

Meeting of the Audit Committee

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

**Pre meeting with the auditors at 3.30pm in 1B16, Technopark*

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
1.	Welcome and apologies		DB
2.	Declarations of interest		DB
3.	Minutes of the previous meeting	3 - 8	DB
4.	Matters arising	9 - 10	DB
	<ul style="list-style-type: none"> • Update on Group Audit Committee 		
External audit			
5.	External audit progress report	11 - 16	FN
6.	Draft Group external audit plan	17 - 46	NF
Internal audit			
7.	Internal audit progress report (PwC)	47 - 68	JM
8.	Continuous audit phase 2 audit report (PwC)	69 - 70	JM
9.	Procurement audit report (PwC)	71 - 94	JM
10.	GDPR plan review (PwC)	95 - 122	JM
11.	SBA follow up (PwC)	123 - 124	JM
12.	Draft Group internal audit strategy (BDO)	125 - 154	RF
Risk and control			
13.	Corporate Risk	155 - 164	RF
Items to approve			
14.	LSBU TRAC (T) return	<i>To Follow</i>	RF
15.	Annual LSBU debt write-off	165 - 166	RF
16.	Anti-Fraud Policy review	167 - 176	NF
17.	Re-appointment of external auditors for SBA	177 - 180	RF

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
Items to note			
18.	Apprenticeships Ofsted report	181 - 198	DP
19.	Anti-fraud, bribery and corruption report	199 - 200	NF
20.	Speak up report	201 - 202	JS
21.	Prevent monitoring OfS response	203 - 206	DP
22.	PwC Risk Benchmarking report	207 - 208	JS
23.	Group Audit committee business plan	209 - 214	JS
24.	Matters to report to the LSBU Board following the meeting		JS

**Date of next meeting
4.00 pm on Tuesday, 1 October 2019**

Members: Duncan Brown (Chair), Steve Balmont, John Cole, Mee Ling Ng and Rob Orr

Apologies: Mark Lemmon

In attendance: David Phoenix, Natalie Ferer, Richard Flatman, James Stevenson and Askari Jafri

PwC: Justin Martin and Amy Chiu

KMPG: Fleur Nieboer and Jack Stapleton

BDO: Ruth Ireland and Gemma Wright

Appendices (see supp):

- PwC internal audit reports:
 - Continuous audit phase 2 audit report
 - SBA follow up
- PwC risk benchmarking report

**Minutes of the meeting of the Audit Committee
held at 4.00 pm on Tuesday, 5 February 2019
1B16 - Technopark, SE1 6LN**

Present

Duncan Brown (Chair)
Steve Balmont
Shachi Blakemore
Mee Ling Ng
Rob Orr

In attendance

David Phoenix
Natalie Ferer
Richard Flatman
Paul Ivey
James Stevenson
Askari Jafri
Justin Martin (PwC)
Amy Chiu (PwC)
Fleur Nieboer (KPMG)
Jack Stapleton (KPMG)

1. Welcome and apologies

The Chair welcomed members to the meeting. No apologies had been received.

The Chair welcomed Rob Orr to his first meeting as a co-opted member of the committee.

The committee agreed to discuss the SBA external audit report immediately after its discussion on the SBA internal audit report.

2. Declarations of interest

Mee Ling Ng declared an interest in the Lambeth College audit arrangements (minute 19 below) due to her appointment on the South Bank Colleges Board. The committee confirmed Ms Ng's declaration to be a standing item for future committee meetings.

David Phoenix declared an interest in Lambeth College audit arrangements (minute 19 below) due to his roles as both director of South Bank College and Accounting Officer.

Shachi Blakemore declared an interest in Lambeth College audit arrangements (minute 19 below) as her firm (Buzacott) has audited Lambeth College accounts in the past.

Richard Flatman and James Stevenson declared an interest in the SBA internal audit and external audit reports (minutes 6 and 7 below) due to their current roles as directors of the Multi Academy Trust (MAT).

3. Minutes of the previous meeting

The committee approved the minutes of the meeting of 8 November 2018 with minor amendments.

4. Matters arising

The committee noted the matters arising. The outstanding action relating to ICT risk diagnostic is linked to the work being undertaken on the LEAP project and is scheduled to be completed in March 2019.

5. Internal audit progress report

The committee discussed the internal audit progress report from PricewaterhouseCoopers (PwC).

The committee noted the internal auditors had completed 46% of the internal audit plan and a further update will be provided at the June 2019 meeting. PwC confirmed the current 50% implementation rate is a challenge and revised completion dates were noted. In addition, Professor Ivey provided an update on the 3 outstanding actions in relation to International Partnership arrangements.

PwC confirmed that it would provide the annual assurance update for the September 2019 meeting.

6. SBA internal audit report

The committee discussed the South Bank Academies (SBA) internal audit report for 2018/19. The Vice Chancellor explained the capability challenges faced by SBA in previous financial years. The committee noted various legacy issues had contributed to the high risk finding in the report. The change of management structure and the appointment of a new senior business manager are addressing these issues.

The committee queried its role in the oversight of SBA's internal audit, noting that LSBU is a sponsor and member of SBA and that SBA has an independent board of directors and its own audit committee. The committee noted that the report had been included on this agenda for the purpose of transparency and because of the potential reputational risk to LSBU.

The committee considered the risk of the SBA business manager leaving their post and it was confirmed there are plans in place to ensure more than one individual has oversight over an area.

The committee expressed its concern about the number of high risk findings, noting 12 actions out of 21 have been implemented. The committee requested an update on progress from SBA's audit committee in implementing the remaining actions at its next meeting.

7. SBA external audit report

The committee discussed and noted the report, further to the wider discussion in minute 6.

The committee noted the progress of the SBA external audit and it was confirmed 9 out of 14 actions have been implemented to date.

Professor Ivey left the meeting.

8. External audit progress report

The committee noted the external audit progress report from KPMG following conclusion of the 2017/18 audit. Updates on the Statement of Recommended Practice (SoRP) 2019 were noted.

The committee noted the potential future financial accounting challenges regarding the changes to accounting for leases.

9. Corporate Risk

The committee noted the corporate risk register.

The committee noted the work to align the risk and corporate planning process currently underway and an update will be provided for the next meeting in June 2019.

10. Brexit risk register

The committee discussed the "no deal" Brexit risk register and the potential impact of Brexit on the University and current actions at an operational level.

The executive would consider the potential impact on assumptions in the 5 year plan.

11. Data assurance report

The committee noted the external return assurance processes and data quality governance processes as outlined in the report.

The committee noted all external returns now have detailed formal processes and good progress has been made on the data quality governance processes with the future challenge being incorporating cross-institutional processes.

The planning team would now assess the processes for returns in both MAT returns and Lambeth College/SBC.

12. Financial Regulations

The committee noted and approved the changes to the Financial Regulations.

The committee noted the £50k figure stipulated under section 12.4 relates to the point Procurement is engaged.

13. TRAC return to the OfS

The committee noted the yearly TRAC return and the submission to the OfS, with no significant variation compared with previous year.

The committee ratified the TRAC return, subject to Shachi Blakemore's confirmation of review.

14. FMI Structure and leadership team

The committee noted the current Finance and Management Information (FMI) structure. The committee further noted the changed structure with Ralph Sanders and Natalie Ferer taking on operational responsibility for leadership of FMI.

The committee noted the impending departure of the Director of Procurement. PwC asked for internal audit to be included in the FMI structure and it was agreed this will be incorporated with Natalie Ferer to coordinate.

15. GDPR compliance update

The committee noted the update on compliance with GDPR, including the focus on data-sharing within different entities in the Group as well as the reported breaches to the ICO.

The committee noted that work in compliance with GDPR continues according to the action plan agreed by the executive. An update will be provided for the meeting in June 2019.

PwC confirmed that an aspect of GDPR compliance would be added to the next internal audit work plan.

16. Anti-fraud, bribery and corruption report

The committee noted that there were no incidents reported.

17. Speak up report

The committee noted the speak up report, with confirmation no new speak up issues have been raised. The committee requested confirmation on reporting of safeguarding issues, including Prevent.

18. Audit committee business plan

The committee noted the plan and requested a rolling 12 month business plan in the future. It was further noted Group reporting will be reviewed as part of the Governance Effectiveness Review in the first half of 2019.

Justin Martin, Amy Chiu, Fleur Nieboer and Jack Stapleton left the meeting.

19. Lambeth College Audit Arrangements

The committee discussed the proposed appointment by LSBU (as member) of KPMG LLP as external auditors for the accounts of Lambeth College up to 31 January 2019 (the date of dissolution of the FE Corporation and transfer of undertakings to SBC).

The committee noted the £1m liability cap referred to in the letter of engagement and asked for clarification. The committee approved the appointment of KPMG, subject to confirmation on the liability cap.

20. Appointment of Internal Auditors (to recommend to the Board)

The committee approved the recommendation to the Board for the appointment of BDO as the new internal auditors of LSBU Group.

The committee noted their thanks to Duncan Brown and Steve Balmont for their help in the appointment process.

21. Any other business

The committee noted that this would be Shachi Blakemore's final audit committee meeting as she is due to stand down as a governor in March 2019. The committee thanked Ms Blakemore for her valuable contributions to the committee over the past 4 years and wished her well for the future.

No further issues were raised.

22. Matters to report to the Board following the meeting

The committee noted the matters to report to the Board are:

- A summary of SBA to report further actions required
- Lambeth College audit arrangements
- Appointment of internal auditors.

Date of next meeting

4.00 pm, on Thursday, 13 June 2019

Confirmed as a true record

..... (Chair)

**AUDIT COMMITTEE - TUESDAY, 5 FEBRUARY 2019
ACTION SHEET**

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
5.	Internal audit progress report	Further update on the Internal audit progress report	13 Jun 2019	Justin Martin	Agenda item for the June 2019 meeting
		Annual assurance update report	13 Jun 2019	Justin Martin	Agenda item for the June 2019 meeting
6.	SBA internal audit report	Update on progress from SBA's audit committee in implementing the remaining actions	13 Jun 2019	Richard Flatman	Agenda item for the June 2019 meeting
9.	Corporate Risk	Update on work to align the risk and corporate planning process	13 Jun 2019	Richard Flatman	Agenda item for the June 2019 meeting
14.	FMI Structure and leadership team	Inclusion of internal audit function in the FMI structure	13 Jun 2019	Natalie Ferer	Completed
15.	GDPR compliance update	GDPR update	13 Jun 2019	James Stevenson	Agenda item for the June 2019 meeting

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
17.	Speak up report	Confirmation on reporting of safeguarding issues, including Prevent	13 Jun 2019	David Phoenix	Verbal update at the June 2019 meeting
18.	Audit committee business plan	A rolling 12 month business plan for the Audit Committee	13 Jun 2019	James Stevenson	Agenda item for the June 2019 meeting
19.	Lambeth College Audit Arrangements	Clarification of liability cap	13 Jun 2019	Natalie Ferer	Verbal confirmation at the June 2019 meeting

Agenda Item 5

	CONFIDENTIAL
Paper title:	KPMG External Audit progress report
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	KPMG
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Recommendation:	The Executive is requested to note the report

Recommendation

The Committee is requested to note this report.

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Progress Report and Technical Update

London South Bank University
External Audit 2018-19
June 2019

External Audit Progress Report – June 2019

Since the last Audit Committee on 5 February we have...

- Completed the audit of the final six month period of Lambeth College. We will present the findings of the audit to the South Bank Colleges Audit Committee on 11 June, and have debriefed the results of the audit with management at South Bank Colleges and London South Bank University.
- Met with management to agree the timing of our interim and final audit visits for the group; and
- Completed our planning procedures and prepared our group Audit Plan for 2018/19, which is presented as a separate paper to this meeting.

Ahead of the next meeting of the Audit Committee on 1 October we will have...

- Signed the opinion for the audit of the final period of Lambeth College;
- Completed our interim audit visit for the group;
- Commenced our final fieldwork for the group; and
- Shared our risk register benchmarking exercise for 2018/19.

Actions arising from this report

We ask the Audit Committee to:

- **NOTE** this progress report; and
- **APPROVE** our audit plan.

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Financial sustainability of higher education providers in England	KPMG Insight
<p>On 4 April 2019 the OfS published a report on the aggregate position of higher education providers for current trends in financial performance and financial forecasts for the next four years. The OfS concludes that the sector is currently in reasonable financial health, but there are considerable variations in performance between providers. Provider forecasts indicate a general weakening of financial performance over the next 12 months with improvements thereafter.</p> <p>Most providers are assuming growth in total student numbers, with 122 (out of 183) projecting increases in total student numbers of more than five per cent over the next four years. The majority of these providers are not reliant on growth in student numbers for financial sustainability, but would need to reduce their costs if targets are not met.</p> <p>The combined assumptions predict a 20.7% growth in the overseas student population in the next five years, and an increase in revenues from these students by £1.7bn. This is in line with the Government's education strategy, which is aimed at supporting the sector increase the number of overseas students.</p> <p>Uncertainties for higher education institutions include Brexit, changes following the publication of the Augur review, and a decline in the 18 year old UK population to 2020. This means that providers will need to be flexible to adapt to a changing environment.</p> <p>Providers also continue to experience cost pressures, particularly following recent valuations of large multi-employer pension schemes. It is therefore important that forecasts and assumptions have been appropriately stress tested, and that contingency plans are in place should financial performance start to worsen.</p>	<p>As part of LSBU's registration with the OfS, all higher education providers are required to demonstrate that they are financially viable and sustainable.</p> <p>LSBU has a history of stable financial performance but should consider its forecasts in the context of the wider sector and assess whether student recruitment assumptions are appropriately robust.</p>
How safe is your data?	KPMG Insight
<p>The Higher Education Policy Institute (HEPI) has published a policy note which encourages providers to consider how safe their data is, following major data breaches in other sectors.</p> <p>In Spring 2018 a survey of information technology and cyber security staff in 173 higher education institutions revealed that only 15% of IT and security staff scored their organisation as 8 or more on a scale where one means 'Not at all well protected' and 10 means 'Very well protected: comprehensive controls in place'. The reasons for their scores included a lack of sufficient investment, a lack of dedicated staff and a lack of policies.</p> <p>Key questions that organisations should be asking to ensure they are appropriately protected are:</p> <ul style="list-style-type: none"> • Where is data stored? • Who has access to data? • Are systems patched and up to date? • Are regular vulnerability scans performed as part of a vulnerability management policy? • Are staff and students trained in information security awareness, to help them spot fraudulent e-mails, to know how to look after their data and how to report when things go wrong? • Is there an incident response plan in place? • Who should be contacted when additional help or guidance is needed? • Do attack monitoring and mitigation systems cover the right cyber security risks? • Is the network provider mitigating denial of service attacks, which could bring down the network? 	<p>LSBU should consider whether it has appropriate sight of all of the data that it holds and whether the controls in place to protect that data are appropriate, in line with the questions posed by HEPI.</p>



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Agenda Item 6

	CONFIDENTIAL
Paper title:	Draft Group External Audit Plan
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	Natalie Ferer, Group Financial Controller
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To present the LSBU group for 2018/19
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial performance and statutory financial reporting
Recommendation:	Approve the group audit plan for 2018/19

Summary

Draft audit plans have been received from both KPMG and Kingston Smith. The Group audit plan is presented by KPMG at this meeting. Fees for the proportion of KPMG's work relating to the audit of South Bank Colleges and its consolidation into the group accounts has not yet been agreed as is shown as £tbc on page 24 of the draft plan.

The draft plan for the audit of South Bank Academies is not yet ready and will be presented to the SBA audit committee on 26th June. A separate paper requests that the Committee notes the reappointment of Kingston Smith as external auditors for South Bank Academies.

Company	Year end	Audit firm	Audit plan
London South Bank University	31 st July	KPMG	LSBU and its subsidiaries
SBUEL			
South Bank Colleges			
SW4			
South Bank Academies	31 st August	Kingston Smith	South Bank Academies

Recommendation

The committee is asked to:

- Approve the LSBU audit plan prepared by KPMG
- Note group arrangements for the 2018/19 year end process.



External Audit Plan 2018-19

London South Bank University

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May 2019

Key contacts

Your key contacts in connection with this report are:

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To the Audit Committee of London South Bank University

The main purpose of our audit, which is carried out in accordance with International Standards on Auditing (ISAs) issued by the Auditing Practices Board, is to issue a report to the Board of Governors 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 2019 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 and the Companies Act 2006.
- Page 21
- meet the requirements of Accounts Direction to higher education institutions for 2018/19 financial statements issued by the Office for Students.
- We also express our opinion on other matters prescribed in the Office for Students and Research England Audit Codes of Practice issued under the F&HE Act 1992, as to whether:
- 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 Association; and
 - funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them.

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. Some of the ways in which we drive audit quality are demonstrated throughout our report and include:



Subsidiaries and other work

We will also report individually on the University's subsidiary entities:

- South Bank Colleges (and its subsidiary, SW4 Catering Limited); and
- South Bank University Enterprises Ltd.

During the course of the year our tax colleagues have been engaged to perform some services for the University. We have closely monitored this additional work to ensure it does not impact on our audit independence. Further details of this work can be found on page 21.

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		
Consolidation of South Bank Colleges	↗ New	Page 7
Valuation of the LGPS net pension liability	◀▶ Stable	Page 8
Revenue recognition	◀▶ Stable	Page 9
Management override of control	◀▶ Stable	Page 11
Carrying value of land and buildings	◀▶ Stable	Page 12
Other areas of focus		
Going concern	◀▶ Stable	Page 13
Use of funds	◀▶ Stable	Page 14

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Scope



Materiality
£2.3m

Page 5



Reporting threshold
£145k

Page 5



Standards and requirements: There are no changes to the HE/FE SORP or FRS 102 that are required to be adopted for the 2018-19 accounts. Updates introduced to the SORP through the triennial update to FRS 102 have been published and will be required to be adopted for 2019-20. The University may early adopt if it wishes. The primary areas likely to impact the university are in relation to classification of investment properties that have a mixed use and gift aid payments made by subsidiaries to the University. The amendment for gift aid payments can be early adopted alone if the University wishes.



Total group revenue

£157.7m*

*figure estimated by audit team

Total University revenue

£145.3m

(2017/18: £144.5m)



Group materiality

£3.1m

2% of revenue

University materiality

£2.9m

2% of revenue

(2017/18: £2.8m, 2% of revenue)



£145k (Group and University)

Misstatements reported to the Audit Committee (2017/18: £144k)

**Group: £2.3m
University: £2.1m**

Procedure designed to detect individual errors at this level (2017/18: £2.1m)

**£3.1m
£2.9m**

Materiality for the financial statements as a whole (2017/18: £2.8m)

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.

We will report:



Corrected audit misstatements



Uncorrected audit misstatements over £145k



Errors and omissions in disclosure (Corrected and uncorrected)

Group materiality vs other metrics

	2018/19	2017/18
Total expenditure	2.0%	2%
Net assets	2.6%	2.6%



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.

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Audit Risk

- H** Higher
- M** Moderate
- L** Low

Year on year movement

- ▲** Increased
- ◀▶** Same
- ▼** Decreased
- ↗** New

Relevant factors affecting our risk assessment

Group and University significant audit risks		Size	Complexity	External scrutiny	Susceptibility to fraud/error
1	Consolidation of South Bank Colleges	H ↗	H ↗	H ↗	M ↗
2	Valuation of the LGPS net pension liability	H ◀▶	H ◀▶	H ◀▶	M ◀▶
3	Revenue recognition	H ◀▶	M ◀▶	H ◀▶	H ◀▶
4	Management override of control	M ◀▶	M ◀▶	M ◀▶	H ◀▶
5	Carrying value of land and buildings	H ◀▶	H ◀▶	M ◀▶	H ◀▶
Group and University other areas of focus					
6	Going concern	M ▲	H ▲	H ▲	H ▲
7	Use of funds	L ◀▶	L ◀▶	M ◀▶	L ◀▶

Group Audit Scope

The Group is made up of the University as the parent company, its trading subsidiaries and dormant entities. South Bank Colleges is considered to be financially significant to the group.



