236	137	49	78	20	520
With Debt collection agency	160	39	0	0	0	199
Chasing complete and more than 6 yrs	283	173	47	21	1	525
Total Self Pay Ledger	**721**	**367**	**109**	**99**	**24**	**1,320**

With Debt collection agency	160	39	0	0	0	**199**
Chasing complete and more than 6 yrs	283	173	47	21	1	**525**
Total proposed write off	**443**	**212**	**47**	**21**	**1**	**724**

The total self-paying debt relating to academic years 2013/14 and earlier is £1,320k. £76k of this was invoiced during the past 5 financial years and these will not be written off, and we will continue to chase for payment. Arrangements are in place to collect a further £520k of the debt by monthly instalment arrangement and these also will not be written off this year.

The debts to be written off are all more than 6 financial years old and have been fully provided in previous financial years and there will therefore s be no impact on the profit and loss for the current year.

For academic years 2013/14 and 2012/13 we have £373k of balances being paid by monthly instalment and a further £199k still being pursued by our debt collection agency. £60k of these balances are dated less than 5 financial years old. We have included these old balances sitting with our external debt collectors, in the proposed balance to write off.

There are no debts proposed to be written off from the commercial sales ledger, reflecting the tighter controls in place when offering credit terms, compared to the student ledger, and the lower risk profile of commercial customers.

Recommendation

The Committee is requested to authorise the write off of debts totalling £724k.

	CONFIDENTIAL
Paper title:	Dealing with decisions and approvals
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author(s):	Kerry Johnson, Governance Officer
Sponsor(s):	Duncan Brown, Group Audit and Risk Committee Chair
Purpose:	For Discussion
Recommendation:	The committee is requested to discuss the procedures for dealing with: a) Decisions and approvals for Group Audit and Risk Committee between meetings b) Approvals relating to other Group entities

Executive summary

The Chair of the Group Audit and Risk committee has requested that the committee discuss and agree principles for handling:

- Decisions and approvals for this committee between meetings
- Approvals relating to other Group entities (e.g. approving a decision of the SBC or SBA Board to appoint their auditors)

Dealing with decisions and approvals for GARC between meetings

The procedure for handling decisions and approvals between committee meetings is set out within the standing orders of London South Bank University, as set out below:

Standing orders of London South Bank University:

Decision Making outside Meetings

9. During the course of the university's business, matters may arise between scheduled Board meetings that require urgent Board approval or discussion and cannot be postponed until the next convened Board meeting. Where decisions that would ordinarily be taken at Board meetings have to be made on an urgent basis the following procedure will be followed:

a. The Secretary will determine if a proposal is urgent and requires Board or Committee approval.

b. The Secretary will brief the relevant chair on the proposal and reasons for the urgency.

c. The Secretary will consult with the relevant Chair on whether to arrange a quorate telephone conference call or to make the decision by email. The Secretary will attach the board paper or business case necessary to allow governors to make an informed decision. Governors will be asked to indicate their approval to the Secretary by a particular date.

d. Governors should express any concerns or questions they might have about the proposal to the Secretary. The Secretary will then forward these to members of the executive for their response.

e. The proposal will be deemed to be approved when a majority of positive responses has been received. The Secretary will communicate the Board decision to the executive who will then be authorised to proceed.

f. A resolution of the decision will be reported at the next Board or Committee meeting and following approval signed by the Chair of the Board or Committee.

g. In the absence of the Secretary, an appropriate member of the governance team will operate this procedure.

Dealing with approvals relating to other Group entities

The Group Audit Committee terms of reference states the following in relation to South Bank Academies and South Bank Colleges:

1.2 Each entity in the LSBU group[1] will have an audit committee to review audit matters relevant for that entity and in line with its terms of reference.

7.1 The duties of the committee shall be to:

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[1] Currently SBUEL and SW4 Catering Ltd's audit arrangements are reviewed by its boards. This will be reviewed as future arrangements of the companies are developed.

7.1.2 consent, on behalf of LSBU, to the appointment of the external auditors of SBA and SBC;

7.1.5 review the group internal auditors' annual risk assessment, strategy and programme for LSBU; consider major findings of internal audit investigations and management's response for audits relating to LSBU and group-wide audits; consider a summary of internal audit reports relating to SBA or SBC; and promote co-ordination between the internal and external auditors. The committee will monitor that the resources made available for group internal audit by the group executive are sufficient to meet the LSBU Group's needs (or make a recommendation to the LSBU Board as appropriate);

7.1.21 note a summary of any audit reports commissioned by the board of any LSBU Group company to cover matters specific to that company.

Recommendation

The committee is requested to discuss the procedures for dealing with:
   a) Decisions and approvals for Group Audit and Risk Committee between meetings
   b) Approvals relating to other Group entities

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	CONFIDENTIAL
Paper title:	Anti-Fraud Policy Review
Board/Committee	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author:	Natalie Ferer, Financial Controller
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	For approval
Recommendation:	It is recommended that the committee approves the current anti-fraud policy and fraud response plan and notes the self-assessment check list

Executive Summary

The Anti-Fraud Policy and Fraud Response Plan.

The proposed changes to the policy are shown as underlined and reflect

   a) Application of this policy to staff across the the LSBU Family
   b) Addition of money laundering, insurance fraud, bribery and cyber fraud as examples of fraud
   c) Updated to reflect that staff now frequently work alone and from home.
   d) Updated with regard to OfS reportable events

A copy of the policy and plan showing the updates is attached.

Self Assessment

As in previous years, we have used the The British Universities Finance Directors Group (BUFDG) 'self-assessment checklist' for Universities to assess the suitability of our counter-fraud measures, The checklist attached was completed as of June 2020.

Recommendation

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

Anti Fraud Policy

1. Introduction

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

It applies to all staff and students in within the LSBU Family. all LSBU group companies.

2. Policy

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

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

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

3. Definition of fraud

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

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

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

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

4. Prevention of fraud

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

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

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

Managers should be aware that certain patterns of behaviour may indicate a desire for concealment, including:

- Taking few holidays
- Resistance to delegation
- Resentment to normal discussion of work issues
- Frequently working ~~alone~~ late or at weekends without an obvious reason or outside of agreed work patterns.