1 Consolidation of South Bank Colleges

Significant audit risk

Lambeth College was a further education college based in south London that turned over approximately £25m per year. In recent years it had experienced financial difficulty, leading to cumulative losses of £21.9m in the previous three full financial years. In order to improve financial performance the College agreed to merge with a suitable partner, which was identified as London South Bank University.

At the beginning of the year LSBU set up a new subsidiary, South Bank Colleges. On 31 January Lambeth College dissolved as an entity and its operations transferred to South Bank Colleges, which continues to operate as a wholly owned subsidiary of London South Bank University. London South Bank University has received grant funding from the Department for Education Transaction Unit to support the forecast losses of the College over the next three years whilst its operations are turned around.

This presents several audit risks; such as;

- The transfer of the College's assets and liabilities to South Bank Colleges;
- The consolidation of South Bank Colleges in the Group London South Bank University accounts;
- The accounting treatment of specific transactions, such as the funding granted by the Transaction Unit and the loan novated to LSBU from Lambeth College.

Planned response

We will perform the following procedures:

- Evaluate the completeness, accuracy and valuation of assets and liabilities transferred from Lambeth College. This will include assessing the valuation of fixed assets that are transferred to the College, for which we will involve a valuation specialist if required. We have completed the audit of the College's final six month period which will assist with this procedure.
- Review the consolidation of South Bank Colleges accounts into the accounts. This will include reviewing the treatment of intra-group transactions and the disclosure of related party transactions.
- We will review the accuracy and presentation of the loan funding granted by the Transaction Unit and the loan agreement with Barclays. We have the accounting treatment of both transactions with management during the transition.



2 Valuation of the local government pension scheme net liability

Significant audit risk

LPSBU participates in three multi-employer defined benefit pension schemes – the Teachers’ Pension Scheme (TPS); London Government Pension Scheme (LGPS); and the Universities Superannuation scheme (USS). The total value of the pension deficit in 2017/18 was £100.7m. Lambeth College had members in both the USS, LGPS and TPS schemes, and had a total pension liability of £18.8m on dissolution.

It is important that the assumptions included within the valuation of the schemes reflect the profile of the University employees, and are based on most recent actuarial valuation. It is also important that assumptions are derived on a consistent basis year to year.

The valuation of the liability relating to the USS is on-going pending finalisation of the new recovery plan, and therefore the basis of the calculation of the liability is subject to change.

Full valuations are undertaken on a triennial basis. The last full valuation was undertaken as at 31 March 2016. For intervening periods an interim valuation is prepared by the scheme actuaries to update the assumptions on which the valuation is based. This is therefore the last year that the 31 March 2016 valuation will be utilised for determining the net pension liability and the 31 March 2019 valuation will be incorporated from 31 July 2020 onwards.

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 Group 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;
- Assess the appropriateness of assumptions used to determine the University’s share of the overall LGPS assets; and
- Review the actuarial valuation and consider the disclosure implications in the financial statements.



3 Fraud risk from revenue recognition

Significant audit 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 (LSBU 2017/18: £106.5m)

There is a risk of fraud and error associated with the recognition of tuition fee and education contract income, which represents approximately three quarters of total income. In particular, this includes income and cash recognition for deposits paid by overseas students and courses that run across the year end. The level of tuition fees received by South Bank Colleges is likely to be immaterial at the Group level.

Funding council income (LSBU 2017-18: £16.5m)

There is generally limited scope for fraudulent revenue recognition for grant income from the Office for Students as the University receives an annual confirmation of the funding to be made available and the amount disbursed during the year. Lambeth College receives approx. £8.4m of funding from the ESFA on an annual basis. We therefore rebut the assumption of a significant risk of fraudulent revenue recognition.

Planned response

Tuition fee income

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 we will remain alert to indications of fraud during the course of the audit. We will agree the income received to the notification from the Office for Students and the ESFA and verify the amount received to cash receipts.



Significant audit risk

Other operating income (LSBU 2017-18: £17.7m)

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.

Research grants and contracts (Group 2017-18: £3.7m)

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.

Investment income (2017/18: £179k) and Donations and endowments (2017/18: £596k) are immaterial to the Group financial statements.

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Planned response

Continued from page 9...

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.

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.



4 Management override of control

Significant audit 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.

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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 analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals prepared at the end of the year impacting on overall financial performance.

We will also 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 University'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.



5 Carrying value of land and buildings

Significant audit risk

At 31 July 2018 the University had £217.8m of fixed assets, £189.0m of which is land and buildings. 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 estate, together with a risk around the treatment of repair and refurbishment costs. The asset valuation and impairment review processes are both estimates and therefore present a higher level of risk to the audit.

The Group has also inherited two sites (at Vauxhall and Clapham Common) from the transfer of operations of Lambeth College. The closing value of these assets at deemed cost at the time of the transfer was £77.9m.

The University has a capital plan to refurbish its London Road, Technopark and Perry Library sites and completing the St. George's Quarter development. The plan will take place in three phases, the first of which will result in £80m of capital spend, split across the refurbishment of London Road (£15m) and Project Leap, which is a £15m upgrade and improvement project for the student records system.

Planned response

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

- Review the carrying value of the land and buildings transferred from Lambeth College to South Bank Colleges, and assess whether they have been incorporated into LSBU's Fixed Asset Register;
- Vouch the accuracy of any capital additions in the year to supporting documentation;
- Review the controls for fixed asset procurement;
- Review the appropriateness of the useful economic lives for a sample of assets and any impairments identified by the University, and recalculate the depreciation figure as stated in the accounts;
- Review the reconciliation that takes place between the University's fixed asset register and general ledger; and
- Consider the process for capitalising expenditure and review a sample of capitalised assets to assess whether they have been appropriately capitalised (specifically focussing on the St George's Quarter development).



6 Going concern

Other areas of focus

The University's budget for 2018-19 indicated that the University was forecasting a surplus of £1.5 million for the year-ending 31 July 2019.

Despite shortfalls in full time undergraduate student recruitment against target, management are still forecast to achieve their budgeted surplus due to increases in overseas student recruitment and reductions in staff costs. At February 2019 the University was on track to exceed this by £0.1m.

Following the transfer of operations from Lambeth College the Group has inherited a component that has struggled financially in previous years. The University has secured funding to mitigate these losses and has developed a three year financial plan to improve the financial performance of the College in the medium term.

The University also continues to maintain healthy cash reserves and continues to monitor their working capital requirements based on their development and organisational needs.

There are also a number of uncertainties that could impact the University's future financial performance, including the impact of Brexit on student and staff recruitment and the outcomes of the Augar review, which could lead to a proposal to reduce the fees that higher education institutions are able to charge.

Planned response

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;
- Ahead of signing the yearend accounts we will assess the University's actual 2019/20 student numbers against plan, as well as assessing medium and long term forecast financial performance for the Group (including South Bank Colleges);
- An assessment of the disclosures required in the financial statements of the University in respect of going concern.
- An assessment of whether that the University has complied with bank covenants in the year and is forecast to comply based on the future forecasts.

We will also consider any announcements coming out of the Augar review and how the University reflects these in its forecasts. We will consider the impact of the UK exiting the European Union and the impact this has had and is likely to have on the University's future student numbers and income.

At the time of preparing this plan, there have been no issues identified that would suggest that the University would not be able to continue to operate as a going concern.



Scepticism



Challenge

7 Use of funds

Other areas of focus

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

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Planned response

Our audit of regularity 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 regularity audit will be to obtain a sufficient understanding of the framework under which the University 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 that the accounting presentation and disclosure conforms to applicable statutory and other requirements.

We have developed a regularity programme to ensure compliance with OfS 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).



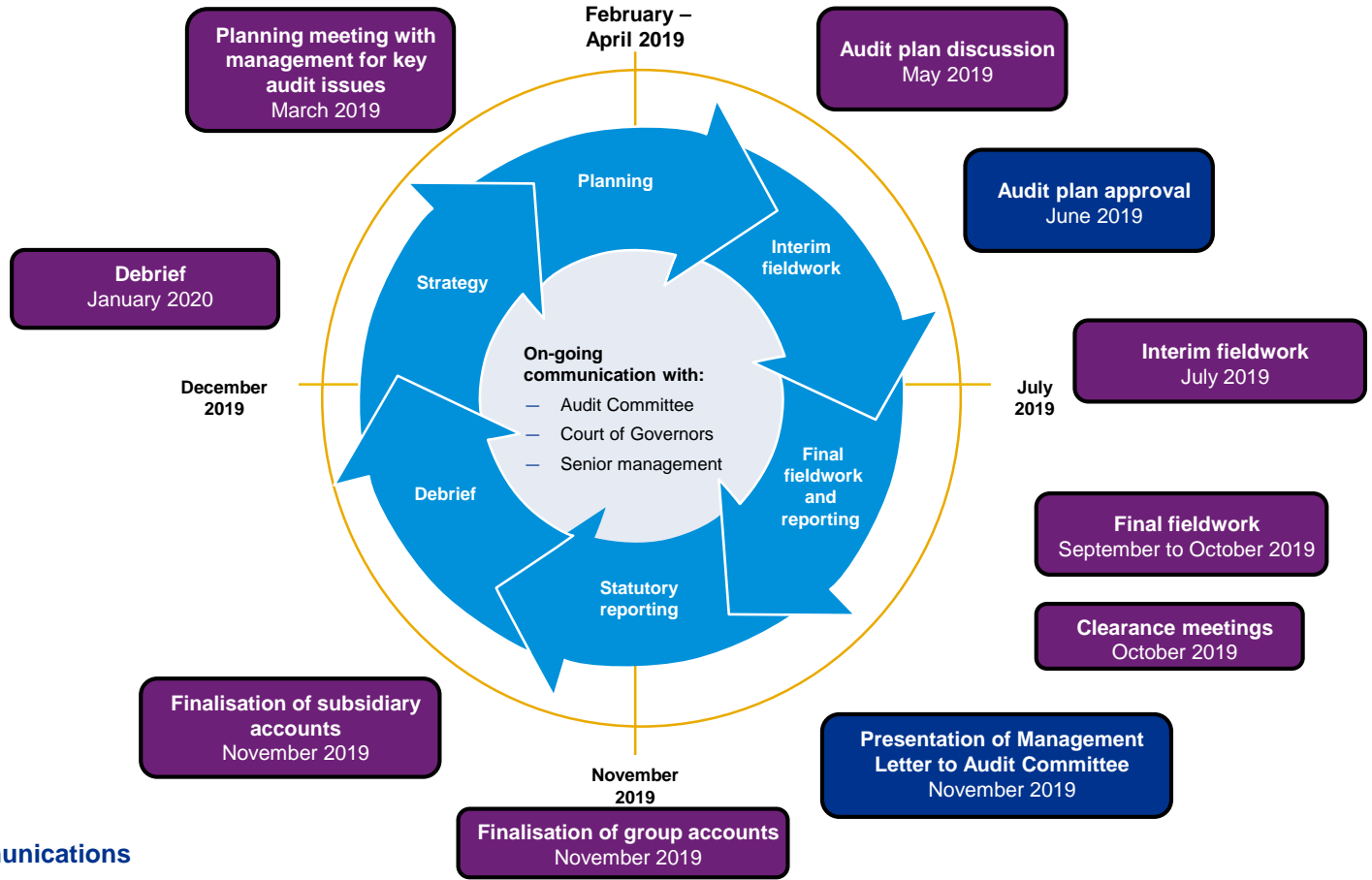
Entity	Reporting framework	Materiality	Significant risks
South Bank Colleges	South Bank Colleges is required to produce accounts in line with the Post-16 Audit Code of Practice and the HE/FE SORP.	<p>We have determined an appropriate level of materiality for our audit of SBUEL using income as the most relevant measure.</p> <p>We expect our materiality to be £200k and will report all audit differences over £10,000.</p>	<p>We have identified the following key areas of risk associated with our audit of these financial statements:</p> <ul style="list-style-type: none"> — Transfer of assets and liabilities from Lambeth College; — Valuation of the pension scheme liability; — Going concern; — Income and revenue recognition; and — Management override of control.
W4 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.	<p>We have determined an appropriate level of materiality for our audit of the subsidiary, using profit before tax from the 2017-18 accounts as our benchmark.</p> <p>Materiality has been set at £8,000 which is approximately 2% of revenue per the 2017/18 audited financial statements.</p> <p>We will design our procedures to detect individual errors above £6,000. We will report individual errors identified above £400.</p>	<p>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.</p> <p>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.</p> <p>No other significant risks have been identified.</p>
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 2019.	<p>We have determined an appropriate level of materiality for our audit of SBUEL using income as the most relevant measure.</p> <p>We expect our materiality to be £50,000 and will report all audit differences over £2,500.</p>	<p>We have identified the following key areas of risk associated with our audit of these financial statements:</p> <ul style="list-style-type: none"> — Income and revenue recognition; and — Management override of control.

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Our 2018/19 audit cycle

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Key Events
 Timing of AC communications



No surprises Dialogue

Continuous communication by lead engagement partner and senior manager throughout audit

Meeting	Deliverable	Purpose	Meeting participants	Timing
Planning				
Kick-off meeting with management	Draft audit plan	<ul style="list-style-type: none"> Communicate materiality and group audit scoping assessments Outline audit approach Confirm plan with management 	<ul style="list-style-type: none"> Group Chief Financial Officer, Group Financial Controller and Head of Financial Accounts. Engagement partner and senior manager 	May 2019
Audit Committee Meeting	Audit plan	<ul style="list-style-type: none"> Communicate materiality and group audit scoping assessments Outline audit approach Confirm plan with Audit and Compliance Committee 	<ul style="list-style-type: none"> Audit Committee Engagement partner and senior manager 	June 2019
Interim and Year end audit				
Status meetings with management	Audit updates	<ul style="list-style-type: none"> Evaluate how both KPMG and London South Bank University are progressing with the audit plan Communicate audit misstatements and control deficiencies (if any) early, and make requests related to additional audit procedures (if necessary) Discuss significant accounting and audit issues. 	<ul style="list-style-type: none"> Group Chief Financial Officer, Group Financial Controller and Head of Financial Accounts. Engagement senior manager and assistant manager 	June 2019 September 2019

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No surprises Dialogue

Continuous communication by lead engagement partner and senior manager throughout audit

Meeting	Deliverable	Purpose	Meeting participants	Timing
Interim and year end audit				
Closing meeting with management	Draft Audit Committee report and representation letter	<ul style="list-style-type: none"> – Discuss communications in draft Audit Committee report – Agree on timeline to complete any outstanding audit deliverables – Discuss KPMG’s findings related to audit focus areas including key accounting judgements 	<ul style="list-style-type: none"> – Group Chief Financial Officer, Group Financial Controller and Head of Financial Accounts. – Engagement partner, senior manager and assistant manager 	October 2019
	Audit Committee meeting	Audit Committee report Auditor’s report and representation letter	<ul style="list-style-type: none"> – Discuss any changes to KPMG’s audit plan and KPMG’s findings related to audit focus areas including key accounting judgements – Communicate audit misstatements – Communicate significant control deficiencies – Auditor’s report on the London South Bank University’s consolidated and subsidiary financial statements 	<ul style="list-style-type: none"> – Audit Committee – Engagement partner and senior manager November 2019

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Audit team and rotation



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.



Ore Ojo is the in-charge responsible for our audit. She will be responsible for our on-site fieldwork. She will complete work on more complex section of the audit.

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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:



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

Appendices

Mandatory communications

Management's responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>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.</p>
Auditor's responsibilities	<p>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.</p>
Auditor's responsibilities – Fraud	<p>Design and implement appropriate responses to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to respond appropriately to fraud or suspected fraud identified during the audit.</p>
Auditor's responsibilities – Other information	<p>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.</p> <p>Respond appropriately when material inconsistencies appear to exist, or when other information appears to be materiality misstated.</p> <p>Report on other information in the auditor's report.</p>
Roles	<p>The identity and role of the engagement partner, or key audit partner where relevant.</p>
Planned scope and timing	<p>An overview of the planned scope and timing of the audit, including details about significant/ financial statement level risks (key audit matters) identified by us. We communicate levels of materiality, significant risks, fraud risks including the risk of management override of controls and the audit response to identified risks.</p>
Communications	<p>The form, timing and expected general content of the communications related to the audit.</p>
Independence	<p>Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff. We must also establish with you a timetable for reporting any insignificant breaches of the IESBA Code of Ethics and UK Ethical Standards (significant breaches are required to be reported as soon as possible) (IESBA Code of Ethics)</p>



Audit fee

The table below summarises our agreed fees for the year ending 31 July 2019. The fees quoted are exclusive of VAT.

Entity	2018/19	2017/18
London South Bank University	£55,000	£50,635
South Bank Colleges	[subject to contract]	£45,000
SW4 Catering Limited	[subject to contract]	N/A*
South Bank Enterprises	£2,866	£2,815
TOTAL AUDIT FEES	[subject to contract]	£98,450
Non-audit fees		
Tax advice	[TBC]	£11,659
TOTAL KPMG FEES	[TBC]	£110,109

The fee increase for the main audit reflects additional work that will be required around the consolidation of South Bank Colleges.

*The previous audit of SW4 Catering Ltd. was not conducted by KPMG LLP.

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;
- 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.

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 the London South Bank University (the University)

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 2019 can be analysed as follows:

	2018/19 (to date)	2017/18
	£'000	£'000
Audit of University	55	51
Audit of subsidiaries	[TBC]	48
Total audit	[TBC]	98
Taxation Services	[TBC]	12
Total non-audit services	[TBC]	12
Total Fees	[TBC]	110

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.

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.

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Yours faithfully

KPMG LLP

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.

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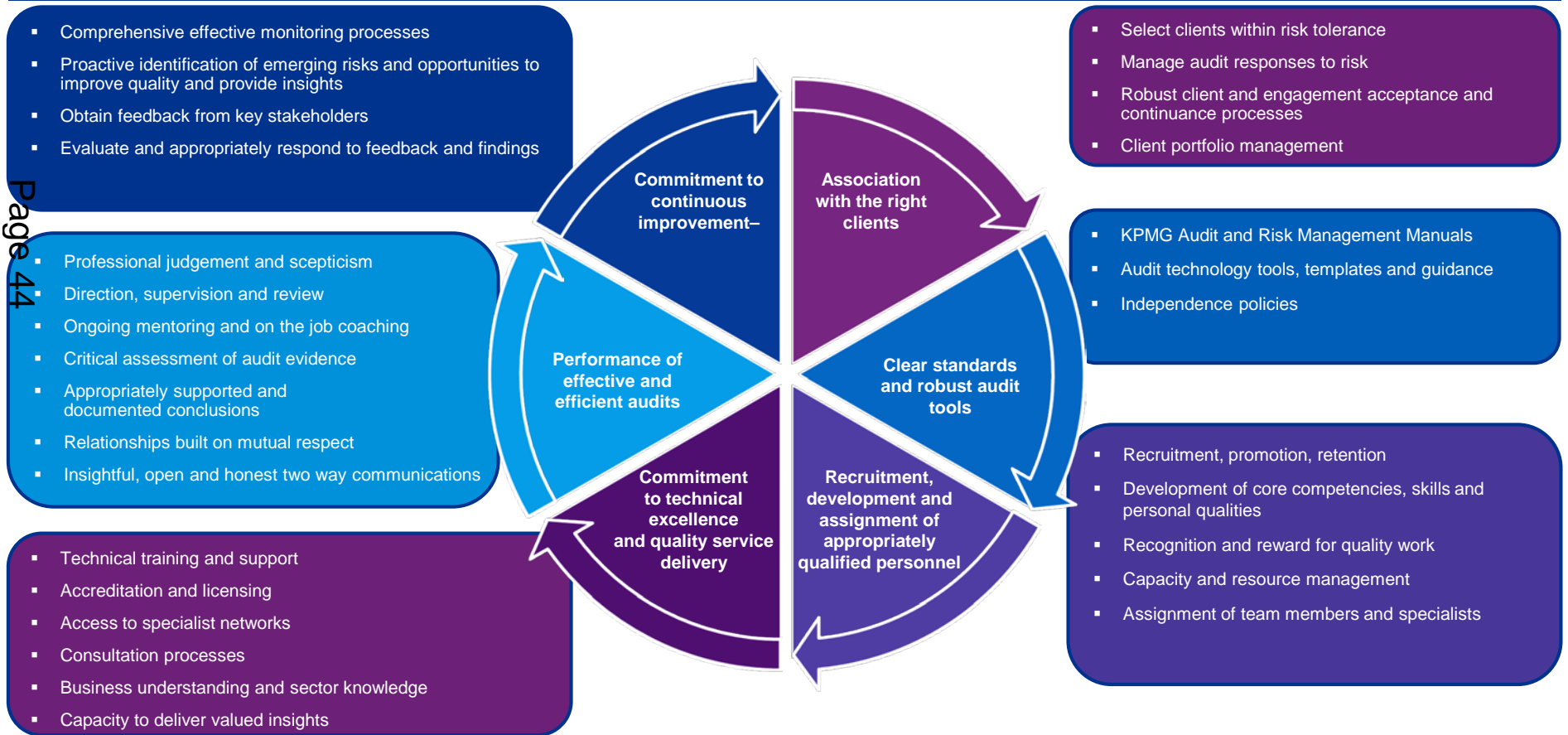
Management responsibilities	KPMG's identification of fraud risk factors	KPMG's response to identified fraud risk factors	KPMG's identified fraud risk factors
<p>Adopt sound accounting policies.</p> <p>With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.</p> <p>Establish proper tone/culture/ethics.</p> <p>Require periodic confirmation by employees of their responsibilities.</p> <p>Take appropriate action in response to actual, suspected or alleged fraud.</p> <p>Disclose to Audit and Compliance Committee and auditors:</p> <ul style="list-style-type: none"> — Any significant deficiencies in internal controls; and — Any fraud involving those with a significant role in internal controls 	<p>Review of accounting policies.</p> <p>Results of analytical procedures.</p> <p>Procedures to identify fraud risk factors.</p> <p>Discussion amongst engagement personnel.</p> <p>Enquiries of management, Audit and Compliance Committee, and others.</p> <p>Evaluate broad programmes and controls that prevent, deter, and detect fraud.</p>	<p>Accounting policy assessment.</p> <p>Evaluate design of mitigating controls.</p> <p>Test effectiveness of controls.</p> <p>Address management override of controls.</p> <p>Perform substantive audit procedures.</p> <p>Evaluate all audit evidence.</p> <p>Communicate to Audit and Compliance Committee and management.</p>	<p>Whilst we consider the risk of fraud to be low around the University, we will monitor the following areas throughout the year and adapt our audit approach accordingly.</p> <ul style="list-style-type: none"> — Revenue recognition; — Purchasing; — Management override of controls; and — Manipulation of results to achieve targets and expectations of stakeholders.

KPMG's Audit quality framework



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.

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	CONFIDENTIAL
Paper title:	Internal Audit Progress Report
Board/Committee:	Audit Committee
Date of meeting:	13 June 2019
Author(s):	PriceWaterhouseCoopers
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For information: to provide the Audit Committee with the current progress of the work undertaken by PwC on the internal audit programme
Recommendation:	The Committee is requested to note: <ul style="list-style-type: none"> • The report and its findings

Executive Summary

79% of the agreed internal audit programme for 18/19 is now complete.

A draft report is in progress for the review on Risk Management and Value for Money for South Bank Academy Trust and will be presented for the next Audit Committee meeting. PwC have started planning for reviews in Q4 on CMA Compliance and London South Bank Innovation Centre.

Nine actions have been followed up in this quarter. Three actions have been implemented (33%) and five actions have been partially implemented (56%).

The Committee is requested to note the report and the progress made.

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Internal Audit Progress Report 2018/19

*London South Bank
University*

June 2019

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Click to launch

Contents

Summary

1



Activity in the period

2



Progress against plan

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3



Appendices

- A. Follow up on audit actions
- B. Thought leadership



Summary (1 of 2)



Purpose of this report

We are committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Audit Committee and to bring to your attention any other matters that are relevant to your responsibilities.

Progress against the 2018/19 internal audit plan

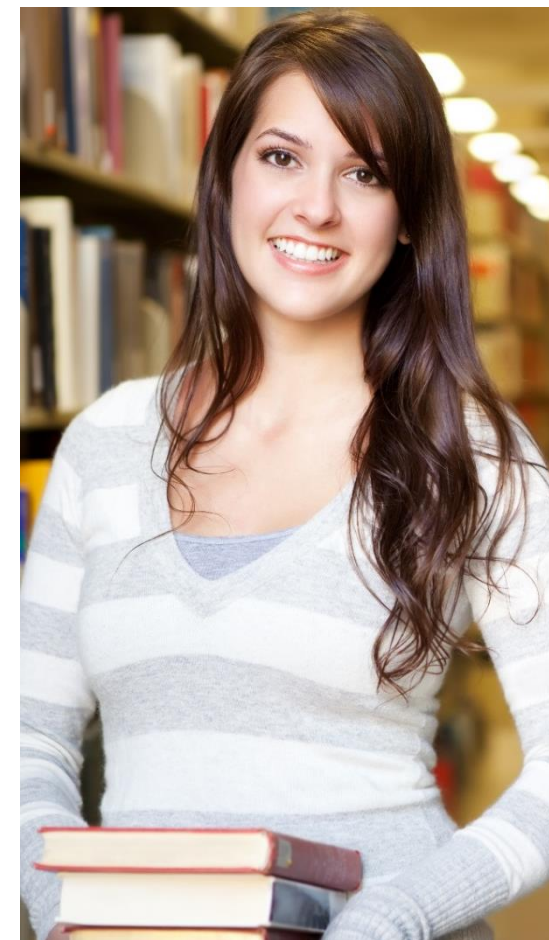
We have completed 79% of our 2018/19 internal audit programme for the year.

A draft report is in progress for the review on Risk Management and Value for Money for South Bank Academy Trust and will be presented at the next Audit Committee. For the review on Student Data Continuous Audit Phase 2, a draft report has been issued and we are awaiting responses from the team.

Additionally, we have started planning for our reviews in Q4 on CMA Compliance and London South Bank Innovation Centre.

For this Audit Committee, we present the following final report:

- Key Financial Systems Continuous Audit Phase 2
- Procurement
- South Bank Trust Academy – follow up on prior audit
- GDPR Plan



Summary (2 of 2)



Findings of our Follow Up Work

We have undertaken follow up work on actions with an implementation date of 31/05/2019 or sooner. We have discussed with management the progress made in implementing actions falling due in this period. Where the finding had a priority of low or advisory, we have accepted management’s assurances of their implementation; otherwise, we have sought evidence to support their response.

A total of nine actions have been followed up this quarter. 3 actions have been implemented (33%), 5 actions have been partially implemented (56%) and one action has not been implemented (11%). Progress is summarised in Appendix A.

Other Matters

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. Our Higher Education Centre of Excellence and the PwC’s Public Sector Research Centre (PSRC) produce a range of research and are the leading centres for insights, opinion and research on good practice in the higher education sector. In Appendix B we have summarised some of our recent publications.

Recommendations

- That the Audit Committee **notes** the progress made against the 2018/19 Internal Audit Programme.
- That the Audit Committee **comments** on our final report for Key Financial Systems Continuous Audit Phase 2.
- That the Audit Committee **comments** on our final report for Procurement.
- That the Audit Committee **comments** on our final report for South Bank Academy Trust – follow up.
- That the Audit Committee **comments** on our final report for GDPR Plan.



Activity in the period (1 of 4)



Final reports issued since the previous meeting

Key Financial Systems CAM Phase 2

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

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

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

Activity in the period (2 of 4)



Final reports issued since the previous meeting

Procurement – High risk

Our review focused on three main areas; supporting evidence for expenses on Purchase Cards, providing justification for Value for Money on purchases between £10k - £50k, and monitoring spends and usage against the agreed contract values.

Overall we identified one high risk and two medium risk findings. The high risk finding is as follows:

- **Purchase card expenditure** – from our sample testing of 25 expense transactions, we identified 7 exceptions (28%) where supporting documentation of the expense claim could not be provided (3 of 7), no explanation provided on how the expense was for business purposes only (3 of 7), and the supporting documentation for the claim was less than the amount claimed by a difference of £554 (1 of 7).

The two medium risk finding are as follows:

- **Value for Money evaluation** – from our sample testing of 15 purchases between the values of £10k - £50k, we identified 5 exceptions (33%) where evaluation matrices were not provided to evidence the scoring for each of the three required quotes (2 of 5), insufficient detail in the evaluation matrices to justify the chosen supplier (2 of 5), and a single supplier quote had been obtained for 1 sample where its purchase value was £25k.
- **Monitoring of spend per contractual agreements** – there are no control or processes in place to ensure the budget managers within each department are monitoring and reviewing the spends against contractual agreements. From the sample of 15 contracts tested, we identified 6 exceptions (40%) where we were not provided with evidence of the agreed contractual amount and therefore could not verify whether the current spend is over or under the agreed value (4 of 6), 5 of 6 where supporting documentation could not be provided to evidence any monitoring or review of the contract spend, and 1 of 6 where review and monitoring of spend was not performed due to the change of supplier but there had since been an overspend of £23k for the contract with no further justification provided.

Areas of good practice noted

- Experienced team with good knowledge of the Procurement process;
- Director of Procurement Services had been engaged throughout the audit and showed a willingness to rectify control failings identified in the audit.

Activity in the period (3 of 4)



Final reports issued since the previous meeting

South Bank Academy Trust – Follow up on prior audit

The purpose of our review was to perform a follow up on the agreed management actions and recommendations; and to provide an update for the University in Q3. Since our fieldwork, the Academy Trust had recruited the Trust Business Manager to act as a bridge between LSBU and the Trust including overseeing the implementation for some of the actions. This had been a vacant role during our fieldwork and was considered to be one the main root causes. Alongside this follow up review, we also performed a review on the Trust’s Risk Management and Value for Money controls and processes. This is reported in a separate cover.

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

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

Activity in the period (4 of 4)



Final reports issued since the previous meeting

GDPR Plan – High risk

The objective of our review was to provide the University with an independent view of their GDPR plan, its planned remediation activities and an assessment of the adequacy of the controls for achieving compliance. Our approach included the review of GDPR documentation and interviews with the 3 main staff members. In the course of our review, we identified three *high* risk findings as summarised below:

- **LSBU’s awareness of DP risks and issues, incl. delays with the GDPR action plan** - There is no documented LSBU-wide view of, or detailed understanding of, DP-related residual risks and exposure. Further, the process for escalation of risks, issues and delays experienced has not been followed.
- **Incompleteness of, and progress with, the GDPR action plan** – LSBU’s GDPR action plan, in its current state, is inadequate for tracking GDPR activities for compliance. For example, there are no target start and completion dates, and there is a lot of missing data from other columns. Furthermore, at the time of our fieldwork we had observed 99 of 117 (85%) actions remain to be completed, where from the 76 actions with priority ratings assigned, 42 (55%) were high priority. The GDPR action plan is also being treated as a continuous and ongoing BAU plan, instead of a programme plan for achieving compliance with GDPR.
- **Gaps in the Records for Processing Activities Process (RoPA)** - the RoPA is missing mandatory columns such as ‘purpose of processing’ and there is no process for keeping the RoPA up-to-date. These are essential requirements for compliance with GDPR.

We also identified two *medium* risk findings as summarised below:

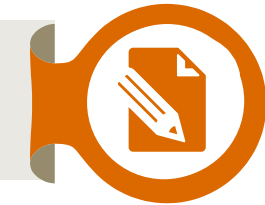
- **Prioritisation for Planned Activities** - The prioritisation criteria for the plan has been inconsistently applied to some activities in the plan and we noted that the delivery of activities had not been completed in accordance with their assigned prioritisation criteria. For example, some lower level priority 3’s had taken precedence over higher level priority 1’s, with the rationale for this being unclear.
- **Review resource levels dedicated to Data Protection and GDPR plan activities** – From the findings we have identified and from our interviews, there is limited FTE resource dedicated to the continual implementation and oversight of the GDPR’s requirements. Currently there is a mix of support from staff members, the DPO, IT Security, and Legal; but there is an over-reliance on the DPO to deliver the GDPR plan whilst performing low-level programmatic activities from the plan; along with BAU and any other urgent requests.

Progress against 2018/19 plan (1 of 3)

The below table outlines the progress against the 2018/19 Internal Audit Plan:

Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 1: August 2018 – October 2018											
Continuous Auditing: Key Financial Systems – January 2018 to June 2018											
15 (15)	06/07/2018	09/07/2018	24/08/2018	25/09/2018	N/A						
The South Bank Academies Trust: Key Financial Controls											
15 (15)	20/09/2018	26/09/2018	29/10/2018	20/11/2018	High	21	0	16	3	1	
Quarter 2: November 2018 – January 2019											
Continuous Auditing: Student Data – April 2018 – October 2018											
13 (13)	04/12/2018	04/12/2018	11/01/2019		N/A						
Procurement											
10 (10)	30/11/2018	04/12/2018	18/01/2019	23/05/2019	High	3	-	1	2	-	

Progress against 2018/19 plan (2 of 3)



Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							● Critical	● High	● Medium	● Low	● Advisory
Quarter 3: February 2019 – April 2019											
Continuous Auditing: Key Financial System – July 2018 to December 2018											
15 (15)	17/01/2019	04/02/2019	06/03/2019	22/05/2019	N/A						
GDPR Plan											
17 (17)	20/04/2019	24/04/2019	29/05/2019	03/06/2019	High	5	-	3	2	-	
Continuous Auditing : Student Data - November 2018 to March 2019											
12 (11)	29/03/2019	02/04/2019	04/05/2019	TBC	N/A						

Progress against 2018/19 plan (3 of 3)



Days	ToR	Field work start	Exit Meeting	Final Report	Report Classification	Total findings	Ratings				
							Critical	High	Medium	Low	Advisory
Quarter 4: May 2019 – July 2019											
CMA Compliance											
10 (0)	TBC										
The London South Bank Innovation Centre (LSBIC)											
10 (0)	TBC										
Risk Management											
5 (0)	TBC										
Other											
18 (15)	Planning, contract management, reporting, value for money and follow up										
Total	140 (111)										

Appendices

Appendix A: Follow up (1 of 5)

Implemented

#	Review	Agreed Action	Original due date	Risk rating	Status
1	Risk Management	We will work with the software vendor to address the issue around empty field titles appearing in the report, and consider how the platform could record & report where the risks as being 'tolerated', indicating that the review at the Organisational Effectiveness Meetings judge the current controls to be providing acceptable mitigation of the identified risks.	30/11/2018	● Advisory	Implemented/ closed All agreed actions have been implemented.
2	International Partnership Arrangements	The revised policy document introduces the required assessment stages in the partnership due diligence process. A partnerships update report is now provided to the Executive every 6 months, to provide progress updates on the partnership closure programme where existing relationships do not meet the new threshold, and this also incorporates a pilot programme incorporating external input from external accountants with regard to the assessment of new partners. This report will ratify all current partnerships on a post facto basis, and the new Senior Partnerships manager will take responsibility for tracking this progress.	30/11/2018	● High	Implemented/ closed All agreed actions have been implemented.
3	International Partnership Arrangements	A shared digital drive for partnerships is now in place which enables all parties to securely store and access the relevant documents for the ongoing management and reporting of partnership activity. A new financial model is in development, which will enable the measurement of partnership financial performance on an ongoing basis.	30/11/2018	● High	Implemented/ closed All agreed actions have been implemented.

Appendix A: Follow up (2 of 5)

Partially implemented (1 of 3)

#	Review	Agreed Action	Original due date	Risk rating	Status
4	Data Security	<p>Security</p> <p>We are not able to technically restrict unencrypted USB devices across the whole organisation as this would have a negative impact on teaching and learning, as well as on our disabled students. Instead we will begin deploying encrypted USBs to all staff that request them, and enforcing by policy; that all members of staff must use LSBU provided encrypted USBs whenever transporting any data away from their machines.</p> <p>We have not been accepting 'opt outs' for encryption policies since July 2015, we will no longer be accepting 'opt outs' for any encryption related policy. This messaging will be reinforced to our helpdesks during September.</p> <p>We have undertaken a cost benefit analysis of known desktop machines across the organisation. We have identified that public machines hold no accessible sensitive information therefore can be viewed as low risk. As a department we have decided that only sensitive devices will be encrypted.</p> <p>We recently (August 2016) implemented a system (System Centre Configuration Manager) capable of cataloguing and tracking machines across our network. This system will help to address historic tracking issues for laptops and other mobile devices. We are expecting this system to reach maturity by the end of 2016. In addition we are exploring options to restrict access to staff areas of the network to only allow registered and tracked devices (Network Access Control system) during the 16/17 academic year.</p> <p>The password parameters applied in AD are a known issue related to a deprecated system that has been decommissioned, a change request has been submitted as of 07/09/2016 to have the technical password policy parameters changed.</p> <p>We will review the listing of incomplete encryptions and remind users to ensure that these are up-to-date so they are actively encrypted. As above, this work will be covered as part of our SCCM database.</p>	30/05/2018	● High	<p>The majority of this action has been implemented but we are still awaiting an update on a minor part of the action relating to the password parameters including the number of attempts a user can try before they are locked out.</p> <p>Action to be deferred to 31st July 2019.</p>



Appendix A: Follow up (3 of 5)

Partially implemented (2 of 3)

#	Review	Agreed Action	Original due date	Risk rating	Status
5	International Partnership Arrangements	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	30/09/2018 31/12/2018	● Medium	The new partnerships storage and management system is currently in testing phase with an aim to fully roll it out by Sept 2019. Action to be deferred to 30th September 2019.
Page 63	IT	Begin developing a high level view of the IT infrastructure that supports the university. As minimum this should make reference to networking devices, databases, servers, applications, operating system and end user devices.	14/12/2018	● Medium	Enterprise Architect has been appointed by LSBU back in November and is now actively constructing the Enterprise Architecture mappings for the University and actively working alongside PWC representatives to feed into their program. Action to be deferred to 31st July 2019.