With many staff now working flexibly or from home, patterns of leave, working alone or outside of normal business hours are often part of normal working arrangements, but mangers should still consider the risk of fraud when the reasons for these patterns of behaviour are not understood.

Reporting a suspected fraud

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

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

All reported cases of suspected fraud will be investigated.

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

5. Fraud Response plan

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

If a member of staff discovers or suspects a fraud, theft, corruption or other financial irregularity, they must immediately inform their Dean or Head of Professional Function and the Group Chief Financial

Officer. Failure to do so will result in disciplinary action. The Chief Financial Officer will instigate the following responses:

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

If it is suspected that a fraud may be significant:

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

A significant fraud is one where:

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

We will also have regard for the OfS definition of a material actual or suspected fraud or financial irregularity and take action in line with our definition of a significant fraud. These include:

- Any fraud relating to the misuse of public funds
- Any other financial fraud exceeding £50,000, or 1% of annual income if occurring in an entity with turnover of less then £5m.

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

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

Investigation of a suspected fraud

The investigation must be conducted on a timely basis, in line with University procedures and preserving confidentiality.

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

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

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

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

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

HEI Fraud Self-Assessment Checklist

Name: Natalie Ferer
Position: Group Financial Controller
Date of completion: June 2020

Question	Response and comments	Flag
1. *Anti-fraud arrangements*		
1.1. Do you have a formal fraud policy and/or fraud response plan, approved by the governing body? If so, how often are these updated?	Yes, reviewed and updated annually	
1.2. Do you undertake a formal fraud risk assessment? If so, how often is this done?	No formal separate fraud risk assessment although significant fraud risk would be covered by local operational risk assessment processes	
1.3. Does your university do business overseas? Does your fraud risk assessment include specific risks from international activity?	Yes. Further consideration required for specific risks for each new overseas activity	
1.4. Is there a nominated senior manager with overall responsibility for anti-fraud management arrangements? If so, what is their role/position?	Yes, Group Chief Financial Officer	
1.5. Do you have any staff trained in handling suspected frauds or running a fraud investigation?	Any investigations are led by the Group CFO and involve senior staff with experience. If significant, investigations involve specially trained forensic staff from our Internal Auditors.	
1.6. Is there a dedicated Counter-Fraud group in your institution? If so, does it include representatives from Finance, Registry, HR, Procurement, Estates, and Academia?	No such group exists in the organisation but managers from various teams including Finance, HR, Procurement, Legal and IT Security will discuss if there are any matters to report before each audit committee report.	

1.7. What specific actions do your internal auditors take to detect and prevent fraud?	The Internal Auditors endeavour to plan their work so that they have a reasonable expectation of detecting significant control weaknesses and, if detected, carry out additional work directed towards identification of consequent fraud or other irregularities. They cannot however guarantee that fraud will be detected.	
1.8. Do you have fraud insurance in place? How recently have you claimed on it? How much has it cost/saved?	Yes, no claims have been made.	
2. Internal Controls and Audit		
2.1 Does staff induction and training include guidance on fraud? Does it include: A whistleblowing policy, anti-bribery policy, money laundering policy, and code of conduct?	The Anti -Fraud Policy, Anti -Bribery Policy, Anti Money Laundering policy, LSBU values, Financial Regulations whistleblowing policy and IT security materials are all available on the staff intranet.	
2.2. Does internal management training cover fraud culture and policy awareness? Who is this aimed at and how often is the training run?	Mandatory training for staff includes anti-bribery training and IT security policies . Other anti-fraud policies are available on the staff intranet. General 'Financial Wrong-Doing' awareness, bringing together these procedures and other guidance will be written and made available to staff	Y
2.3 Do you test the effectiveness of internal controls designed to prevent or detect fraud? If so, how?	Through management controls and the Internal Audit process	
2.4 Does your institution publish details of attempted or successful frauds internally? Either as a deterrent or for awareness-raising?	To Finance team and Audit committee	
2.5 What work do your external auditors undertake in accordance with ISA 240? How is this work reported?	Included in external audit plan with any findings reported to Audit Committee.	
2.6 Does your institution have designated "counter-fraud champions" (CFCs) registered to access the	Not at present.	Y

BUFDG fraud discussion boards and CFC network?		
2.7 Are fraud assurance and controls embedded within University change programmes?	Not specifically covered but are addressed through training and as part of the routine internal audit programme.	
2.8 How is this work reported by the auditors?	Direct with management and to audit committee	
2.9 Are all cases of fraud reported to the audit committee or just those classed as Serious Incidents?	All cases	
2.10 Does this inform the committee's annual opinion on internal control?	Yes	
3. Assessment and experience of financial fraud		
3.1 Is your current assessment that fraud is a low, medium or high risk? Is this an overall assessment? There could be variability of risk rating across different areas.	Overall assessment is low risk, with higher risk in some areas such as overseas operations and supplier transactions	
Do you believe that there is an effective anti-fraud culture in your organisation, with high levels of fraud risk awareness amongst all staff?	Yes and training and the need for additional guidance is addressed in 2.2 above	
3.2 In the last two financial years have you notified any frauds to your funding council / regulator?	Non above the reporting threshold to report.	
3.3 In the last two financial years, how many frauds or suspected frauds have you experienced that were below the regulator's reporting threshold?	A potential fraud and breach of contract was identified whereby a member of staff had been receiving a salary for a full time job at another University whilst receiving sick pay from LSBU. The employee has since been dismissed and there was a loss of £5k in salary overpayment. There was an attempted insurance fraud by the owner of a company that was a tenant in the Clarence Centre but the claim was withdrawn and there was no loss to the University as a result of this attempt.	