Appendix A: Follow up (4 of 5)

Partially implemented (3 of 3)

#	Review	Agreed Action	Original due date	Risk rating	Status
7	IT	<ul style="list-style-type: none"> - Create an additional two columns in the Technical Roadmap spreadsheet where the project can show alignment to IT Strategy, and how that IT Strategy aligns to the Corporate Strategy. - Establish metrics for assessing how projects are aligned to corporate objectives. 	31/10/2018 31/12/2018	 Medium	Technical Roadmap Documentation is currently under review and being amended. Although not finalised, the corresponding actions set out by PWC will be incorporated to the new design. Action to be deferred to 31st July 2019.
	IT	<ul style="list-style-type: none"> - Review the terms of reference to define the missing criteria in conjunction with the wider ICT team. - Define exceptions criteria that details the nature of projects that should bypass TDA,. - Define in the terms of reference, the timeline and point in time at which projects are required to report to the TDA. 	31/10/2018 31/12/2018	 Medium	Colleagues in IT Services (separate department) have taken accountability for re-writing the Technical Design Authority TOR. They are reviewing and revising the whole process for submission to the Director of ARR ahead of next Technical Roadmap Board Feb 2019. Action to be deferred to 31st July 2019.

Appendix A: Follow up (5 of 5)

Not implemented

#	Review	Agreed Action	Original due date	Risk rating	Status
9	Risk Management	We will ensure that responsibility for producing and circulating minutes of review meetings is clearly articulated in the guidance being developed for the 18/19 cycle as part of the OEG project around strategy and planning.	30/11/2018	● Low	We will ensure this will be formally confirmed in the next meetings in June. Defer to 30th June 2019.

Appendix B: Recent publications and thought leadership

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

Managing Risk in the Higher Education Sector

We present our annual PwC report on the key risks and trends identified for 2018-19 across the Higher Education sector. Our review of 35 risk registers within our HE portfolio have outlined the common themes, comparisons with prior years and the types of challenges within each theme. The Higher Education sector is going through a significant period of uncertainty and this report aims to support the ongoing discussions on what are being ranked as key risks for Universities.

The full report can be found here at: <https://www.pwc.co.uk/industries/government-public-sector/education/managing-risk-in-higher-education.html>

Highest Risk identified in 2019: Pensions

In line with 2018, Pensions are again perceived as the highest risk in the sector. This is not surprising given the 7% increase in contributions to the Teachers' Pension Scheme (TPS), and the ongoing uncertainty in relation to the Universities Superannuation Scheme (USS). This continues to be a heavy financial burden for Universities.

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

All publications can be read in full at www.psrc.pwc.com/ and www.pwc.blogs.com/publicsectormatters/education/

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

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Agenda Item 8

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

Summary

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

Recommendation

The Committee is requested to note this report

(Full report in appendix/supplement)

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Agenda Item 9

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

Summary

This review focused on three main areas; supporting evidence for expenses on purchasing cards, providing justification for Value for Money on purchases between £10k -£50k and monitoring spends and usage against agreed contract values.

PWC's testing identified a number of exceptions from all three areas but good practice was also noted.

Recommendation:

The Committee is requested to note this report

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Internal Audit Report 2018/19

Procurement review

*London South Bank
University*

Final

May 2019

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Click to launch

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Executive summary

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Background and scope

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Findings

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Appendices

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

Distribution list

For action: Penny Green (Head of Procurement Services)
Emily Parker (Procurement Services Operations Manager)

For information: Richard Flatman (Group Chief Financial Officer)
Natalie Ferer (Group Financial Controller)
Audit Committee



Executive summary (1 of 2)

Report classification

High Risk



Trend

N/A – We have not performed a review of this area previously.

Total number of findings

	Critical	High	Medium	Low	Advisory
Control Design	-	-	-	-	-
Operating Effectiveness	-	1	1	-	-
Control Design and Operating Effectiveness	-	-	1	-	-
Total	-	1	2	-	-



Headlines/Overview

As discussed with Management, our review focused on three main areas; supporting evidence for expenses on Purchase Cards, providing justification for Value for Money on purchases between £10k - £50k, and monitoring spends and usage against the agreed contract values.

LSBU has a devolved structure where budget managers are responsible for ensuring that sufficient quotes are obtained from independent suppliers before a supplier is chosen. The budget managers must complete a value for money assessment, clearly explaining why a particular supplier has been chosen, before being set up by Procurement. In addition to this budget managers are also responsible for monitoring spend against the budget. Where the spend is in excess of budget, the budget holder is responsible for providing justification as to why the spend has exceeded the budget; with minimal oversight from Procurement. Therefore our fieldwork also included discussions with the budget holders to which our sample related.

Our testing identified a number of exceptions from all three areas of the scope; where there was either missing supporting evidence for expenses on Purchase Cards, lack of justification for value for money on suppliers chosen and a lack of monitoring the contracts against agreed spend. Please see the next page for further details of the exceptions identified.

Areas of good practice noted

- Experienced team with good knowledge of the Procurement process;
- Director of Procurement Services had been engaged throughout the audit and showed a willingness to rectify control failings identified in the audit.

Executive summary (2 of 2)



Summary of Findings

Overall we identified one *high* risk and two *medium* risk findings:

The *high* risk finding is as follows:

- **Purchase card expenditure (High)** – from our sample testing 25 expense transactions, we identified 7 exceptions (28%) where supporting documentation of the expense claim could not be provided (3 of 7), no explanation provided on how the expense was for business purposes only (3 of 7), and the supporting documentation for the claim was less than the amount claimed by a difference of £554 (1 of 7).

The two *medium* risk finding are as follows:

- **Value for Money evaluation (Medium)** – from our sample testing of 15 purchases between the values of £10k - £50k, we identified 5 exceptions (33%) where evaluation matrices were not provided to evidence the scoring for each of the three required quotes (2 of 5), insufficient detail in the evaluation matrices to justify the chosen supplier (2 of 5), and a single supplier quote had been obtained for 1 sample where its purchase value was £25k.
- **Monitoring of spend per contractual agreements (Medium)** – there are no control or processes in place to ensure the budget managers within each department are monitoring and reviewing the spends against contractual agreements. From the sample of 15 contracts tested, we identified 6 exceptions (40%) where we were not provided with evidence of the agreed contractual amount and therefore could not verify whether the current spend is over or under the agreed value (4 of 6), 5 of 6 where supporting documentation could not be provided to evidence any monitoring or review of the contract spend, and 1 of 6 where review and monitoring of spend was not performed due to the change of supplier but there had since been an overspend of £23k for the contract with no further justification provided.

We would like to thank Penny Green and the team who gave their time to this review.

Background and scope



Background and audit objectives

Universities are increasingly under pressure to show that they are procuring the right suppliers and achieving value for money. The Procurement function within London South Bank University (LSBU) have devolved the purchasing responsibilities to budget holders across the University.

On average the £10k - £50k category accounts for around 16% of the University’s annual purchasing spend. At this category, three quotes must be obtained to validate value for money, as part of University policy and is required before purchasing.

Our review focused on three key areas:

- Purchase Cards
- Value for Money Assessment before Purchasing
- Monitoring Spends and Usage against contracts

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

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

x = area of primary focus

x = possible area of secondary focus

Purchase card expenditure

Operating effectiveness

1

Page 78

Finding rating

Rating

High

Findings

For all expenditure incurred on purchase cards, staff are responsible for uploading supporting documentation to the Fraedom system. All expenditure incurred on purchase cards should be for business purposes only and comply with the University's policy. From a sample of 25 purchase card transactions tested, we identified 7 (28%) exceptions:

- For 1/7 (14%) exceptions, the amount per the supporting documentation did not agree to the amount per the detailed listing and had a difference of £554 as being over claimed;
- For 3/7 (43%) exceptions, supporting documentation for the expense was not provided and therefore testing could not be completed; and
- For 3/7 (43%) exceptions, evidence to confirm the expenditure was for business purposes only could not be provided.

Implications

Failure to retain supporting documentation relating to purchase card transactions could lead to fraudulent transactions going unnoticed. Without supporting documentation, management will be unable to determine whether or not the expenditure was for business purposes only. This could have a financial implication on the University.

Action plan

The purchasing card guide, which forms part of the University's financial regulations, is issued to all cardholders. However due to the volume of transactions, this makes the checking of transactions (for compliance) not practical.

We are reliant on cardholders and approvers to follow regulations in respect of supporting documentation and we will reissue guidance and seek to reduce the volume of purchases made with purchasing cards.

Responsible person/title:

Natalie Ferer, (Group Financial Controller)

Target date:

31st July 2019

Reference number:

P1

23 May 2019

Value for Money evaluation

Operating effectiveness

2

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Finding rating

Rating

Medium

Findings

For all purchases made by the University between the value of £10-£50k, there should be three quotes obtained from various suppliers. Following review of the three quotes, staff are required to justify why a certain supplier was selected and whether it will help deliver value for money the University. A sample of 15 transactions within the value of £10-£50k were sampled and 4 exceptions (27%) were identified:

- For 2/4 (50%) exceptions, the evaluation matrix was not provided and therefore testing could not be completed;
- For 1/4 (25%) exceptions, the evaluation matrix did not contain sufficient evidence and justification as to why a particular supplier had been chosen; and
- For 1/ (25%) exceptions, the transaction completed had a value of £25k, however only a single quote was obtained prior to the supplier being chosen.

Implications

Failure to obtain sufficient quotes for a range of different suppliers may lead to the University paying higher costs than required. This will therefore have a financial implication on the University.

Action plan

We will be refocussing some team members to assist the University with obtaining the correct number of quotes and supporting documentation.

We will undertake to carry out regular random checks on competitive quote forms uploaded to sharepoint and follow up on non-compliance.

Responsible person/title:

Interim: Rob Ager, Category Manager
From July 2019: James Rockcliffe, Director of Procurement

Target date:

1st August 2019

Reference number:

P2

Monitoring of spend per contractual agreements

Control design and Operating effectiveness

3

Page 80

Finding rating

Rating

Medium

Findings

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.

From our sample testing of 15 contracts, we identified 4 exceptions (27%):

- For 2 of 4 (50%), there is overspend against the budgeted amount of £4k and £23k with no further justification provided;
- For 2 of 4 (50%), we could not validate the current spend amount for the two contracts for the same supplier.

Implications

Failure to monitor one-off and rolling contracts could lead to there being a large overspend on a contract. This could in turn lead to the University making significant financial loss.

Action plan

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.

Responsible person/title:

Interim: Rob Ager, Category Manager

From July 2019: James Rockcliffe, Director of Procurement

Target date:

1st October 2019

Reference number: 23 May 2019



Appendix A: Basis of our
Classifications

Appendix B: Terms of
reference

Appendix C: Limitations
and Responsibilities

Appendix A: Basis of our Classifications

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Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

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

High

A finding that could have a:

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

Medium

A finding that could have a:

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

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:

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

Advisory

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

Report classifications

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

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

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

Appendix B: Terms of reference

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

Background and audit objectives



This review is being undertaken as part of the 2018/2019 internal audit plan approved by the Audit Committee.

Background and audit objectives

Universities are increasingly under pressure to show that they are procuring the right suppliers and achieving value for money. The Procurement function within London South Bank University (LSBU) have devolved the purchasing responsibilities to budget holders across the University.

On average the £10k - £50k category accounts for around 16% of the University’s annual purchasing spend. At this category, three quotes must be obtained to validate value for money, as part of University policy and is required before purchasing.

Our review will focus on three key areas:

- Purchase Cards
- Value for Money Assessment before Purchasing
- Monitoring Spends and Usage against contracts

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

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

x = area of primary focus

x = possible area of secondary focus

Audit scope and approach (1 of 2)



Scope

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

Sub-process	Key control objectives
Purchase Cards	<ul style="list-style-type: none"> All purchases made on 'P Cards' should be accompanied with evidence of purchase such as a receipt. Purchases made on P cards should be for business purposes only and comply with University policy.
Value for Money Assessment before Purchasing	<ul style="list-style-type: none"> Purchases with a value between £10k-£50k have obtained three quotes with a justification evidenced for the quote selected. Evidence of the justification should be retained and shared with the Procurement team. The Terms and conditions in place contain the necessary requirements and/or use the legal template; and have been reviewed by the Procurement team, before being agreed.
Monitoring Spends and Usage against Contracts	<ul style="list-style-type: none"> There is regular monitoring of spend and usage against all contracts including one-offs and rolling, and justification is provided for any under or over spend. There is clear accountability in place for ensuring the value of spend is within the pre-agreed contract value.

Audit scope and approach (2 of 2)



Limitations of scope

Our work will be limited to the procedures outlined in the table above.

For the Value for Money Assessment part of the scope, we will only perform testing on purchases in the £10k - £50k category.

For the Monitoring against Contract spends, we will also perform testing on items in the £1k - £10k category.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the process through discussions and walkthroughs with key personnel, review of methodology and procedure notes;
- Perform sample testing of P Card Transactions and assess whether receipts have been uploaded, evidence of the goods or services being utilised at the University;
- Perform sample testing of purchases with a value of £10k-£50k and assess whether three quotes were obtained, with justification of the selected quote.
- For a sample of the items selected above (between £10k - £50k) and for other item values, we will also assess the value of spend incurred on the purchase to date and whether this is monitored against the agreed contract value.

Internal audit team and key contacts



Key contacts - Internal audit team

Name	Role	Contact details
Justin Martin	Head of Internal Audit	0207 212 4269 justin.f.martin@pwc.com
Amy Chiu	Engagement Manager	07843 330 912 amy.chiu@pwc.com
Janak Savjani	Engagement Supervisor	07802 660 974 janak.j.Savjani@pwc.com
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Internal audit team and key contacts



Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
Richard Flatman	Group Chief Financial Officer <i>(Audit sponsor)</i>	0207 815 6301 richard.flatman@lsbu.ac.uk	Review and approve terms of reference Review draft report Review and approve final report Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan
John Baker	Corporate and Business Planning Manager	0207 815 6003 j.baker@lsbu.ac.uk	
Penny Green	Head of Procurement Services <i>(Audit contact)</i>	0207 815 6368 greenp7@lsbu.ac.uk	Receive draft and final terms of reference Receive draft report Receive final report
Emily Parker	Procurement Services Operations Manager <i>(Audit contact)</i>	020 7815 6364 emily.parker@lsbu.ac.uk	

Timetable



Timetable

Fieldwork start	4 December 2018
Fieldwork completed	11 December 2018
Draft report to client	31 December 2018
Response from client	14 January 2019
Final report to client	21 January 2019

Agreed timescales are subject to the following assumptions:

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

Information request



Please find attached a deliverables listing outlining items we expect to have available in advance of the audit:

- Latest purchasing policies and procedures;
- A detailed listing of all P card transactions recorded from 1 September 2017 to 31 October 2018 to date;
- A detailed listing of all purchases in the category of £10k-£50k from 1 September 2017 to 31 October 2018; and
- A detailed listing of all purchases in the category of £1k - £10k from 1 September 2017 to 31 October 2018.

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



Appendix C: Limitations and Responsibilities

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

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

Internal control

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

Future periods

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

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

Responsibilities of management and internal auditors

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

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

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

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

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

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

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	CONFIDENTIAL
Paper title:	Internal audit report on GDPR plan review
Board/Committee:	Audit Committee
Date of meeting:	13 June 2019
Author:	James Stevenson, University Secretary
Executive sponsor:	Dave Phoenix, Vice Chancellor
Purpose:	To set out the background to the internal audit report on GDPR
Recommendation:	The committee is requested to note the summary

Summary

1. As indicated on the internal audit plan 2018/19, PwC's report on the GDPR plan review is attached. The committee will see that the overall report classification is high risk, with 3 high risk findings and 2 medium risk findings.
2. In late May 2019, management met PwC to discuss the report and accept the findings and the constructive action plan. PwC's approach has necessarily been by way of exception, however, they do note in the report areas of good practice and progress.
3. In addition, key actions taken over the last c.12 months include:
 - 3.1 Appointment of a designated data protection officer (DPO) in LSBU, (who is now professionally accredited).
 - 3.2 The GDPR compliance project board, comprising relevant senior management, has met since January 2018. A revised "data governance" group will continue to meet to track the delivery of the GDPR compliance plan, join up the group approach and in addition oversee data quality matters.
 - 3.3 A data breach management process has been operational since October 2018 (see appendix for further details).
 - 3.4 First tier privacy notices (enquirers, students and alumni) were published at the point the GDPR came into force. This work continues as personal data

gathering forms are revised and updated, e.g. for the new admissions cycle for September 2019.

- 3.5 New forms for requesting the exercise of rights relating to personal data by data subjects and for requesting disclosure of personal data to third parties have been created and are in use.
- 3.6 The data protection and information compliance intranet pages were updated in October 2018, including a new page for guidance on managing breaches of personal data.
- 3.7 The data protection mandatory training module has been updated to reflect the new legislation. This training is mandatory for all new staff and should be repeated every two years. Also in place is a one-off training update for all other staff to bring them up to date on the legislative changes. This was communicated to all staff in February 2019. The DPO also provides face-to-face tailored data protection training to teams if necessary and formal drop-in sessions.
- 3.8 Individual advice and guidance is given to business areas by the DPO as required. The DPO has also been involved in the scoping workshops for the LEAP programme.
- 3.9 Monthly co-ordination meetings have been set up between the DPO, Head of ICT Security and Head of Security and Estates Customer Services to identify areas for collaboration and to discuss lessons learnt from security related events.
4. The report highlights three high risk findings:
 - 4.1 The need for a better understanding of data protection risks and issues – this will be carried out by the DPO, who has wide experience of how the LSBU business approaches the processing of personal data. The treatment of the compliance risk in the corporate risk register (see risk 305: “data not used / maintained securely”) will be reviewed by the Executive and balanced against other compliance risks, for example health & safety.
 - 4.2 The need to review the GDPR action plan – this will be carried out by the DPO, to include clear timing of actions, dependencies, re-prioritisation and progress tracking. The data governance board will continue to monitor the revised plan and processes for managing any delays and change requests.
 - 4.3 The processes to support the register of processing activities (RoPA) – the preparation of the RoPA was a significant piece of work, carried out by an additional senior interim consultant. The process to update the RoPA needs to be regularised and moved into business as usual. It is an extensive document, so the executive needs to determine a realistic period for it to be updated. Current processes managed by the DPO, legal and procurement teams will identify new or changed data processing to be added to the

RoPA. The report notes a technical correction to the RoPA needed under GDPR, which is currently being addressed.

5. There are two medium findings:
 - 5.1 the need to re-prioritise the actions in the plan, which will be addressed by the DPO; and
 - 5.2 the resources assigned to this area. In particular, the distinction between the need for a project-based approach to the action plan and the servicing of business-as-usual demand e.g. subject-access requests, breach responses, advisory work and group liaison and enquiries from statutory bodies (volume of this demand has been quantified by the Executive). The Executive will review this finding and balance the competing demand for resources across other professional services.
6. At its meeting of 5th June 2019, the executive approved additional interim resource to support the DPO on the actions in the report.
7. At today's meeting of the Audit Committee, the standing item on GDPR has been superseded by the PwC report, except for the data incident report, which is set out in the following appendix.

Appendix

Data incident report to Audit Committee – 13 June 2019

As part of the process for managing breaches of personal data, all incidents involving personal data are to be reported to the Data Protection and Information Compliance Officer (DPO).

All reported incidents (whether breaches or not) are recorded and the DPO determines whether or not they are breaches of personal data. The breach management process is followed for containing a breach of personal data, identifying any risks to individuals and acting to mitigate those risks.

The previous report to the Audit Committee (6 February 2019) noted that raised awareness of GDPR the clearer reporting process had resulted in an increase in incident numbers being reported. This trend is expected to continue during 2019 as further training, guidance and communications are rolled out.

Recording and tracking trends of reported breaches will support targeted interventions to treat root causes in order to mitigate risk of recurrence.