	There was an attempt to collect funds from a local business by a person claiming to be collecting on behalf of the LSBU Students' Union. The business reported the matter to the police and there was no financial loss to the University. Two fraudulent transactions were identified on a statement of a purchasing card held by an employee of South Bank Academies. The charges were accepted as fraudulent by the card provider and there was no financial loss to the Trust.	
3.4 If you have trained fraud-response staff (Q1.5), are there any recent instances of these staff being deployed in an investigative capacity?	See response to 1.5	
3.5 Have you disciplined, dismissed or, with the relevant authorities, prosecuted any members of staff for fraud in the period?	Yes, matter reported in 3.3 above	
3.6 Have you involved the police in any action to deal with suspected or actual fraud in the period?	No	
3.7 Have you reported any frauds, successful or attempted, to the fraud alert service (the BUFDG Fraud discussion boards?)	No	
3.8 How would you summarise your experience of working with the police?	No experience in the past 2 years other than reporting online through Action-Fraud.	
3.9 Do you have grounds to suspect that there have been any other attempts to defraud the University either by staff or by outside organisations such as suppliers in the period?	No	Y

	CONFIDENTIAL
Paper title:	Anti-fraud, bribery and corruption report
Board/Committee	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author:	Natalie Ferer, Financial Controller
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:	The committee is requested to note the anti-fraud, bribery and corruption report.

Summary

Since the last report there are no new matters to report.

Recommendation:

The Committee is requested to note this report

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	CONFIDENTIAL
Paper title:	OfS – conditions of registration
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the guidance.

OfS regulatory framework – revisions for the duration of the coronavirus pandemic

As a condition of registration, LSBU has to comply with the OfS's regulatory framework under which LSBU has the following obligations:
- to meet the ongoing general conditions of registration;
- to meet any specific conditions of registration (N.B. none were specified when LSBU registered with the OfS);
- to notify the OfS of any 'reportable events'; and
- to make regular specific returns to the OfS (e.g. TRAC return).

By letter and guidance of 25 March 2020 (included in a supplement to the agenda), the OfS confirmed adaptations to the "normal" regulatory framework for the duration of the coronavirus pandemic. The adaptations are temporary but open-ended. The OfS intends to return to its "normal policy position" once the current situation has improved.

(1)   Ongoing general conditions of registration

There are 24 general ongoing conditions of registration covering access and participation, quality and standards, student protection, financial sustainability, governance, information for students, and accountability for fees and funding.

How LSBU would normally comply with each of these conditions and how this compliance is monitored is set out in the attached responsibility and accountability draft framework. Conditions A1, A2 and B1-B6 are under review by the new PVC (Education) and will be updated in anticipation of a return to the "normal" regulatory regime early in the new academic year 2020/21

During the pandemic, the OfS has confirmed that:

- A1: access and participation plans (APPs) – the OfS will prioritise approval of 2020/21 APPs submitted before 28 February 2020.

- A2: access and participation statement – the requirement to publish has been suspended.

- C3: student protection plan – Higher Education Providers (HEPs) are not required to meet this reporting requirement, which is covered by the temporary, narrow requirement, see (2)(ii) below.

- E1: public interest governance – HEPs are not required to notify changes to governing documents.

- E4: details of registration – requires the accuracy of LSBU's registration with the OfS to be kept up-to-date (and has not been relaxed during the pandemic).

- F1: transparency information – requirement to submit is suspended.

- F3 and F4: information requirements – immediate deadlines for submission of cyclical data returns are suspended, although data should continue to be collected. The following data returns are still required by the OfS:
  - annual financial return,
  - graduate outcomes survey contact details,
  - unistats data.

Note – in a separate measure, the OfS has consulted HEPs on the introduction of a new, time-limited condition by which it reserves to itself the power to take action against HEPs that engaged in the conduct which would not be in the interests of students and the wider HE sector during the coronavirus pandemic. As at 12 June 2020, this condition of registration was not in force.

(2) Reportable events

The OfS has confirmed that during the pandemic, it will ask HEPs to report in relation to a reduced set of issues. In summary, the changes are:

- two new narrowly defined reportable events:
(i)   liquidity below 30 days; or
(ii)   cessation or suspension of delivery of HE;

- the removal of requirements to report some existing types of event;

- an ongoing requirement to report some existing types of event.

Prior to these changes, condition F3(i) defined a reportable event as:
 "any event or circumstance that, in the judgement of the OfS, materially affects or could materially affect the provider's legal form or business model, and/or its willingness or ability to comply with its conditions of registration". (para.494)

In relation to financial viability or sustainability, the OfS recognises that HEPs "…are likely to experience a material change in their financial position and performance that would normally be reportable to the OfS." (para.7 of the guidance). The OfS accepts that it is not possible for HEPs to identify the long-

term impact of the pandemic, and so it is removing the obligation to report events with implications for viability over a 3-5 year horizon.

At the previous audit committee, there was a discussion about how "materiality" could be defined for the purpose of OfS para.494. The OfS guidance for the duration of the pandemic appears to have temporarily superseded this question with the two new narrowly defined changes and suspended items. The attached framework makes clear which areas have been suspended or revised. This will have to be re-visited once the OfS deems the current situation to have eased enough to return to the "normal" regulatory regime.

The OfS continues to expect that reportable events to be reported "within 5 days of the date that the event is identified" or where there are exceptional circumstaces beyond the HEP's control, "…as soon as reasonably practicable and without undue delay."

All reportable events are authorised by the VC as Accountable Officer prior to reporting to the OfS. Reportable events will be notified to the executive and the board of governors.

Approved reportable events and required data or submissions are uploaded to the OfS via its official portal. The portal is controlled by two colleagues with administrator rights of access: the Director of PPA and the Deputy University Secretary.

Attachments to this paper:

A.   Framework to demonstrate compliance with conditions of registration in the pre-pandemic regulatory regime.

B.   Temporary revisions during the pandemic to existing reportable events.

Supplement to the agenda pack:

(i)   OfS letter dated 25 March 2020 – regulatory requirements during the coronavirus pandemic.

(ii)   Notice under general ongoing conditions of registration F3 and F4.