Incident and breach numbers January-May 2019:

- **24** Incidents have been reported to date this year
- **19** were breaches of personal data (2 of which were by third parties)
- **3** incidents were deemed not to be breaches
- **2** incidents were “near misses”

None of the breaches in calendar year 2019 to date have been deemed to be notifiable to the ICO. The decisions taken not to notify were based on criteria set out by the ICO and the European Data Protection Board as captured in the breach log and supported by a decision matrix.

Internal Audit Report 2018/19

GDPR Plan Review

London South Bank
University

Final

June 2019

▶ Click to launch

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Background and scope

2



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Appendices

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

Distribution list

For action:

Hywel Williams – Data Protection and Information Compliance Officer (DPO)

For information:

James Stevenson – University Secretary
Antonia Goodyer – University Solicitor
Audit Committee



Executive summary (1 of 2)

Report classification	Trend	Total number of findings	Critical	High	Medium	Low	Advisory
High risk 	N/A – we have not performed a review in this area before.	Control design	-	2	-	-	-
		Operating effectiveness	-		2	-	-
		Control design and Operating effectiveness	-	1	-	-	-
		Total	-	3	2	-	-



Overview of our approach and conclusion

The objective of our review was to provide the University with an independent view of their GDPR plan, its planned remediation activities and an assessment of the adequacy of the controls for achieving compliance. Our approach included the review of GDPR documentation and interviews with the 3 main staff members.

Overall LSBU is still in the process of implementing its GDPR programme including the key initiatives for compliance, whilst trying to also trying to comply with Data Protection (DP) legislation on a day-to-day basis. Some key programme activities have been delivered such as appointing a DPO and updating all privacy notices and forms, however there are many other activities that have either not yet started or are in the process of being completed. Therefore our view is that LSBU has not reached a satisfactory level of compliance with the GDPR and it is unclear by when this will be achieved. From our interviews, we consider one of the main root causes for this will be the insufficient level of resource dedicated to GDPR implementation and the need for management to further define residual data protection risk, which potentially exposes the university to areas of non-compliance. This matter is further discussed in finding 5.

Areas of good practice

- Despite resource constraints, the DPO and others (such as ICT Security) have made good progress such as updating all student-facing notices and forms, updating the consent process for direct marketing and implementing encryption to all LSBU laptops, reviewed and updated the compulsory training and delivered other targeted training sessions.

Executive summary (2 of 2)



Summary of findings

In the course of our review, we identified three *high* risk findings as summarised below:

- **LSBU's awareness of DP risks and issues, incl. delays with the GDPR action plan** - There is no documented LSBU-wide view of, or detailed understanding of, DP-related residual risks and exposure. Further, the process for escalation of risks, issues and delays experienced has not been followed.
- **Incompleteness of, and progress with, the GDPR action plan** – LSBU's GDPR action plan, in its current state, is inadequate for tracking GDPR activities for compliance. For example, there are no target start and completion dates, and there is a lot of missing data from other columns. Furthermore, at the time of our fieldwork we had observed 99 of 117 (85%) actions remain to be completed, where from the 76 actions with priority ratings assigned, 42 (55%) were high priority. The GDPR action plan is also being treated as a continuous and ongoing BAU plan, instead of a programme plan for achieving compliance with GDPR.
- **Gaps in the Records for Processing Activities Process (RoPA)** - the RoPA is missing mandatory columns such as 'purpose of processing' and there is no process for keeping the RoPA up-to-date. These are essential requirements for compliance with GDPR.

We also identified two *medium* risk findings as summarised below:

- **Prioritisation for Planned Activities** - The prioritisation criteria for the plan has been inconsistently applied to some activities in the plan and we noted that the delivery of activities had not been completed in accordance with their assigned prioritisation criteria. For example, some lower level priority 3's had taken precedence over higher level priority 1's, with the rationale for this being unclear.
- **Review resource levels dedicated to Data Protection and GDPR plan activities** – From the findings we have identified and from our interviews, there is limited FTE resource dedicated to the continual implementation and oversight of the GDPR's requirements. Currently there is a mix of support from staff members, the DPO, IT Security, and Legal; but there is an over-reliance on the DPO to deliver the GDPR plan whilst performing low-level programmatic activities from the plan; along with BAU and any other urgent requests.

We would like to thank Hywel, Antonia, James and the team who gave their time to this review.

Background and Scope

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

Background

The General Data Protection Regulation (GDPR) is a landmark piece of European legislation that came into force in the UK on 25 May 2018 and has been implemented in the UK via the Data Protection Act 2018 (“DPA”). It impacts every entity (both inside and outside the EU) that holds or uses personal data which originates in the EU.

LSBU handles large volumes of personal data and its exposure to regulatory, financial, and reputational risk is therefore significant. LSBU is still working towards the implementation of all appropriate technical and organisational measures to meet the requirements of the new legislation, whilst simultaneously trying to comply with the GDPR on a day-to-day basis.

Objective

To validate:

- GDPR Programme activities are appropriately determined and progress against them is monitored and reported.
- Progress against the planned GDPR activities is reviewed regularly and is in line with the outlined expectations. Where that is not the case, there are signed off justifications and risks are flagged to senior stakeholders.
- Appropriate resources have been allocated to the relevant work to ensure the programme is completed to the required standard. The roles and responsibilities of staff involved in delivering the GDPR programme are clearly documented and understood

Our work touched upon the following areas of our annual report to Audit Committee:

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

X = area of primary focus

x = possible area of secondary focus

LSBU’s awareness of DP risks and issues, incl. delays with the GDPR action plan

Page 104

Control design

1

Finding rating

Rating

High

Findings

LSBU’s Corporate Risk Register from February 2019 does not contain a GDPR/Data Protection (DP)-related risk entry concerning non-compliance with GDPR. The only reference to GDPR is listed as a ‘control’ to another risk (Risk 305 ‘Corporate and personal data not accessed or stored securely, or processed appropriately.’). Furthermore a RAID log (Risks, Actions, Issues, Dependencies) does not exist, that sets out all identified DP-related risks, and what is being done to mitigate them. *Through the clearance process for this Report, further evidence was reviewed which showed an entry existing on the Executive Office’s local risk register (‘EXO 19 – Business does not respond to new regulatory regime under GDPR and DPA 2018’).*

As the GDPR action plan did not set precise start and finish dates it was not possible for senior management to accurately track progress (see finding 2 below), including any plan delays. Reports to the Audit Committee could therefore be improved by reporting precise delays against progress. This means that there is no University-wide view, or detailed understanding of, all data protection-related residual risks and exposure; and therefore the University may be potentially exposed to significant data risks, issues and/or non-compliance with GDPR of which Senior Management will not be fully aware.

Implications

The means that LSBU has not developed an adequate understanding of the nature, size, scale and severity of the various DP-related risks and issues. Without a full view of this risk landscape, LSBU cannot prioritise and expend resources appropriately to mitigate against risks and issues or adequately protect the rights and freedoms of individuals as required by the GDPR.

Action plan

For management to confirm / amend as appropriate

- a) Review local risk registers and bring together University-wide view of current data protection risks by 31 July. Identify gaps, impact-assess and prioritise all risks and add to the risk register by 30 September.
- b) Review LSBU’s approach in view of the consolidated view of data protection risks and the corporate risk appetite for legal compliance of ‘cautious’
- c) *Relay the outcome of the above exercise to inform senior management so that they have an understanding of the real risks and issues now faced by LSBU, and how you plan to manage and mitigate them.*
- d) *Review current Corporate Risk Register entry and amend if necessary.*

Responsible person/title:

Hywel Williams – Data Protection and Information Officer

Target date:

31 July 2019

Reference number:

GDPR-1

Incompleteness of, and progress with, the GDPR action plan

Control design and Operating effectiveness

(1 of 2)

2

Findings

The GDPR action plan is a critical tool intended to help track progress in implementing compliance activities with the GDPR requirements. Our review of this plan, including progress being made against it, identified significant gaps not only in the format of the action plan i.e. missing columns such as start and end dates, and missing data for existing columns such as target completion dates, but also a backlog of essential actions which should have been completed.

At the time of our fieldwork we had observed that 99 of 117 (85%) actions remain to be completed and furthermore:

- 41 (35%) actions had not been assigned a 'Priority' rating, and therefore from the 76 actions that have a priority risk rating:
 - 42 (55%) are high priority and 27 (35%) are medium priority; overall of 58% of the plan is high/medium
- 51 actions (43%) do not have a progress status assigned and therefore we do not know if in progress or not started;
- 32 (27%) actions did not have a defined 'Owner' for accountability of the action;
- 9 actions (8%) had not yet started.

Our review of the plan also identified the following gaps:

- There are missing key columns such as start and end dates for the actions, and the plan is being treated as a continuous plan, rather than a programme plan with target completion dates;
- There is no detail on the interdependencies between linked actions or tasks, and therefore there is limited visibility and awareness if there are timetable delays e.g. ref#72 '*Set up regular audits of our IT systems*' cannot begin until ref#71 '*Implement Role based access across the systems, ensuring that people are put into roles, roles are given privileges*' has been completed;
- Some of the actions detailed do not clearly state the required task or activity needed to be undertaken, and therefore it is not easily visible what the actual amount of remedial work is still to be done, for example:
 - Ref#70 '*Formalise data destruction and decommissioning of systems and applications to gain assurance of adequate data erasure of deletion or systems disposal, especially in relation to personal data (process for considering decommissioning before implementation of new systems, consideration of backups, processes and technology to implement erasure requests)*'. This action contains too many items grouped into just one action and therefore for improved understanding and tracking of the tasks to be completed; this should be broken down into separate items. In this example, we would expect LSBU to formalise the 'process' for existing systems and agree a new, separate process for new systems. This would include identifying the relevant systems in scope (both for enhancing or disposing) and prioritising these accordingly.

Finding rating

Rating

High

Incompleteness of, and progress with, the GDPR action plan

Control design and Operating effectiveness

(2 of 2)

2

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Finding rating

Rating

High

Implications

The plan's incompleteness means that the true nature, size and scale of the work still to be done is not known or appreciated. This does not provide full transparency and awareness of the scale of the work remaining, including to senior management and the wider University stakeholders.

Furthermore it is also very difficult to assess what actual progress is being made against the plan, what may be causing some of the delays, and who may be responsible for it i.e. clear accountability. As a result, this plan is unlikely to be an accurate representation of LSBU's current progress.

Action plan

For management to confirm / amend as appropriate

- a) Review the plan and insert columns for start and end dates and populate the target completion date fields to all activities
- b) Create linked dependencies between relevant items showing which items cannot start until others have finished.
- c) Review all relevant activities and unpack them to a greater level of detail to make visible the various stages and actions, and progress being made in, the delivery of a specific item.
- d) Fill in the missing gaps (e.g. priority, owner and status of each action in the plan) This should be done periodically and be kept up-to-date, in order to create an accurate picture of current progress.
- e) Review the sign-off column and determine whether it is deemed as a necessary step in the process of completing actions in the GDPR action plan.

Responsible person/title:

Hywel Williams – Data Protection and Information Officer

Target date:

31 July 2019

Reference number:

GDPR-2

Gaps in the Records for Processing Activities Process (RoPA)

Control Design

3

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Finding rating

Rating

High

Findings

The completion of the Records of Processing Activities (RoPA) began in January 2018, and involved engaging a point of contact per function area of the University and asking them to complete two questionnaires relating to the personal data processing activities performed by their area. Those questionnaires were later synthesised into the organisation’s RoPA. Whilst all required information by Art. 30 of GDPR was recorded in the initial questionnaires, it was noted that the official RoPA is missing some mandatory fields, such as:

- the purpose of processing;
- the categories of individuals;
- the safeguards for transferring personal data and
- the technical & organisational measures.

In addition, it was stated during our walkthroughs that there is no process in place for keeping the RoPA up-to-date, and therefore not maintaining a clear view / understanding of the personal data held by the organisation.

Implications

LSBU cannot currently demonstrate compliance with the requirements of Article 30 GDPR for this area of the requirements.

By not having a formalised process in place for keeping the RoPA up-to-date, it means it cannot be relied upon as a trusted source of information as it will not represent LSBU’s true data landscape, and therefore being unable to respond accurately to subject rights requests and handle data breaches appropriately.

Action plan

For management to confirm / amend as appropriate

- Review the RoPA and ensure that all mandatory columns are included.*
- Leverage the existing information from the questionnaires to populate the RoPA.*
- Create a process and trigger points within existing LSBU business processes (e.g. DPIA process; Procurement processes) to ensure that when a new data processing activity and/or new third party supplier arrangement has been agreed, that this is flagged to the DPO for consideration of inclusion within the RoPA so that the ROPA can be updated accordingly.*

Responsible person/title:

Hywel Williams – Data Protection and Information Officer

Target date:

31 July 2019

Reference number:

GDPR-3

Prioritisation for Planned Activities

Operating Effectiveness

(1 of 2)

4

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Finding rating

Rating

Medium

Findings

The GDPR Action plan has the following prioritisation criteria assigned to actions as follows:

- P1 - High priority, and a high level of control required for its completion;
- P2 - Medium priority, and some level of control required for its completion;
- P3 - More complex actions or where there is less control required for its completion, or where actions relate to ongoing maintenance of the function.

Along with the gaps in priority ratings for actions (see finding 2), we noted that the delivery of activities had not been completed in accordance with their assigned prioritisation criteria, and some lower level priority 3's had taken precedence over higher level priority 1's, with the rationale for this being unclear. For example, some priority 3's appeared to be in progress such as:

- #50 'Develop processes for a full data protection audit every other year, targeted audits as necessary, and draw up checklist for the audits', and
- #99 'Develop and implement data protection assurance process to assess operational compliance'

Whilst other (higher) priority 1's had not yet started:

- #85 'Identify and implement methods of raising awareness of DP risks for business groups to add to their local risk registers', and
- #89 'Develop LSBU's data protection vision at group level. Communicate once approved'.

If the assigned priorities to each item are correct, then the value and use that can come from the prioritisation scale, is not being adhered to and therefore is ineffective in ensuring the University completes its most high risk activities first to prevent them from exposure to non-compliance.

Implications

By not delivering activities in accordance with their assigned priority, this means that the higher risk P1 and P2 activities are not receiving the appropriate attention required and increases the likelihood of associated risks crystallising for the University as time progresses.

By not recording justification for any deviation of approach, it means that LSBU will not be able to justify the decision made to complete certain activities over others in the event of being challenged.

Prioritisation for Planned Activities

Operating Effectiveness

(2 of 2)

4

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Finding rating

Rating

Medium

Action plan

For management to confirm / amend as appropriate

- a) Review and reassign priority ratings to each activity and take to the new oversight body for data protection and quality assurance for approval.
- b) Review and update the current prioritisation criteria following development of the Risk Register (finding 1) to ensure that it reflects LSBU's agreed risk appetite and risk framework (e.g. likelihood/impact model)
- c) Agree a change process for when any deviations from the plan materialise (including a log to capture the decisions and reasons why). Implement the new change process for ongoing delivery against the plan.

Responsible person/title:

Hywel Williams – Data Protection and Information Officer

Target date:

30 September 2019

Reference number:

GDPR-4

Review resource levels dedicated to Data Protection and GDPR plan activities

Operating Effectiveness

5

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Finding rating

Rating

Medium

Findings

From the findings we have identified and from our interviews with staff, there is limited FTE resource dedicated to the continual implementation and oversight of the GDPR’s requirements. Currently there is a mix of support from staff members – the DPO, a part time assistant and a temporary role (across all information compliance processes), supported by the Head of ICT Security and the Legal team as needed. This resource issue in part, is considered to be the one of the root causes for the findings we have identified, alongside the lack of transparency and accountability for the GDPR plan’s progress and the risks the University may be exposed to, including their significance.

The DPO, along with their day-to-day DP and BAU activities, is currently responsible for managing and updating the GDPR action plan, whilst also delivering on the technical activities and tasks required. Furthermore, they are also required to handle urgent BAU priorities, which halt the GDPR action plan activities. As identified in finding 2, there is a significant amount of work remaining to be completed, in order to ensure compliance with GDPR.

Our view is that there seems to be an over-reliance on the DPO, where some aspects of the role could be resourced by a GDPR project manager to free up the, DPO to focus on the technical aspects of GDPR and DP. Therefore the current level of skilled resource required to deliver the outstanding programme activities in a timely manner is insufficient; and is impacting the effectiveness of the GDPR plan and its delivery.

Implications

There may be insufficient resource to support the delivery, implementation and ongoing monitoring of GDPR compliance, which could result in both financial and reputational consequences for LSBU, if not addressed. Additionally, by having a DPO that is too involved in doing the lower-level activities, it means they may not be looking at things from a strategic perspective and observing the changing risk landscape.

Action plan

For management to confirm / amend as appropriate

- a) Review the current operating model and assess the actual level and type of resources required to complete the outstanding GDPR activities.
- b) Following action 5 a), consider passing over responsibility to another role to manage, maintain and deliver against the Plan (as well as passing over any other associated administrative duties, such as updating the RoPA and managing the RAID Log/Risk register). The DPO should be providing input, oversight and independent assurance (critiquing the plan, acting as a DP SME).
- c) Following action 5 a), consider appointing a Deputy DPO to support the DPO.

Responsible person/title:

James Stevenson – University Secretary

Target date:

30 September 2019

Reference number:

GDPR-5

12

The Executive will consider and make decisions on 5 a) to 5 c)



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendices

Page 111

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

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

High

A finding that could have a:

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

Medium

A finding that could have a:

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

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:

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

Advisory

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

Report classifications

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

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

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



Appendix A: Basis of our
classifications

Appendix B: Terms of
reference

Appendix C: Limitations
and responsibilities

Appendix B: Terms of reference

To: James Stevenson – University Secretary
From: Justin Martin – Head of Internal Audit

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Background and audit objectives



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

Background and audit objectives

The General Data Protection Regulation (GDPR) is a landmark piece of European legislation that came into force in the UK on 25 May 2018 and has been implemented in the UK via the Data Protection Act 2018 (“DPA”). It impacts every entity (both inside and outside the EU) that holds or uses personal data which originates in the EU.

LSBU handles large volumes of personal data and its exposure to regulatory, financial, and reputational risk is therefore significant. LSBU is still working towards the implementation of all appropriate technical and organisational measures to meet the requirements of the new legislation, whilst simultaneously trying to comply with the GDPR on a day-to-day basis.

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

X = area of primary focus

x = possible area of secondary focus

Audit scope and approach (1 of 2)



Scope:

The objectives and audit procedures are included in this review are:

Sub-process	Objectives
GDPR Programme Build GDPR Programme activities are appropriately determined and progress against them is monitored and reported.	<ol style="list-style-type: none">1) Review of the GDPR plan and the remediation activities planned and assess whether these are sufficient for achieving compliance with GDPR based on the ICO's 12 steps guidance and PwC's internal GDPR framework.2) Interview the GDPR team to understand the structure of the plan
Progress against GDPR readiness programme plan Progress against the planned GDPR activities is reviewed regularly and is in line with the outlined expectations. Where that is not the case, there are signed off justifications and risks are flagged to senior stakeholders.	<ol style="list-style-type: none">1) Review of the documentation showing the progress made against the plan.2) Review of the rationale used to decide the priority order of activities in the plan, and review of the documentation justifying why activities are not prioritised.
Resource Allocation Appropriate resources have been allocated to the relevant work to ensure the programme is completed to the required standard. The roles and responsibilities of staff involved in delivering the GDPR programme are clearly documented and understood.	<ol style="list-style-type: none">1) A review of the governance structure and processes in place to ensure they are aligned to the amount of work anticipated from the GDPR programme plan.

Audit scope and approach (2 of 2)



Limitations of scope

Our audit work will be limited to assessing the design of the GDPR plan in place and the design of the RoPA(Records of Processing Activities) and will not include performing detailed testing in any of the areas outlined above.

Agreed timescales and budget are subject to the following assumptions:

- All relevant documentation including the source data, reports and procedures will be made available to us promptly on request;
- Staff and management will make reasonable time available for interviews and will respond promptly to follow up questions and requests for documentation;
- Management will provide the documents within the document request list in Appendix 3 by the due date; and
- Management will provide timely and accurate information to Internal Audit during the audit to allow

Audit approach

The review will be carried out using an agreed upon procedures approach in line with the audit



Internal audit team and key contacts



Internal audit team

Name	Role	Contact details	
Justin Martin	Head of Internal Audit	Telephone: 0207 212 4269	Email: justin.f.martin@pwc.com
Amy Chiu	Engagement Manager	Telephone 07843 330 912	Email: amy.chiu@pwc.com
Philip Todd	GDPR Specialist	Telephone 07838 130 564	Email : philip.todd@pwc.com

Key contacts – London South Bank University

Name	Title	Contact details	Responsibilities
James Stevenson	University Secretary	James.Stevenson@lsbu.ac.uk	Review and approve terms of reference
Antonia Goodyer	University Solicitor	goodyera@lsbu.ac.uk	Review draft report
Hywel Williams	Data Protection and Information Compliance Officer	020 7815 6170 dpa@lsbu.ac.uk	Review and approve final report
			Hold initial scoping meeting
			Review and meet to discuss issues arising and develop management responses and action

Timetable and information request



Timetable

Fieldwork start	24 th April 2019
Fieldwork completed	7 th May 2019
Draft report to client	17 th May 2019
Response from client	27 th May 2019
Final report to client	31 st May 2019

Agreed timescales are subject to the following assumptions:

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

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

Information request

In advance of fieldwork, we will obtain the following centrally from the GDPR team:

- The GDPR Readiness Assessment Review
- The GDPR programme plan
- The GDPR governance structure
- The Records of Processing Activities

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

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



Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

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

Internal control

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

Future periods

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

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

Responsibilities of management and internal auditors

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

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

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



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

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

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

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

Summary

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

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

Recommendation:

The Committee is requested to note this report

(Full report in appendix/supplement)

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	CONFIDENTIAL
Paper title:	Draft Internal Audit Strategy 2019-2022
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	BDO
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Recommendation:	The Committee is requested to note and comment on the draft audit strategy.

Summary

BDO will be taking over the Internal Audit of the University group from August 2019 and have produced the attached three year rolling plan draft audit strategy for comment. Pages 11 and 12 include the rationale for why BDO have selected certain areas to cover.


As this is a group Internal Audit service, time has been allocated to South Bank Colleges but they still need to develop the specific audits to cover.

Following review of the plan by the University Executive, a number of comments have been fed back to BDO and these are listed on page 12 of the plan attached. Following this Audit Committee, BDO will work with University Management to produce a final plan which will come to the October meeting for approval. Ahead of that meeting, work will begin in August on the continuous audit of key financial systems.

Recommendation:

The Committee is requested to note and comment on the draft audit strategy.

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INTERNAL AUDIT STRATEGY 2019-22

LONDON SOUTH BANK UNIVERSITY

June 2019

**DRAFT FOR AUDIT AND RISK
COMMITTEE**



IDEAS | PEOPLE | TRUST



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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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 2019/22.

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 discuss this during our introductory meetings with the senior management team.

Internal Audit Strategy

A three year Internal Audit Strategy for 2019-2022 is outlined on page 11.

Initial discussions were held with the Chief Financial Officer, Group Financial Controller, Director of Strategy and Planning and University Secretary to identify management's future areas of focus and priorities to aid development of a draft three-year rolling internal audit programme, making sure 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.

An initial internal audit programme was established using information provided by management including the current risk register, 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 2019/20 is outlined in the three year Internal Audit Strategy for 2019-2022. We'll create a separate Internal Audit Plan once the strategy has been approved. Once the content has been agreed, 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	020 7893 2337	Ruth.Ireland@bdo.co.uk
Gemma Wright	Senior Manager	023 8088 1471	Gemma.Wright@bdo.co.uk
Anthony Higginson	Senior Internal Auditor	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 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

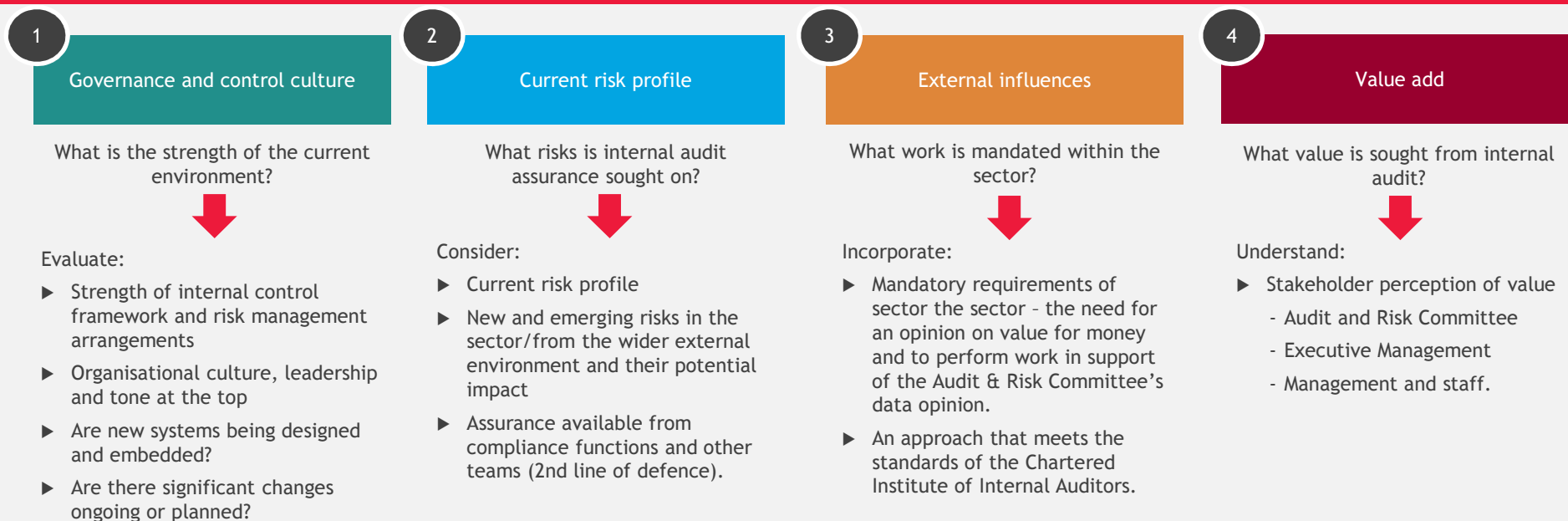
We define in Appendix III our approach for grading individual audit findings and overall audit reports. These definitions have been designed to make the ratings clear to both the Internal Audit team and audit stakeholders.

OUR APPROACH TO PLANNING

Strategic objectives of the Group

Internal audit focus - adding value approach

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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 the previous internal auditor, we have not identified any particular concerns about the governance and control culture. However, we will draw our own 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.

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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 University's risk register
- ▶ The University's strategy and objectives
- ▶ The content of the most recent internal audit reports for LSBU, Lambeth College and the Academies Trust.

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.

LSBU's strategic risk register currently includes 21 key risks. We have illustrated on pages 8 and 9 which of these risks are covered by the three year internal audit strategy for the University. We have yet to receive the risk register for South Bank Colleges or South Bank Academies.

OUR APPROACH TO PLANNING

The table below summarises the strategic risks outlined in LSBU's Corporate risk register (May 2019). We have linked the risks on the register to the audits from our Internal Audit Strategy 2019 - 2022 to illustrate the coverage of our planned internal audit work.

Risk Ref	Risk	Score/ RAG Rating	Associated Audits in IA Strategy 2019-2022
2	Revenue reduction if activity does not achieve H/EU UG recruitment targets (NL)	Critical	Student recruitment
3	Sustainability of pension schemes (RF)	Critical	n/a
457	Anticipated international & EU student revenue unrealised (PI)	High	Student recruitment (home and international)
625	Impact of Govt. Education Review on HE funding (RF)	High	
467	Progression rates don't increase (SW)	High	
37	Impact and affordability of Capital Expenditure investment plans (RF)	High	Estates
626	Impact of assurance activity & new initiatives fails to address issues around student experience (PB)	High	Student experience
14	Loss of NHS contract income (WT)	Medium	Partnerships and collaborations
402	Income growth from Research & Enterprise unrealised (PI)	Medium	Research and enterprises
624	LSBU Family integrated service benefits (IM)	Medium	LSBU Integration
305	Data not used / maintained securely (SW)	Medium	Data quality

OUR APPROACH TO PLANNING

Risk Ref	Risk	Score/ RAG Rating	Associated Audits in IA Strategy 2019-2022
519	Negative Curriculum Assessment (SW)	Medium	TEF
584	External incident compromises campus operations or access (PB)	Medium	Security
398	Academic programmes not engaged with technological and pedagogic developments (SW)	Medium	
495	Higher Apprenticeship degrees (PB)	Medium	Apprenticeship degrees
518	Core student system inflexibility / failure (SW)	Medium	Business continuity and emergency response plans
6	Management Information perceived as unreliable, doesn't triangulate or absent (RF)	Medium	Management information
362	Low staff engagement or staff cost containment programme impacts performance negatively (PB)	Medium	HR - Learning and talent development / staff engagement
517	EU Referendum Impact on regulation & market (DP)	Low	
494	Inconsistent delivery of Placement activity (SW)	Low	Partnerships and collaborations
1	Lack of capability to respond to policy changes & shifts in competitive landscape (DP)	Low	

OUR APPROACH TO PLANNING

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
OfS	HEFCE Audit Code of Practice (or successor guidance)

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 2019-2022

Our rationale for including reviews in the proposed three year Internal Audit Strategy for 2019-2022 are:

Audit area	Rationale
Risk management	To assess the Group's overarching risk management processes which will support our Annual Opinion.
LBSU family integration	A key risk on the Group's risk register and therefore we propose undertaking a review of this area.
Financial systems and controls	Management has expressed that it wishes to keep these audits as they are useful. However, we propose that the scope of the initial audit financial review is revisited to perform a risk based review of key finance areas rather than focusing on specific key controls.
Data returns/ quality	No data returns have been audited since 2013/14 when the HESA Return was audited (although student data has been included in the continuous auditing reviews). Therefore we have proposed a review of this area, focusing on one of the returns.
Student data continuous auditing	Management has expressed that it wishes to keep these audits as they are useful.
Student experience	There has been no specific coverage of student experience, although the Annual Plan indicates that areas of cross over into student experience from an IT perspective.
TEF	The DfE in England has committed to introducing TEF at subject-level, to provide more useful information to prospective students about the subject they are looking to study. Negative curriculum assessment is a key risk for the University and therefore a review of this area is proposed.
UKVI Tier 1 and 4	Although aspects of this are included within the continuous auditing programme, a full review of this area has not been performed by Internal Audit.
Estates	The University has a large estates capital programme underway. Therefore we propose reviewing the governance, financial management and monitoring, performance management and reporting in place over the ongoing major capital projects.

INTERNAL AUDIT STRATEGY 2019-2022

Audit area	Rationale
IT security	IT security was last reviewed by Internal Audit in 2014/15. As the risks in this area are ever increasing we propose a review of the arrangements the University has in place over this.
South Bank Academies	A review of the two academies was performed in 2018/19 which highlighted a number of areas of weakness. We propose performing an in-depth follow up review of the recommendations raised in that report.
South Bank Colleges	We understand that the University wished to keep internal audit for Lambeth College. Therefore we propose developing a specific Internal Audit Plan focusing on the specific risks of the College. We have requested a meeting with the College's Chief Finance Officer to discuss the Internal Audit Plan further.

Following review of the Plan by the Executive Group the following comments were made in relation to the 2019/20 Plan which the Audit and Risk Committee is asked to consider when providing its own feedback on the Plan.

Comment
Remove TEF and replace with REF
Assess whether LSBU family integration is required
Consider whether the audit of data returns is required
Consider adding a review of safeguarding across the Group
Assess whether student experience would be of any value to LSBU
Apprenticeships was audited in 2016/17 but consider whether a further audit of this is required. If there are any outstanding actions these will be included within the recommendation follow up process.
Consider including an audit of UK partnerships
Management is considering performing its own internal review of project and programme management and therefore an audit of the review process should be considered.

INTERNAL AUDIT STRATEGY 2019-2022

The table below outlines a summary of proposed three year Internal Audit Strategy for 2019-2022.

Audit area	2019-20 Days	2020-21 Days	2021-2022 Days
Governance, compliance and risk management	18	18	18
Finance and management information	55	42	60
Core activities	32	22	10
Research, enterprise and international	0	20	12
Estates infrastructure and services	12	20	12
Information technology	13	0	8
Human resources	0	8	10
South Bank Academies	10	10	10
South Bank Colleges	40	40	40
Total planned audit days	180	180	180
Management planning, reporting and liaison	18	18	18
Recommendation follow up	8	8	8
Total days	206	206	206

INTERNAL AUDIT STRATEGY 2019-2022

The tables below outline our proposed three year Internal Audit Strategy for 2019-2022. On page 8 we have demonstrated how this programme aligns to your latest risk register.

Strategic Risk Ref.	Audit area	Covered in 2018/19	Previous assurance level/ report rating	2019-20 Days	2020-21 Days	2020-21 Days	Comments
Governance, compliance and risk management							
All	Risk management	✓	TBC	8		6	
	Corporate Governance, which could include committee structures and oversight and compliance with key corporate policies and procedures such as whistleblowing, complaints, anti-bribery, anti money laundering etc.				8		
1, 305	Changing legal and regulatory environment e.g. Prevent, CMA, OFS Regulatory Framework, GDPR	✓	TBC				2018/19 - CMA
1	Strategic and business planning						
518	Business continuity and emergency response plans				10		Covered in 2013/14
	Value for money						Considered in relevant audits
	Health and safety					12	Covered in 2017/18
	Insurance						
624	LSBU family integration			10			

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INTERNAL AUDIT STRATEGY 2019-2022

Strategic Risk Ref.	Audit area	Covered in 2018/19	Previous assurance level/ report rating	2019-20 Days	2020-21 Days	2021-22 Days	Comments
Finance and management information							
	Financial systems and controls (continuous auditing - finance)	✓	Various*	25	30	30	Annual
	VAT						No previous coverage
	Procurement and tendering	✓	TBC				
	Contract management						Last reviewed 2016/17
305	Data quality and returns (TRAC/HESA/HESES)			10		10	TRAC reviewed 13/14
6	Management information and performance reporting				12		No coverage since 15/16
	Continuous auditing - student data	✓	TBC	20		20	Annual

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* Continuous auditing - Results P1 2018/19	Rating
Payroll	Green
Accounts payable	Green
Accounts receivable	Amber
Cash	Green
General ledger	Green

INTERNAL AUDIT STRATEGY 2019-2022

Strategic Risk Ref.	Audit area	Covered in 2018/19	Previous assurance level/ report rating	2019-20 Days	2020-21 Days	2021/22 Days	Comments
Core activities							
1, 457	Student recruitment, admissions and enrolment				12		No previous coverage
	Communications and marketing						Due 2019/20
37, 626	Student experience			12			Covered in IT audits
	Student well-being				10		No previous coverage
495	Degree Apprenticeships						Covered in 2016/17
	Accelerated degrees						No previous coverage
519	TEF preparation			10			
	Access and participation						
	Student employability					10	
	UKVI Tier 4 and 1			10			Covered in continuous auditing

INTERNAL AUDIT STRATEGY 2019-2022

Strategic Risk Ref.	Audit area	Covered in 2018/19	Previous assurance level/ report rating	2019-20 Days	2020-21 Days	2021/22 Days	Comments
Research and enterprise							
	Research (eg REF, ethics, portfolio management)				10		No previous coverage
	The London South Bank Innovation Centre (LSBIC)	✓	TBC				
402	Enterprise activity (South Bank University Enterprises Ltd)				10		Last reviewed 12/13
14, 494	Partnerships and collaborations					12	Int. partnership in 2017/18
	Business engagement, executive education and knowledge exchange						
	International activity						
	International Academic Partnership Unit						
	The Confucius Institute						

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INTERNAL AUDIT STRATEGY 2019-2022

Strategic Risk Ref.	Audit area	Covered in 2018/19	Previous assurance level/ report rating	2019-20 Days	2020-21 Days	2021-22 Days	Comments
Estates infrastructure and services							
37	Estates development / capital programme			12			Covered in 2012/13
584	Facilities management (including space management, energy management, conference and lettings, waste management, security)				10		No previous coverage
	Contractor management						
	Planned and preventative maintenance						
	Statutory testing / regulatory compliance					12	
	UUK Code compliance				10		
Information technology							
	IT Strategy					8	General IT audit 2017/18
305	IT Security (cyber)			13			No coverage since 14/15
	IT Disaster Recovery	✓	TBC				General IT audit 2017/18
	IT asset security and management						
	IT Service delivery/support and helpdesk						

INTERNAL AUDIT STRATEGY 2019-2022

Strategic Risk Ref.	Audit area	Covered in 2018/19	Previous assurance level/ report rating	2019-20 Days	2020-21 Days	2021-22 Days	Comments
Human resources							
362	HR policies and procedures						HR audit 2017/18
	Staff recruitment						
	Workload planning						
362	Learning and talent development / staff engagement					10	
	Absence management						
	UKVI Tier 2 compliance and RTW in UK				8		
	Appraisal process and performance management						
LSBU Family							
	South Bank Academies	✓	High	10	10	10	
	South Bank Colleges	✓	Various	40	40	40	Detailed IA plan TBC
Management, liaison and Audit Committee reporting				18	18	18	
Recommendation follow up				8	8	8	
Total				206	206	206	

APPENDIX I: 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 I: 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 I: 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 II: WORKING PROTOCOLS

Internal Audit Delivery

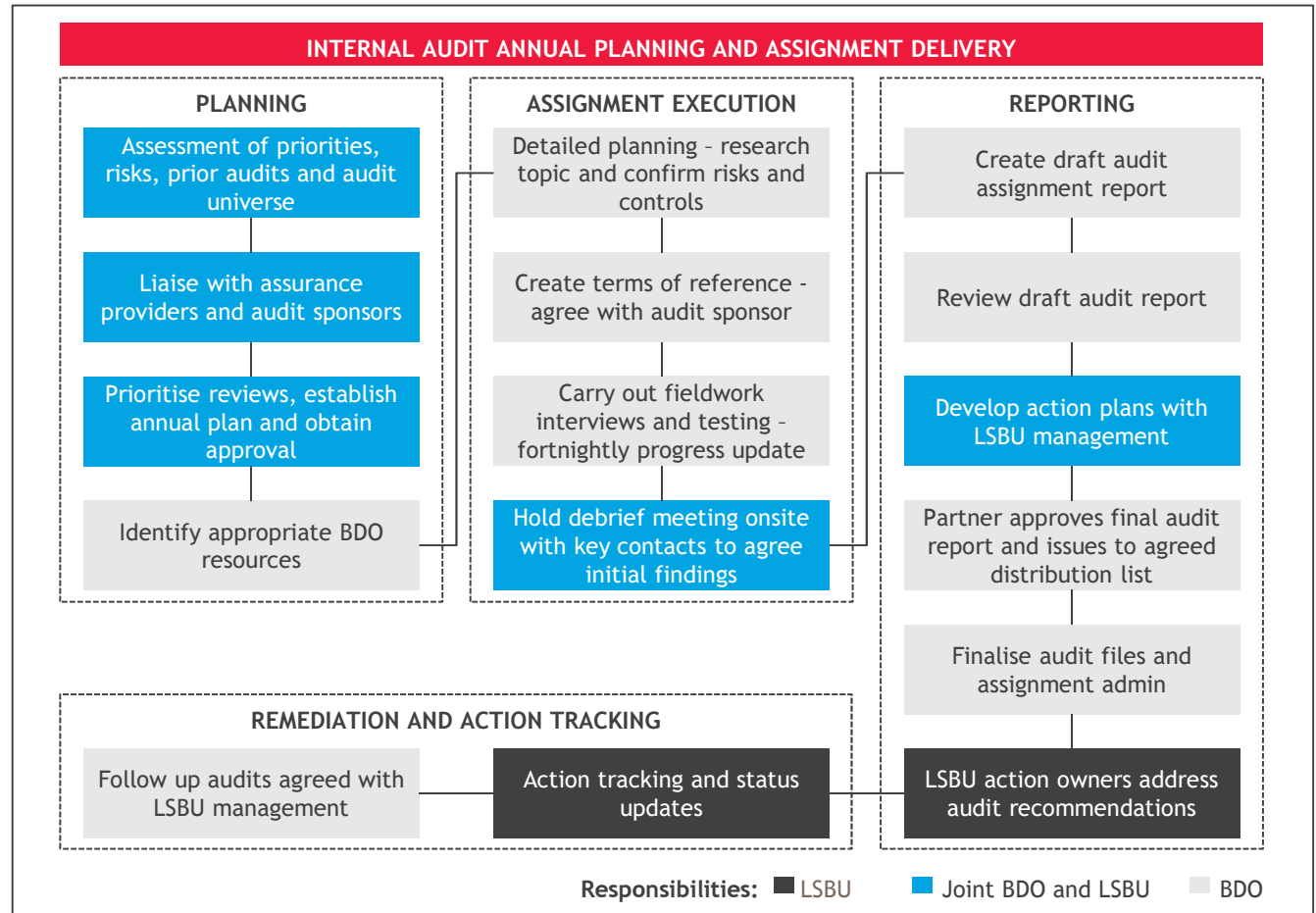
We summarise opposite the annual planning and assignment delivery model we will use at the Group. The model journeys through the four main processes associated with internal audit delivery; audit planning, assignment execution, reporting, and finally, remediation and action tracking. We have illustrated 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.