LSBU - OfS Registration Conditions Assurance Framework

Compliance Grid

Registration Condition		Internal compliance			Internal review	OfS monitoring of compliance		Executive accountability
		Method of monitoring	Data required to monitor	Key dates / cycle / approval	Review	Measures OfS use	Returns OfS use	
A: Access and participation for students from all backgrounds								
Condition A1	An Approved (fee cap) provider intending to charge fees above the basic amount to qualifying persons on qualifying courses must: i. Have in force an access and participation plan approved by the OfS in accordance with the Higher Education and Research Act 2017 (HERA). ii. Take all reasonable steps to comply with the provisions of the plan.	LSBU APP published on OfS website. Stages to review the APP targets and conditions for the 2020-25 APP are being developed and linked to 2025 Strategy KPIs	Access and student success data monitors against process of agreed targets with the OfS	Progress to be reviewed by Student Experience Committee and Executive and linked to KPIs.	Progress to be reviewed by Student Experience Committee and Executive and linked to KPIs.	Continuation, DLHE/Graduate Outcomes and application offer rates	Access & Participation Plan, Student HESA return, TEF submissions and UCAS Data	CCO
Condition A2	An Approved provider or an Approved (fee cap) provider charging fees up to the basic amount to qualifying persons on qualifying courses must: i. Publish an access and participation statement. ii. Update and re-publish this statement on an annual basis.	N/A	N/A	N/A	N/A	Continuation, DLHE/Graduate Outcomes and application offer rates	Access & Participation Plan, Student HESA return, TEF submissions and UCAS Data	CCO
B: Quality, reliable standards and positive outcomes for all students								
Condition B1	The provider must deliver well designed courses that provide a high quality academic experience for all students and enable a student's achievement to be reliably assessed.	This is monitored through validation, annual monitoring and periodic reviews	Qualitative and quantitative data/information primarily from the metrics listed are used in the processes as detailed in the AQE manual published on the website	Cycle of approval is through School Academic Standards Committee, Quality and Standards Committee and reported through to Academic Board	Review of those processes is continual but the processes are updated during the summer period	QAA assessments, NSS measures, PGT experience, continuation data OIA complaints, GO, complaints from staff	TEF submissions, student surveys (postgraduate and NSS), student HESA return, DLHE/GO and OIA complaint data	PVC (E)

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Registration Condition		Method of monitoring	Data required to monitor	Key dates / cycle / approval	Review	Measures OfS use	Returns OfS use	Executive accountability
Condition B2	The provider must support all students, from admission through to completion, with the support that they need to succeed in and benefit from higher education.	This is demonstrated through having our Academic regulations and associated procedures	Both qualitative and quantitative data /information including as drawn from the metrics listed are used for example when writing the annual monitoring reports and for the reviews that take place periodically allowing interventions to be made as required	Ongoing and as appropriate ultimately and recorded through various committees. The Academic Regulations are approved annually at the last Academic Board of the academic year	Reviewed through QSC usual business and by exception reported to Academic Board	QAA assessments, NSS measures, PGT experience, continuation data OIA complaints, GO, complaints from staff	TEF submissions, student surveys (postgraduate and NSS), student HESA return, GO and OIA complaint data	PVC (E)
Condition B3	The provider must deliver successful outcomes for all of its students, which are recognised and valued by employers, and/or enable further study. (i.e. students from all backgrounds are able to succeed).	The results of students outcomes for individual module and for overall awards are ratified through award and progression board this has delegated responsibility from Academic Board to make these decisions. The rules for how those decisions are made are detailed in the Academic regulations and procedures. An annual external examiner report goes to QSC and an Institutional Examiner provides an overview the report also goes to QSC. There is an annual audit of the evidence we have of our PSRB accreditations.	Both qualitative and quantitative data /information including as drawn from the metrics listed are used for example when writing the annual monitoring reports and for the reviews that take place periodically allowing interventions to be made as required	Ongoing and as appropriate ultimately and recorded through various committees. The Academic Regulations are approved annually at the last Academic Board of the academic year	Reviewed through QSC usual business and by exception reported to Academic Board	NSS measures, PGT experience, continuation data OIA complaints, GO	TEF submissions, student surveys (postgraduate and NSS), student HESA return, GO and OIA complaint data	PVC (E)

Registration Condition		Method of monitoring	Data required to monitor	Key dates / cycle / approval	Review	Measures OfS use	Returns OfS use	Executive accountability
Condition B4	The provider must ensure that qualifications awarded to students hold their value at the point of qualification and over time, in line with sector recognised standards.	This is monitored through validation, annual monitoring and periodic reviews	Processes include external scrutiny, external panel members as part of the validations panels, the use of external examiners and by having an institutional examiner	This is ongoing over the academic year	Annual reports about validations, about external examining and from the Insitutional Examiner go to QSC. We also complete an annual audit of PSRB accreditations and of the current MoCs that the university holds.	QAA assessment, NSS measures, PGT experience, continuation data OIA complaints, GO, staff complaints	TEF submissions, student surveys (postgraduate and NSS), student HESA return, GO and OIA complaint data	PVC (E)
Condition B5	The provider must deliver courses that meet the academic standards as they are described in the Framework for Higher Education Qualifications at Level 4 or higher.	The validation process checks that a course is mapped against the FHEQ and relevant subject benchmark statements	The function of an exam board is to provide oversight and assurance academic standards are met	The dates for exam boards are set about a year in advance.	Any 'No' to standards is responded to by the relevant DESE copied to Chair of the QSC and Director of TQE. This is a very small proportion each year. An annual report about external examining goes to QSC.	QAA assessment, NSS measures, PGT experience, continuation data OIA complaints, GO	TEF submissions, student surveys (postgraduate and NSS), student HESA return, GO and OIA complaint data	PVC (E)
Condition B6	The provider must participate in the Teaching Excellence and Student Outcomes Framework.	We do/have and participated in the first subject pilot activity	The data is provided by OfS the processes above mean we shouldn't expect that data to be different from our expectations.	We are building TEF terminology and expectations into our QA processes and we have discussed running mini TEF exercises annually but this has a resource implication and cannot be the only driver for QA monitoring because of the other oversight requirements as detailed above	We actively participate in national events and consultations and keep LSBU staff informed through workshops we hold	NSS measures, PGT experience, continuation data OIA complaints, DLHE/GO	TEF submissions, student surveys (postgraduate and NSS), student HESA return, DLHE/GO and OIA complaint data	PVC (E)
C: Protecting the interests of all students								

Registration Condition		Method of monitoring	Data required to monitor	Key dates / cycle / approval	Review	Measures OfS use	Returns OfS use	Executive accountability
Condition C1	The provider must demonstrate that in developing and implementing its policies, procedures and terms and conditions, it has given due regard to relevant guidance about how to comply with consumer protection law.	LSBU have followed the CMA guidance for HEIs in relation to consumer laws and completed the self assessment. 2020/21 terms of enrolment were further revised in line with the guidance. Staff training implemented.	Self-assessment; reviewed T&Cs and policies; training statistics	June	June each year	OIA complaint data and social media	OIA complaint data and social media	CCO
Condition C2	The provider must: i. Co-operate with the requirements of the student complaints scheme run by the Office of the Independent Adjudicator for Higher Education, including the subscription requirements. ii. Make students aware of their ability to use the scheme.	Re i) LSBU is a member of the OIA scheme. 2019 OIA annual letter to LSBU confirmed that the OIA are happy with LSBU's response time, engagement and compliance timelines. Re ii) LSBU's Completion of Procedures letters issued at the end of each process inform students of their right to go to the OIA	OIA 2019 annual letter confirming cooperation and compliance; COP template letters and email confirmations from colleagues re use.	April/May	April/May	OIA complaint data and social media mentions	OIA complaint data and social media	CCO
Condition C3	The provider must: i. Have in force and publish a student protection plan which has been approved by the OfS as appropriate for its assessment of the regulatory risk presented by the provider and for the risk to continuation of study of all of its students. ii. Take all reasonable steps to implement the provisions of the plan if the events set out in the plan take place. iii. Inform the OfS of events, except for the closure of an individual course, that require the implementation of the provisions of the plan.	Events potentially triggering Student Protection Plan are monitored through Executive meetings and Quality and Standards Committee. Changes relevant to the SPP are reported to the SASCs.	Validation and course closure documents; annual monitoring documents; reports from SASCs.	as required in year, and also SASCs report to each QSC.	Annual review at first Autumn meeting of Quality and Standards Committee (standing item)	OIA complaint data and social media mentions	OIA complaint data and social media	PVC (E)
	D: Financial sustainability							

Registration Condition		Method of monitoring	Data required to monitor	Key dates / cycle / approval	Review	Measures OfS use	Returns OfS use	Executive accountability
Condition D	The provider must: i. Be financially viable. ii. Be financially sustainable. iii. Have the necessary financial resources to provide and fully deliver the higher education courses as it has advertised and as it has contracted to deliver them. iv. Have the necessary financial resources to continue to comply with all conditions of its registration.	OFS 5 year Forecast submitted in December of each year with supporting documentation including commentary and prior year's financial accounts	Agresso Financial data, student number forecasts as co-created by Marketing during the annual budget cycle	Approval by Exec and Board of Governors before submission	Reviewed as part of the spring Executive Strategy days	HESA Sustainability measure, Income, surplus %, EBITDA, applications/conversion	Accountability return, Finance HESA, TRAC, Annual Accounts and HESES	CFO
E: Good governance								
Condition E1	The provider's governing documents must uphold the public interest governance principles that are applicable to the provider.	To be reviewed annually as part of the Corporate Governance statement in the accounts	N/A	N/A	Refer to OfS governance principles and notify OfS if amending the articles	Submission timeliness	Accountability return and HESA/ESFA submissions	Group Secretary
Condition E2	The provider must have in place adequate and effective management and governance arrangements to: i. Operate in accordance with its governing documents. ii. Deliver, in practice, the public interest governance principles that are applicable to it. iii. Provide and fully deliver the higher education courses advertised. iv. Continue to comply with all conditions of its registration.	i. annually as part of the drafting of the corporate governance statement; ii. annually as part of the drafting of the corporate governance statement; iii. Reviewed by the Academic Board; and iv. This assurance framework	i. N/A; ii. N/A; iii. ; iv. N/A	i. N/A; ii. N/A; iii. ; iv. N/A	i. N/A; ii. N/A; iii. ; iv. N/A	Submission timeliness	Accountability return and HESA/ESFA submissions	Group Secretary
Condition E3	The governing body of a provider must: i. Accept responsibility for the interactions between the provider and the OfS and its designated bodies. ii. Ensure the provider's compliance with all of its conditions of registration and with the OfS's accounts direction iii. Nominate to the OfS a senior officer as the 'accountable officer' who has the responsibilities set out by the OfS for an accountable officer from time to time.	i. N/A - done as part of initial registration; ii. This assurance framework and the external auditors report; iii. N/A - done as part of initial registration	N/A	External audit report to Nov audit committee each year	Inform the OfS of a new VC	Submission timeliness	Accountability return and HESA/ESFA submissions	Group Secretary

Registration Condition		Method of monitoring	Data required to monitor	Key dates / cycle / approval	Review	Measures OfS use	Returns OfS use	Executive accountability
Condition E4	The governing body of the provider must notify the OfS of any change of which it becomes aware which affects the accuracy of the information contained in the provider's entry in the Register.	Please see separate grid	Please see separate grid	Please see separate grid	Please see separate grid	Submission timeliness	Accountability return and HESA/ESFA submissions	Group Secretary
Condition E5	The provider must comply with guidance published by the OfS to facilitate, in co-operation with electoral registration officers, the electoral registration of students.	Regular engagement with the Students' Union	Evidence of promotion of information to students via website and other communications	September/ October	Procedures around enrolment and data are reviewed in the summer months before September enrolments commence	Submission timeliness	Accountability return and HESA/ESFA submissions	CCO
F: Information for students								
Condition F1	The provider must provide to the OfS, and publish, in the manner and form specified by the OfS, the transparency information set out in section 9 of HERA.	Planning, Performance & Assurance (PPA) Team produce and publish this data	Application and offer data	It is usually submitted in August, but the requirement has been suspended in 2020	PPA review the data and publish on the LSBU website	Students transferring and using credits	Published transparency data, HESA student and ESFA, Application data, prospectus information	CFO
Condition F2	The provider must provide to the OfS, and publish, information about its arrangements for a student to transfer.	checked internally as part of the OfS registration review	website	considered in School case meetings where cases of students who are ppotentially not progressing are reviewed	Academic regulations are reviewed annually in May at Quality and Standards Committee and Academic Board	Students transferring and using credits	Published transparency data, HESA student and ESFA, Application data, prospectus information	PVC (E)