APPENDIX II: WORKING PROTOCOLS

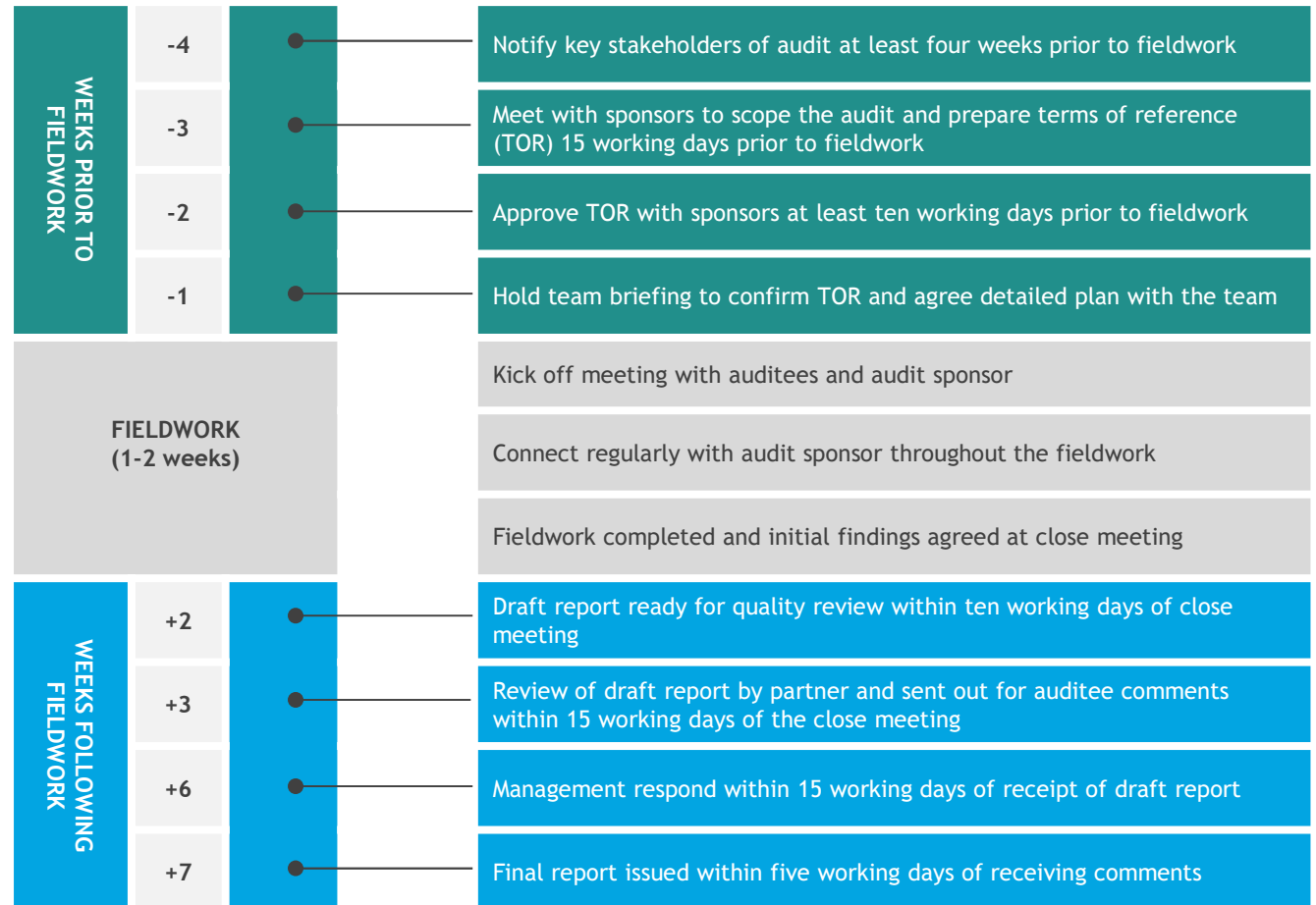
Protocols for Individual Audit Assignments

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.



APPENDIX II: 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 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.

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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:	Corporate Risk Report
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	Richard Duke, Director of Strategy & Planning
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	For information; to provide the Audit Committee with a report on corporate risk
Which aspect of the Corporate Strategy will this help to deliver?	Effective risk management relates to the entire organisation, but relates particularly to goals 7 (People & Organisation) and 8 (Resources & Infrastructure).
Recommendation:	To review and note.

Executive Summary

The corporate risk register currently has:

- Two critical risks;
- Four high risks;
- Twelve medium risks;
- Three low risks

These risks are detailed in the paper, as well as mitigation and progress against actions.

The alignment of the current risk process with corporate and business planning is currently under review. A survey has been distributed to Operations' Board members where questions relating to corporate risk, local risk and risk systems are asked. When answers are reviewed, it is envisaged that a process that ensures risk management alignment with planning processes, that is undertaken as efficiently as possible will be designed and implemented.

This format is under review, with plans for future Corporate Risk reports to integrate a Group Approach.

LSBU Corporate Risk: Board Summary Report – May 2019

Cover Page: Risk Exposure Matrix – Severity by risk type (from Risk Appetite)

Severity Rating	Critical	High	Medium	Low
Risk Types:				
Financial (Open)	<p>2: Revenue reduction if activity does not achieve H/EU UG recruitment targets (NL)</p> <p>3: Sustainability of pension schemes (RF)</p>	<p>625: Impact of Govt. Education Review on HE funding (RF)</p>	<p>14: Loss of NHS contract income (WT)</p> <p>402: Income growth from Research & Enterprise unrealised (PI)</p> <p>457: Anticipated international & EU student revenue unrealised (PI)</p> <p>624: LSBU Family integrated service benefits (IM)</p>	<p>517: EU Referendum Impact on regulation & market (DP)</p>
Legal / Compliance (Cautious)			<p>305: Data not used / maintained securely (SW)</p> <p>519: Negative Curriculum Assessment (SW)</p> <p>584: External incident compromises campus operations or access (PB)</p>	
Academic Activity (Seek)		<p>467: Progression rates don't increase (SW)</p> <p>37: Impact and affordability of Capital Expenditure investment plans (RF)</p>	<p>398: Academic programmes not engaged with technological and pedagogic developments (SW)</p> <p>495: Higher Apprenticeship degrees (PB)</p> <p>518: Core student system inflexibility / failure (SW)</p>	<p>494: Inconsistent delivery of Placement activity (SW)</p>
Reputation (Open)		<p>626: Impact of assurance activity & new initiatives fails to address issues around student experience (PB)</p>	<p>6: Management Information perceived as unreliable, doesn't triangulate or absent (RF)</p> <p>362: Low staff engagement or staff cost containment programme impacts performance negatively (PB)</p>	<p>1: Lack of capability to respond to policy changes & shifts in competitive landscape (DP)</p>

Risk summary reports: a high level overview of risk exposure by appetite risk type for risks with severity ratings of critical, high and medium.

Risk Type 1: Financial		
<i>Summary of current risks & drivers</i>	<i>Notes on controls & mitigation strategies</i>	<i>Notes on progress made and actions completed</i>
<p>2: Home UG Recruitment: (NL) Increased competition & narrowing candidate pool put pressure on applicant numbers. Brand positioning doesn't articulate LSBU offer effectively & impacts on conversion rate, leading to shortfall in anticipated income, or < tariff score</p>	<ul style="list-style-type: none"> • Weekly review of numbers in DARR report by MAC leadership team & Leadership group • LEAP programme workstreams • Annual MAT & Lambeth liaison plan • Course development lifecycle project will ensure organisation insight informs validation cycle 	<ul style="list-style-type: none"> • Response protocols completed for full 19/20 application cycle • Phase 1 School website content updated • Research project underway to assess impact of current 'value add' applicant offer.
<p>3: Pensions scheme sustainability: (RF) Increasing life expectancy & poor performance of funds post 2008 leads to greater deficit</p>	<ul style="list-style-type: none"> • Annual FRS 102 valuation • Strict control on early access to scheme 	<ul style="list-style-type: none"> • Mercers costed scenarios being considered in autumn, with HR representation.
<p>57: International Income: (PI) Government policy & UKVI process creates additional burdens to recruitment, and TNE partner models still in development</p>	<ul style="list-style-type: none"> • Annual cycle of training events with staff on UKVI • Recruitment reports to Executive by exception • Overseas offices support in-country recruitment • Partnership model established for new activity 	<ul style="list-style-type: none"> • School Roadshows on developing & managing partnerships delivered • UKVI Consultant report received & actioned • Egyptian Joint Venture in development
<p>625: Impact of Government HE Review: (RF) If a reduction in the funded unit of resource for HE students is recommended, and approved by parliament, it would undermine current operating model & contribution rates.</p>	<ul style="list-style-type: none"> • Annual Board approval of 5 year forecasts • CFO access to sector & professional expertise • Scenario planning for reduced resource levels 	
<p>14: NHS Contract Income: (WT) Changes to NHS management structures, and move from bursaries to loans for pre-Reg courses impacts on levels of income</p>	<ul style="list-style-type: none"> • QCPM & NMC course review processes demonstrate quality of provision to funders • Literacy & Numeracy no longer tested 	<ul style="list-style-type: none"> • New programmes in development • Havering lease now extended • Applicant process re-engineered

402: Research & Enterprise contracting:
(PI)

Forward financial plans anticipate increases in income which will need to be supported through reaching into new markets and areas of activity

- Bid writing workshops for academic staff delivered
- Sharepoint & FEC Research & Enterprise Approval Process for authorisation of new opportunities
- R&E activity Pipeline Reports (Financial & Narrative) provided to Business Planning Group

- Health Innovation Lab director appointed, and premises options under review
- ACEEU accreditation application underway
- Heads of Terms agreed for Cambridge research partnership

624: LSBU Family integrated service: (IM)
Obstacles may hinder planned synchronisation

- Interim appointments at Lambeth College

- Plans underway for transfer at year end

Risk Type 2: Legal / Compliance		
<i>Summary of current risks & drivers</i>	<i>Notes on controls & mitigation strategies</i>	<i>Notes on progress made and actions completed</i>
<p>305: Data use and access: (SW) The rise of cyber-attacks, and malicious attempts to circumvent existing controls pose a threat to data security. Evolving standards of good practice take time to become articulated within an institutional context and fully adopted as salient culture. European GDPR legislation came into force on 25th May 2018.</p>	<ul style="list-style-type: none"> • GDPR Project programme approved by Executive • Data Protection now included within suite of Mandatory Training modules for staff • ICT project process requires Privacy Impact Statements and changes to digital infrastructure reviewed quarterly by ICT Technical Roadmap Board • IT access now linked directly to live info from i-Trent staff record system, and logical security protocols require 6 monthly change • Vulnerability tests scheduled weekly 	<ul style="list-style-type: none"> • GDPR project programme reviewed by project board
<p>319: Curriculum Compliance: (SW) The transition from sector funder (Hefce) to Regulator (OfS) sees a move away from the Annual Provider Review approach to quality assurance of provision, to achievement of registration conditions, which now connect explicitly to the stipulations of the CMA (Competitions & Markets Authority) around consumer protection. The links between Course Approval documents and Marketing content is not currently assured, and tolerance thresholds for changes to course content may vary in practice.</p>	<ul style="list-style-type: none"> • Academic Audit process is monitored by Academic Board, through reports from QSC (Quality & Standards Committee) • Curriculum creation process being transferred to the Registry function • All Course Specs being translated into new Educational Framework format • LEAP workstreams including CRM elements will help mitigate this risk, along with outputs of OEG project 3 	<ul style="list-style-type: none"> • Full audit of Course specifications now completed • OfS Registration process being overseen by project board & Company Secretary • Educational Framework specification documents now mandatory for all new programmes • LSBU Subject TEF pilot participation has informed review of core review cycles
<p>584: External Incident impact on campus: (PB) UK government's current terror threat level</p>	<ul style="list-style-type: none"> • Building Lockdown plans in place • Business continuity plans for critical activity reviewed annually by resilience team 	<ul style="list-style-type: none"> • Review actions now being implemented • Gold Command transferred to VC & COO.

of 'severe' and incidents during 2017 mean that a central London location places LSBU at greater risk of being impacted by a future event.

- Emergency Information sets at receptions
- Halls Accommodation aid agreement in place with London School of Economics
- Annual scenario testing with Executive

Risk Type 3: Academic Delivery		
<i>Summary of current risks & drivers</i>	<i>Notes on controls & mitigation strategies</i>	<i>Notes on progress made and actions completed</i>
<p>467: Progression: (SW) Despite a revised focus on the re-enrolment process, the progression rate fell by 2% to 75% for full time students, and is featured as a negative flag on some of the metrics supplied through the Subject TEF pilot process.</p>	<ul style="list-style-type: none"> • Range of data in the Corporate Warehouse being expanded to utilise the MIKE platform to provide greater insight and analysis to academic staff • Study support provided by Library & LRC • CRIT embeds support in high impact modules • Personal tutoring minimum specification published 	<ul style="list-style-type: none"> • Course Director Role Description completed & provided to the School DESEs • New Progression dataset tested and added to Data Warehouse for ongoing reporting • 1 LEAP workstream will impact on this
<p>37: Capex impact on business: (RF) Project ambitions and scales do not achieve planned impact, or not in alignment with current cash generation capacity or asset valuations.</p>	<ul style="list-style-type: none"> • Capex reporting embedded into management accounts provided to FP&R Committee • Estates project methodology controls & governance • Financial Regs require Board approval >£2m 	<ul style="list-style-type: none"> • Sino-campus Steering Panel ongoing • Perry disposal options being considered • St Georges options being tested with Clive Crawford Associates
<p>398: Technology & Pedagogy: (SW) Some competitors have made greater investment in using learning analytics to support the learning experience, & embedding Classroom technology. There are sector concerns with regard to the priority attached to teaching support by OfS & Advance HE, and CRIT Reorganisation could impact on delivery.</p>	<ul style="list-style-type: none"> • CRIT (Centre for Research Informed Teaching) reports to the Student Experience Committee & to the Quality & Standards Committee. • Delivery of the Technologically Enhanced Learning Strategy (TEL) through Educational Framework & Quality Processes monitored by Academic Board. • Digital baseline created for all Moodle sites 	<ul style="list-style-type: none"> • CPD sessions for Course Directors delivered utilising TESTA framework • Lecture capture facilities being provided to pilot group using Panopta on laptops, with associated training sessions • Moodle baseline available to all staff & contained within new site template
<p>495: Apprenticeships: (PB) Some issues with system adaptations in order to accommodate all requirements of running Apprenticeship programmes, and some sector reports have introduced some uncertainty over future enrolment patterns.</p>	<ul style="list-style-type: none"> • The Apprenticeships team is now fully established within LSBU • 6 monthly progress report from Apprenticeships Steering Group scrutinised by 	<ul style="list-style-type: none"> • Passmore Centre refurbishment project now underway • Launch events in preparation stages • Ofsted preparation task group in place

	Academic Board covers IPTE and the Passmore Centre.	
<p>518: Core Student Systems: (SW) Although the LEAP project is underway to create a paradigm shift in administration of the student journey, existing platforms will be required in the interim, and are patched and burdensome.</p>	<ul style="list-style-type: none"> • LEAP Programme project Updates scrutinised by Academic Board, & Exec & FP&R. • Operational Issues reported & tracked through ICT TopDesk system, with internal escalation protocols. 	<ul style="list-style-type: none"> • Timetabling review completed, and some recommendations implemented • PWC appointed as LEAP Programme Change Partner