Registration Condition		Method of monitoring	Data required to monitor	Key dates / cycle / approval	Review	Measures OfS use	Returns OfS use	Executive accountability
Condition F3	For the purpose of assisting the OfS in performing any function, or exercising any power, conferred on the OfS under any legislation, the governing body of a provider must: i. Provide the OfS, or a person nominated by the OfS, with such information as the OfS specifies at the time and in the manner and form specified. ii. Permit the OfS to verify, or arrange for the independent verification by a person nominated by the OfS of such information as the OfS specifies at the time and in the manner specified and must notify the OfS of the outcome of any independent verification at the time and in the manner and form specified. iii. Take such steps as the OfS reasonably requests to co-operate with any monitoring or investigation by the OfS, in particular, but not limited to, providing explanations or making available documents to the OfS or a person nominated by it or making available members of staff to meet with the OfS or a person nominated by it. The requirements in paragraphs (ii) and (iii) do not affect the generality of the requirement in paragraph (i).	Will respond as required	N/A	N/A	N/A	Students transferring and using credits	Published transparency data, HESA student and ESFA, Application data, prospectus information	Group Secretary
Condition F4	For the purposes of the designated data body (DDB)'s duties under sections 64(1) and 65(1) of HERA, the provider must provide the DDB with such information as the DDB specifies at the time and in the manner and form specified by the DDB.	Will respond as required	N/A	N/A	N/A	Students transferring and using credits	Published transparency data, HESA student and ESFA, Application data, prospectus information	PVC (E)
G: Accountability for fees and funding								
Condition G1	A provider in the Approved (fee cap) category must charge qualifying persons on qualifying courses fees that do not exceed the relevant fee limit determined by the provider's quality rating and its access and participation plan.	Annual approval of Tuition Fee Regulations by the Exec, which include prices for all student cohorts	Fees matrix attached to QL	June		Consistency in returns, payment to HESA, QAA, OfS	SLC/UCAS/ESFA data alignment	CFO

Registration Condition		Method of monitoring	Data required to monitor	Key dates / cycle / approval	Review	Measures OfS use	Returns OfS use	Executive accountability
Condition G2	The provider must comply with any terms and conditions attached to financial support received from the OfS and UK Research and Innovation (UKRI) under sections 41(1) and/or 94(2) of HERA. A breach of such terms and conditions will be a breach of this condition of registration.	41(1) Grants from the OFS require compliance reports, 94(2) Grants from UKRI are subject to end of project audit.	At the end of the grant period or via annual monitoring returns	At the end of the grant period	UKRI grants are subject to external audit. OFS grants require annual monitoring returns.	Consistency in returns, payment to HESA, QAA, OfS	SLC/UCAS/ESFA data alignment	CFO
Condition G3	The provider must pay: i. Its annual registration fee and other OfS fees in accordance with regulations made by the Secretary of State. ii. The fees charged by the designated bodies	Emails relating to payment of fee are received by a range of staff to ensure there is no single point of failure. Contact details for 20-21 have been updated	N/A	Notice of Fee received May, payment of fee due 31st July 2020		Consistency in returns, payment to HESA, QAA, OfS	SLC/UCAS/ESFA data alignment	CFO

OfS Regulatory Framework – Reportable events

A reportable event is a situation or event that materially or could materially affect a provider's form or business model and its ability to comply with the OfS conditions of registration. The table contains situations that may give rise to a reportable event. Note some temporary changes due to the pandemic have been indicated.

All potential reportable events will be reviewed by the Executive in line with the thresholds set out in the table below. All reportable events will be reported to the Group Audit and Risk Committee.

Reportable events		Action LSBU takes?	Internal approving body	Responsibility for identifying and reporting internally	How identify reportable events?	Thresholds / other comments	Position during pandemic
a.	**Short-term financial risk** – reasonably likely that liquidity will drop below 30 days at any point during a rolling three month period from the date of the report to the OfS	N	N/A	Chief Financial Officer	CFO to report to the Executive	As defined	New requirement
b.	**Cessation or suspension of delivery of higher education**, including the inability to award qualifications or credit. • No longer delivering HE to one or more groups of students • Ceasing or suspending delivery of one or more modes of study to current students • Ceasing or suspending delivery of HE to Tier 4 international students • Ceasing or suspending delivery of HE in such a way that current students who expected to complete their course in 2019/20 are unable to do so • Has lost accreditation by a PRSB because of changes in delivery as a result of the coronavirus pandemic	Y	Executive	Provost/PVC (Education)	Process would be identified by the relevant Deans and/or TQE and reported to the Executive by the Provost and PVC (E).	As defined	New requirement

Reportable events	Action LSBU takes?	Internal approving body	Responsibility for identifying and reporting internally	How identify reportable events?	Thresholds / other comments	Position during pandemic
1. **Change in circumstances** – list is not exhaustive. • Sale of the University or any part of it • Merging with another entity • Acquiring another entity • Material change in business model (i.e. FE to HE) • Change in legal status • Structural changes (i.e. establishment of JV or separating into multiple entities)	Y	Board of Governors	Deputy University Secretary	Responsible officer to update Executive	As defined.	Continues
2. **Change in ownership** – 50% plus of members own new entity	Y	Board of Governors	Deputy University Secretary	Responsible officer to update Executive	As defined	Continues
3. **Change of control** – where two or more entities or individuals by agreement or practice exercise control over the provider.	Y	Board of Governors	Deputy University Secretary	Responsible officer to update Executive	As defined	Continues
4. Becoming **aware** of **suspected or actual fraud/financial irregularity**	N	N/A	Financial Controller		~~OfS reporting threshold: report matters above £25,000 [OfS Terms & conditions of funding for HEIs] or if a senior member of staff/Board member is involved. (Advise Chair of Board and Chair of Group Audit~~	Definition of materiality amended: • Any fraud relating to the misuse of public funds • Any other financial fraud exceeding £50k in value • Any type of non-financial fraud/attempted fraud regarding which the

	Reportable events	Action LSBU takes?	Internal approving body	Responsibility for identifying and reporting internally	How identify reportable events?	Thresholds / other comments	Position during pandemic
						~~and Risk Committee, internal auditors and external auditors in line with LSBU anti-fraud policy)~~	provider determines to notify its own governing body.
5.	Becoming aware of **legal** or **court action**	N	N/A	University Solicitor		1) A senior member of staff/Board member is named; 2) the value exceeds the materiality threshold; 3) there is a significant reputational challenge	Suspended
6.	**Ceasing to provide higher education**	Y	Board of Governors	Deputy University Secretary	Responsible officer to update Executive	As defined	Continues as narrowly defined at b) above.
7.	Subject to a **regulatory investigation or sanction by other regulators** i.e. Charity Commission or Home Office.	N	N/A	University Solicitor		As defined	Suspended
8.	**Loss of accreditation** by a professional, regulatory or statutory body	N	N/A	Head of Quality		As defined	Suspended
9.	**New partnerships/termination of partnerships** that include validation or sub contractual arrangements	Y		Head of Quality		As defined. QAA definition of partnership and validation.[i]	Suspended
10.	Opening of a **new campus**	Y	Board of Governors	Vice Chancellor	Responsible officer to update Executive	Ex-SE1; international	Suspended

	Reportable events	Action LSBU takes?	Internal approving body	Responsibility for identifying and reporting internally	How identify reportable events?	Thresholds / other comments	Position during pandemic
11.	**Intended closure of:** • **Campus** • **Department** • **Subject** • **Provider**	Y	Campus - Board of Governors Dept – Provost Subject – Dean and PVC (Education) Provider – Board of Governors	Campus – Provost Dept - Head of Quality Subject – Head of Quality Provider - Provost	Proposed campus closure would be considered by the Executive in the first instance. Subject/course closure process administered by TQE Office. Reported to Academic Board for info. Change to department/division would be proposed by the relevant Dean and discussed with PPA before approval by Provost. Proposed provider closure would be considered by the Executive in the first instance.	As defined Department = Division Subject = JACS code area	Suspended; see instead condition b) above
12.	Any material event where there is a **likelihood of financial viability or sustainability implications** i.e. • Material changes in actual or forecast financial performance • Material change in gearing	Y	Board and Exec	Chief Financial Officer	Responsible officer to update Executive	~~Materiality as defined.~~ ~~Material change to student numbers defined in terms~~	Suspended; see instead condition a) above.

Reportable events		Action LSBU takes?	Internal approving body	Responsibility for identifying and reporting internally	How identify reportable events?	Thresholds / other comments	Position during pandemic
	• Material change in student numbers not included in financial forecasts • where you have a legally binding obligation of financial support underpinning its financial sustainability, a withdrawal of the obligation (including as a result of a change of ownership even when the new owner will offer a similar obligation), or a material adverse change in the counterparty's financial position or other standing that could affect its suitability as counterparty • sale of significant assets • significant redundancy programmes					~~of financial impact.~~ ~~Assets land and buildings~~	
13.	Change in Accountable Officer or Chair of governing body	Y	Board of Governors	University Secretary	Board business	As defined	Continues

[i] ~~Partnership: An arrangement between two or more organisations to deliver aspects of teaching, learning, assessment and student support. It refers to collaborative arrangements involving students and/or awards which include those involving guaranteed progression and sharing of services. Partnership arrangements may apply to the delivery of whole courses of study or to elements of courses, individual modules, or self-contained components of study. Alternative sites and contexts for learning or assessment, or specialist support, resources or facilities for learning, may be provided, for example, by organisations offering work-based or placement learning opportunities, or employers supporting employees on higher education courses where the workplace is used as a learning environment. They may operate either within the UK or transnationally and include, for example, different modes of delivery such as online, validation arrangements, franchised courses, branch campuses, multiple awards, apprenticeships and provision by 'embedded colleges' of integrated foundation courses. (QAA: https://www.qaa.ac.uk/quality-code/advice-and-guidance/partnerships#)~~
~~Validation: A process by which a degree-awarding body judges a module or programme developed and delivered by another organisation and approves it as being of an appropriate standard and quality to contribute, or lead, to one of its awards. Students normally have a direct contractual relationship with the delivery organisation. (QAA: https://www.qaa.ac.uk/docs/qaa/quality-code/chapter-b10--managing-higher-education-provision-with-others.pdf?sfvrsn=8c02f781_8)~~

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	CONFIDENTIAL
Paper title:	Data Protection breaches report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author(s):	Alice Black, Group Data Protection and Information Compliance Officer (DPO)
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The Committee is requested to note the following update on recent notifiable and non-notifiable data breaches.

Reporting Breaches of personal data

There have been six incidents involving breaches of personal data since the last meeting of the Audit Committee. One of these breaches was reported to the ICO and will be discussed in more detail in the comparison section of this report. All five breaches relate to data disclosure.

Non-reportable breaches

BR2003 - Email contained details of students changing course and was sent to a number of other students in addition to intended recipients. Email was successfully recalled from some of the students and the others were contacted to advise them of the error.

BR2004 - An attachment with a list of 3 students who had applied for the Student Retention Fund was sent to a student in error, was intended for staff member with same surname. Recipient was asked to delete the data

BR2006 - Sender did not delete details of previous student before reusing COVID-19 hardship fund template to send to another student. Breach was flagged by recipient and staff member was able to discuss with them and contain the breach.

BR2007 – Student was sent a PDF which detailed the grades, student IDS and full names for all students enrolled in the module rather than just their own grade. Error was detected by LSBU staff and student has confirmed the PDF was not shared and has now been deleted.

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BR2008 – Staff member was sent a probation review letter intended for another member of staff with the same surname. Email was generated via HR topdesk. . Probation letter did not contain details of any performance review except that probation was passed, staff member's full name and postal address were in the letter. Staff member advised they had received in error and have now deleted.

Reportable breaches

BR2005 – An administrator in the international office sent an email intended for a colleague to a student in error. Attached to the email was an excel spreadsheet containing a number of data sets for 2000 students. This included full names, personal email addresses, postal addresses, nationality, Visa status. It did not include and financial or special category data. Due to the volume of data involved and the inability to make contact with the recipient within the reporting time scale this breach met the threshold and was reported to the ICO. Once the report had been submitted LSBU were able to contact the student to discuss and the email with the attachment has been removed from the student's mailbox. The ICO responded to the breach in May 2020 and have advised that they will not be taking any further action. A summary of their decision and the recommendations they made has been included in the comparison below.

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Reportable Breach Comparison

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In 2020 there has been two reportable breaches at LSBU, below is a comparison between the two.

	BR 2001	**BR 2005**
Date of Incident	January 2020	April 2020
Number of Students Effected	719	1999
Originating Area	Student Engagement	International
Data Sets	Name, email, student ID, DDS adjustments	Name, student ID, personal & LSBU email, postal address, phone number, gender, nationality, date of birth, VISA status and dates
Special Category data included?	Yes – DDS	No
Reported to the ICO and date	Yes – 16/01/2020	Yes – 29/04/2020
Summary of the breach	Staff member emailed spreadsheet containing detail of DDE adjustments for exams to a student rather than a colleague	Staff member emailed spreadsheet containing details of international students Visa status to student rather than a colleague
Summary of remedial action	Student was contacted and asked to delete email and	Student was difficult to contact initially, despite emails sent to

taken to mitigate risk	spreadsheet. They confirmed they had done this and also removed from deleted items.	both LSBU and personal addresses. Student was reached by phone and advised did not receive the email. IT accessed account and deleted the email from inbox and deleted items.
ICO decision and date	No further action – 22/01/2020	No further action – 19/05/2020
ICO recommendations	- If you do have the auto-fill function turned on in your emails, we recommend turning it off to avoid data being sent to the wrong recipient. - Review the content and delivery of your data protection training to ensure that all staff are aware of the need to double check the content and recipients of an email before sending it. Training should be interactive, role specific and contain practical examples. This incident, suitable redacted, would make a useful training tool. - When sending password protected files, we advise that you send the password by another means such as SMS or a telephone call.	Ensuring robust mechanisms are in place and adhered to by all staff when processing personal information. • Taking a lessons learned approach to ensure the security of all the personal information you process and store, and use clear naming conventions for all documentation stored to help prevent potential mistakes. • Using password protection or encryption on attachments to prevent disclosure, if documents are inadvertently incorrectly attached, and disabling Autocomplete on your email client, if used. • If not already done so, obtaining a written undertaking from the recipient, that they have deleted all instances of the email and not copied or further disseminated the information. • Reviewing your risk assessment with regards to the affected data subjects for a period of time, to ensure any potential

		detriment is not caused by the breach. • Practical role specific refresher data protection training should be carried out biennially, to ensure staff are aware of their responsibilities for securing the personal information they process and store. • This breach, suitably redacted, could be used as training to help staff understand the impact of not taking appropriate measures to ensure the security of the personal information they process and store.
Remedial action taken to prevent future incidents	• ICO recommendations fed back to student services • Student Engagement team confirmed they would be using password protection and distribution lists to reduce risk of reoccurrence	• Guidance added to staff intranet around data sharing practices and remote working. This highlighted issues such as password protection, using one drive rather than email, checking recipient data • Communications sent via staff newsletter and locally via Deans and Directors highlighting the new guidance • Cyber security training launched and made mandatory for all staff. Staff asked to complete new module and redo Data Protection training module • Additional training requirements for high risk areas being reviewed.

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		• Autofill function on email being reviewed and consideration being given to distinguishing staff and student emails more clearly in address finder.

Recommendations:

The Committee is requested to note this paper.

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	INTERNAL
Paper title:	Group speak up report
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note the speak up report

Speak Up report

One speak up case was raised since the last meeting from a student. The student was advised that the student complaints procedure was a more appropriate channel for resolving his complaint. The student is unwilling to use this channel and has appealed the decision not to conduct an investigation through speak up.

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Paper title:	Committee business plan, 2020/21
Board/Committee	Group Audit and Risk Committee
Date of meeting:	18 June 2020
Author:	Kerry Johnson, Governance Officer
Sponsor:	Duncan Brown, Chair of the Committee
Purpose:	To inform the committee of its annual business plan
Recommendation:	To note the committee's annual business plan

Group Audit and Risk Committee Business Plan

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

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

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

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

	Oct	Nov	Feb	June
Anti-bribery policy review				x
Audit Committee Annual Report to Board		x		
Audit Committee business plan	x	x	x	x
Membership and Terms of Reference - approve	x			
Speak up report	x	x	x	x
Speak up policy review			x	
Annual Report and Accounts		x		
Anti-fraud policy review				x
Anti-fraud, bribery and corruption report	x	x	x	x
Data assurance report	x			
Debt write off - annual				x
Draft public benefit statement		x		
Draft corporate governance statement		x		
External audit findings		x		
External audit letter of representation		x		
External audit management letter		x		
External audit performance against KPI's		x		
External audit plan				x
External auditors - non-audit services		x		

Finance and Management Information (FMI) structure and leadership team	x			
GDPR compliance	x			
Internal audit annual report	x (draft)	x (final)		
Internal audit plan - approval				x
Internal audit progress reports	x	x	x	x
Internal audit reports (inc continuous audit)	x	x	x	x
Internal Controls - review		x		
Pensions assumptions	x			
Corporate Risk	x	x	x	x
Risk strategy and appetite				x
Going concern statement		x		
TRAC return to OfS - (by email in Jan)			x	
TRAC(T) return to OfS (by email in Feb)			x	
Value for money report, annual	x			
Modern slavery act statement		x		
Prevent annual return		x		
OfS reportable events	x	x	x	x

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