Risk Type 4: Reputation		
<i>Summary of current risks & drivers</i>	<i>Notes on controls & mitigation strategies</i>	<i>Notes on progress made and actions completed</i>
<p>626: Assurance activity & new initiatives fail to address student experience issues (PB)</p> <p>Changing expectations, a value media focus and campus developments may impact negatively on student perceptions of experience, and new initiatives may not address known issues or variations in performance levels</p>	<ul style="list-style-type: none"> • Action plans for each School & for Institution • Year 1 & Year 2 UG Student Experience Survey (SES) identifies issues with cohorts ahead of Y3 • Funding ring fenced for staff mini project submissions to address student experience issues • Comms plan aims to shift student perceptions • Long term roadmaps in development to identify greater opportunities for incorporation of student feedback in provision of professional services 	<ul style="list-style-type: none"> • New module questionnaire in development • New invigilation approach being rolled out • Courses below agreed performance threshold identified for further activity
<p>6: Management Information: (RF)</p> <p>Past concerns expressed regarding triangulation of data from separate returns made to the designated data body, and controlled internal access to this business intelligence.</p> <p>Lack of detailed articulation of interdependencies between data systems and use of multiple system fields</p>	<ul style="list-style-type: none"> • Data Assurance Group mechanism • MIKE platform for sharing data & visualisations using corporate warehouse • Continuous Audit programme reviews student and financial data for accuracy • Systemised data checks and reviews completed by PPA team prior to external submission. 	<ul style="list-style-type: none"> • Performance scorecard project underway to develop measures for professional services • LEAP programme includes an information & reporting work stream • MIKE phase 2 datasets in testing phase prior to formal release • Subject TEF pilot submission outcome being analysed and metrics integrated into MIKE
<p>362: Low staff engagement or staff cost containment impacts performance: (PB)</p> <p>Systems and structures don't achieve intended facilitation of collaborative working across the institution.</p> <p>Reward and recognition packages perceived to be out of line with other sectors or institutions, or not applied equally across full range of protected characteristics.</p> <p>Frozen fee levels and continued challenges in recruitment market have contributed to flat income predictions and planned staff cost reduction programme, which could lead to lower engagement, disruption in service provision or skills / knowledge gaps that impact on delivery.</p>	<ul style="list-style-type: none"> • Town Halls cascade corporate messages • Regular engagement with Unions on staff matters • Shape & Skills approach to review • Comms strategy approved by Exec for MAC team • HR Business Partners manage all change activity • Direct staff feedback is encouraged through VC 'Continuing the Conversation' events & Yammer • Employee engagement champions network • Planning process promotes golden thread connection from Corporate Strategy, through Local Roadmaps to Staff Appraisals. • OEG project 5 will develop an approach to service levels and business partnering 	<ul style="list-style-type: none"> • All Staff email introduced programme remit • Leadership forum group established • Procurement completed on Sodexo platform to deliver benefits to all staff & contractors • Engagement survey results provided to management teams in Schools & PSGs

Appendix: LSBU Corporate Risk Register - Cover page, Risk overview matrix; by impact & residual likelihood

Date: May 2019 **Author:** Richard Duke – Director of Strategy & Planning **Executive Lead:** Richard Flatman – Chief Financial Officer

Impact	4 Critical <i>Corporate plan failure / removal of funding, degree award status, penalty / closure</i>		2: Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets (NL)	3. Sustainability of current pension schemes (RF)	
	3 High <i>significant effect on the ability for the University to meet its objectives and may result in the failure to achieve one or more corporate objectives</i>	6: Management Information (RF) 37: Affordability of Capital Expenditure investment plans (RF) 305: Data not used / maintained / processed securely (SW) 362: Low staff engagement (PB) 457: Anticipated international & EU student revenue unrealised (PI) 495: Higher Apprenticeships (PB)	3: Increasing pensions deficit reduces flexibility (RF) 467: Progression rates don't rise (SW)		
	2 Medium <i>failure to meet operational objectives of the University</i>	1: Capability to respond to change in policy or competitive landscape (DP) 517: Impact of EU Referendum result on regulation & market trends (DP) 494: Inconsistent delivery of Placement activity across the institution (SW)	14: Loss of NHS contract income (WT) 398: Academic programmes not engaged with technological and pedagogic developments (SW) 402: Unrealised research & enterprise £ growth (PI) 584: External incident compromises campus operations or access (PB) 518: Core student system inflexibility / failure (SW)		
	1 Low <i>little effect on operational objectives</i>				
		1 - Low	2 - Medium	3 - High	
		<i>This risk is only likely in the long term</i>	<i>This risk may occur in the medium term.</i>	<i>The risk is likely to occur short term</i>	
		Residual Likelihood			
	Executive Risk Spread: VC – 2, DVC – 3, CFO – 3, PVC-S&E – 5, PVC-R&EE – 2, COO – 1, CMO -1, Dean Health – 1, US - 0				

	CONFIDENTIAL
Paper title:	Annual debt write off
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	Julian Rigby, Head of Financial Processing
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To make a recommendation to the committee to write off uncollected debts which are more than 6 years old.
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial Control and Sustainability
Recommendation:	That the committee approve the bad debt write off of £564k

Executive Summary

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

The Committee is requested to approve the write off of **£564k** of self-pay tuition fees in line with financial regulations, which require that Audit Committee approve the annual write off of debts where the total value exceeds £50,000.

The University writes off debt from the student ledger – called the self-pay ledger in the table below. This type of debt is one that the student is responsible for settling themselves; i.e. there is no associated sponsor or a Student loan to pay the balance.

The total self-pay debt relating to academic years 2012/13 and earlier is £1.132m. £61k was invoiced during the past 5 financial years, and as we continue to chase for payment, these are exempt from the amount proposed for write off. Arrangements have been made to settle £507k of the debt by monthly instalment arrangement, which has also been deducted from the proposed write off. A further £194k is with the debt collection agency leaving £370k which is more than 6 financial years old and have been fully provided in previous financial year-ends There will be no impact on the profit and loss for the current year.

May 2019 Tuition Fee Aged Debts	12/13 £k	11/12 £k	10/11 £k	09/10 £k	08/09 & Prior £k	Total £k
Self-Pay	637	257	176	41	21	1,132
SLC	56	7	-43	-121	-314	-415
Sponsors	-105	-173	-74	-100	-198	-650
Total	588	91	59	-180	-491	67
Self-Pay Totals	637	257	176	41	21	1,132
Invoices less than 5 years old	53	7	0	0	1	61
Paying by Instalment	328	48	105	16	10	507
With STA Debt collection agency	185	9	0	0	0	194
More than 6 years old	71	193	71	25	10	370
Total potential w/off (Inc. STA)	256	202	71	25	10	564

We are proposing to write off a total of £564k including the £194k currently with the debt collection agency.

Recommendation

Therefore, we recommend that the committee approve the write off, of tuition fee debt of £564k.

	CONFIDENTIAL
Paper title:	Anti Fraud Policy Review
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	Natalie Ferer, Group Financial Controller
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To review the current Anti-Fraud Policy and Fraud Response Plan
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial Sustainability
Recommendation:	It is recommended that Audit Committee approve the current anti-fraud policy and fraud response plan and note 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) The move to a group structure
- b) flexible working patterns of staff and
- c) the need to follow university procedures.

A copy of the policy and plan showing the updates is attached.

Self Assessment

The British Universities Finance Directors Group (BUFDG) have produced a 'self-assessment checklist' for Universities that can be used to strengthen institutional counter-fraud measures, help institutions think through their policies and

preparedness, identify strengths and weaknesses, and identify where further steps can be taken. The checklist attached was completed as of May 2019.

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

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

3. Definition of fraud

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

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

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, patterns of leave, working alone or outside of normal business hours are often part of normal working arrangements, but managers 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>

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 Auditors appropriate to determine the role of internal audit in the investigation.

A significant fraud is one where:

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

In the event of a suspected fraud involving Finance and Management Information (FMI), the Vice Chancellor will initiate action. The 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, ~~observing the principles of natural justice~~ 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

<p>Name: Natalie Ferer</p> <p>Position: Financial Controller</p> <p>Date of completion: May 2019</p>

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	Y

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. A claim against a payroll fraud was considered but the amount was only just above the deductible amount so no claim was 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 and whistleblowing policy are all available on the staff intranet. An update to the AML policy is being prepared to address the new Criminal Finance Act.	
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. Other anti-fraud policies are available on the staff intranet.	
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 BUFDG fraud discussion boards and CFC network?	Not at present.	Y

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 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?	one fraud below the threshold occurred in the payroll department whereby fraudsters were able to instruct the team to change bank accounts of four members of staff, resulting in £14k of pay being paid into the fraudsters bank accounts. This was reported in 2018 and no further incidents have occurred.	
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?	No	
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.	
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?	In addition to the matter detailed in 3.3 above, the Academies Trust received a phishing email during 2019 purporting to be from a supplier requesting a change to bank details. Our internal procedures prevented this request from being actioned. An attempt has been made to make an insurance claim against the University which was investigated by our insurers as fraudulent.	Y

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	CONFIDENTIAL
Paper title:	Appointment of SBA Auditors
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	Natalie Ferer, University Financial Controller
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To consider the reappointment of Kingston Smith as Auditors for SBA for the year ending 31 August 2019
Recommendation:	To note the reappointment of Kingston Smith.

Background

Kingston Smith audited the accounts of South Bank Academies for the previous financial year. They have acted as auditors for the organisation since incorporation and this will be their 6th year.

Although there has been some discussion as to the suitability of Kingston Smith in the past, especially around the communication of significant audit matters, overall it is felt by management that the performance of Kingston Smith as the Trust's auditors has improved. Furthermore, due to the complexity of the 2017 and 2018 audits, there is considerable advantage in retaining Kingston Smith for a further year, in particular because their team is familiar with the opening balances which a new set of auditors would want to audit as part of their work.

SBA audit committee and Board recommend to the members of the company that Kingston Smith be reappointed for one further year and a tender for external audit services, or an amalgamation with the LSBU group audit function should be considered in good time for the 2020 year end. The members of SBA are LSBU, the LSBU VC and the LSBU CFO. The draft resolution is attached for approval.

Recommendation

To approve, on behalf of LSBU as a member of South Bank Academies, the reappointment of Kingston Smith for the audit of the SBA accounts for the 2019 financial year end.

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Company Number: 08589525

The Companies Act 2006

Ordinary Resolutions

of

**South Bank Academies
("the Company")**

(SBA)

Pursuant to Chapter 2 of Part 13 of the Companies Act 2006 (**Act**), the Trustees/directors of the Trust propose that the following resolutions (**Resolutions**) are passed as ordinary resolutions:

Ordinary Resolutions

1. That the Company reappoint Kingston Smith as auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are approved by the directors, subject to any review by the Audit Committee.
2. That the Company delegate approval of the remuneration of the auditors, Kingston Smith, for the year ending 31 July 2019 to the Group Executive.

Agreement

The members of the Company who were entitled to vote on the Resolutions on 28 March 2019 irrevocably agree to the Resolutions.

..... **Dated**.....

Richard Flatman

..... **Dated**.....

David Phoenix

..... **Dated**.....

James Stevenson, University Secretary on behalf of London South Bank University

Notes

- 1 If you agree with the Resolution, please indicate your agreement by signing and dating this document where indicated above and returning it to the Company. You can return it to the Company by:
 - 1.1 hand (by bringing it to the registered office); or
 - 1.2 by post to the registered office (marked for the attention of the company secretary); or
 - 1.3 by email to governance@lsbu.ac.uk
- 2 If you do not agree to the Resolution, you do not need to do anything: you will not be deemed to agree if you fail to reply.
- 3 Once you have indicated your agreement to the Resolution, you may not revoke your agreement.
- 4 Unless within the period of six months beginning with the Circulation Date above, sufficient agreement has been received for the Resolution to pass, it will lapse. If you agree to the Resolution, please ensure that your agreement reaches us before the expiry of this period.

Agenda Item 18

	CONFIDENTIAL
Paper title:	Apprenticeships Ofsted report
Board/Committee:	Audit Committee
Date of meeting:	13 June 2019
Author:	Shân Wareing, Chief Operating Officer
Executive sponsor:	Shân Wareing, Chief Operating Officer
Purpose:	To inform the Audit Committee of the outcome of the 2019 Ofsted on inspection of LSBU's level 4 & 5 apprenticeship provision.
Recommendation:	The committee is requested to note the quality improvement plan.

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London South Bank University

Higher education institution

Inspection dates

12–14 February 2019

Overall effectiveness		Good
Effectiveness of leadership and management	Good	Apprenticeships Good
Quality of teaching, learning and assessment	Good	
Personal development, behaviour and welfare	Good	
Outcomes for learners	Good	
Overall effectiveness at previous inspection		Not previously inspected

Summary of key findings

This is a good provider

- Leaders and managers at all levels of the organisation are committed to providing apprenticeships that align well with the university's vision and mission of improving the life chances of local people.
- Leaders and managers have successfully created a culture in which they and staff have high aspirations for their apprentices.
- Leaders and managers have established effective partnerships with employers, including National Health Service (NHS) trusts and large construction companies. This supports apprentices to develop the appropriate high-level skills they need for their job.
- Leaders and managers provide apprenticeships in subjects such as healthcare assistant, nursing, building services and civil engineering, for which there is a high demand locally.
- Tutors plan and teach lessons that improve apprentices' ability to do their jobs effectively.
- Apprentices are supported well in their jobs to develop good practical skills that they can apply confidently in their workplace.
- Tutors support apprentices well to develop career goals and encourage them to meet their aspirations successfully.
- Apprentices have a good understanding of British values, equality and diversity and their impact in the workplace.
- A minority of apprentices do not attend training frequently enough.
- Leaders and managers do not have a sufficiently comprehensive overview of the quality of provision and are therefore not well enough informed about areas for further improvement.
- The proportion of apprentices who achieve qualifications in English and mathematics is too low.
- On construction apprenticeships, staff do not ensure that all apprentices have sufficient time for off-the-job training.

Full report

Information about the provider

- London South Bank University is a higher education provider. It is based on two sites, in Southwark, south London, and a smaller site in Havering. Since May 2017, the organisation has started to deliver level 4 and level 5 apprenticeship standards to approximately 300 apprentices in health and social care, and from October 2018, a small number in construction. In addition, the provider also delivers degree-level apprenticeships, which are not in scope for this inspection. The provider also offers a range of undergraduate and postgraduate courses to approximately 17,000 students.
- London South Bank University recruits the majority of its students and apprentices from London. All of the apprentices attending the provider are employed in either the NHS or London-based construction companies. They are undertaking an apprenticeship in order to gain the qualifications and skills necessary to secure long-term employment in the local area.

What does the provider need to do to improve further?

- Improve apprentices' attendance at lessons, by ensuring that they and their line managers understand the importance of frequent attendance.
- Improve the proportion of apprentices who achieve qualifications in English and mathematics, by identifying their prior knowledge and setting appropriate work.
- Ensure that leaders and managers use their knowledge of the quality of teaching and learning to provide teachers with effective professional development and support to help improve teaching practice.
- Ensure that leaders and managers have sufficient oversight of the progress that apprentices make towards their qualification.
- Ensure that leaders and managers in construction have rigorous systems in place to check that apprentices receive their entitlement to off-the-job training.

Inspection judgements

Effectiveness of leadership and management

Good

- Leaders and managers have a clear and ambitious vision to provide high-quality apprenticeships to meet the needs of employers in London. Leaders set high standards and have high aspirations for the organisation. They have successfully established a professional and respectful working environment. They have a well-considered strategic plan that articulates their ambitions to their staff and strategic partners and informs the development and growth of apprenticeships.
- Leaders have established a strategic plan that articulates the high aspirations of the organisation well. The strategic plan informs the development and growth of the provision, with a focus on technical and vocational skills. Staff at all levels of the organisation have a good understanding of the organisation's mission, vision and values and how these shape the courses on offer.
- Leaders work well with strategic partners to ensure that they have a sound understanding of the vocational areas in which they work. This includes collaboration with the local skills board, Health England and the Mayor's Construction Academy. They match their curriculum well to the needs of local employers and regional priorities, and provide courses that support learners from the local community to progress into sustainable employment.
- Leaders and managers have worked effectively with employers, including NHS trusts in London and construction companies, to provide courses that meet the needs of employers and the local community.
- Leaders and managers gather feedback from apprentices and employers frequently and they use this information well to improve their service. They listen carefully to feedback from learners, and managers identify improvements based on module evaluations.
- Leaders and managers support staff well to develop the quality of their teaching. They have established a comprehensive training plan that enables tutors to gain relevant teaching qualifications to improve their teaching skills.
- Leaders' and managers' evaluation of the quality of provision, including teaching, learning and assessment, is not thorough enough. They do not provide an accurate evaluation of all aspects of the apprentices' experience. As a result, leaders and managers do not have a good enough overview of what needs to improve.
- Leaders and managers do not have sufficient oversight of the progress that apprentices make towards achieving their apprenticeship. They have not implemented a robust enough approach to track and monitor apprentices' progress. Too much of the information about apprentices' learning and progress is held by tutors and not reported to managers. As a result, leaders and managers are unable to hold staff to account for the progress that apprentices make. Tutors' monitoring of apprentices' progress is better in health and social care than in construction.

The governance of the provider

- Governors have an appropriate understanding of the strengths and weaknesses of the apprenticeship provision. They are aware of the importance of apprenticeships and how this fits into the vision and mission of the organisation.
- Governors have high aspirations for apprenticeship provision and for attracting learners to the university who would not previously have considered higher education.
- While the provision was being set up, information provided to governors focused on the recruitment of apprentices and gave insufficient information about the quality of the provision. Governors do not ensure that meetings cover all aspects of the provision in sufficient detail and do not monitor how well leaders are making improvements. As a result, governors do not know what impact leaders and managers are having on the quality of the apprenticeships.

Safeguarding

- The arrangements for safeguarding are effective. Leaders and managers put the safety and welfare of apprentices as a high priority within the organisation.
- Staff receive frequent training on safeguarding and have a good understanding of issues affecting apprentices. Managers provide relevant and personalised support to meet individual apprentices' needs, such as through referrals to external agencies. As a result, apprentices feel safe and are safe.
- Leaders and managers have put detailed policies and procedures in place for safeguarding and the 'Prevent' duty, including a 'Prevent' duty risk assessment. Staff and apprentices in health and social care understand the risks associated with radicalisation and extremism and how to report any concerns that they might have. These issues are less well understood by apprentices in construction.
- Managers carry out appropriate pre-employment checks to ensure that staff are suitable to work with apprentices. They keep accurate records of training and suitability checks.

Quality of teaching, learning and assessment

Good

- Tutors assess what learners can and cannot do at the start of their programme accurately and take account of apprentices' existing skills and their job roles. As a result, apprentices enrol on the right programmes at the right level.
- Staff are well qualified in their subject areas. In health and social care, the majority of tutors maintain a clinical role. This contributes well to their teaching. They plan programmes well, including tailoring subject theory to learners' work contexts. They motivate and challenge learners to achieve their qualification aims and career aspirations. As a result, learners make at least the progress expected of them.
- Tutors give good support to apprentices so that they develop new skills and knowledge. Apprentices in nursing can discuss accurately the different elements of the nervous system and the importance of minimising cross-infection. Apprentices in built environment can articulate the development of their skills in project management. As a result, apprentices present evidence of their competency at work with confidence.

- Tutors support apprentices well to develop their written English and mathematical skills in lessons and through their written work. However, leaders and managers do not provide a comprehensive programme of support for those apprentices who need to gain qualifications in English and mathematics. As a result, a minority of apprentices are not developing the skills they need to further their study.
- Tutors provide helpful feedback to apprentices on their work and apprentices know what they need to do to improve. For example, tutors give precise feedback to apprentices on what they need to do to achieve higher grades.
- Staff have developed effective relationships with apprentices' employers. They involve employers well in planning apprentices' programmes. This results in tutors providing learning that meets both apprentices' and employers' needs.
- In a small minority of cases, apprentices' work in construction is not at the level expected for the course they are studying. In these instances, apprentices do not meet current industry standards and practice. As a result, these apprentices are not developing the skills needed to make good progress.
- Tutors in construction do not monitor effectively apprentices' entitlement to off-the-job training. They do not ensure that apprentices spend sufficient time undertaking this element of their programme.

Personal development, behaviour and welfare

Good

- Apprentices enjoy their courses and appreciate being able to bring their experience from their jobs into the classroom to extend their skills and knowledge. They talk confidently about their own personal development and the progress they are making towards the apprenticeship. This includes how they have gained confidence, as well as improved their presentation skills.
- Apprentices have a good attitude towards learning and work. Most are punctual and ready to learn. They have a good understanding of the expectations that staff set for them, in particular how to work safely. As a result, employers value the contribution apprentices make to their businesses.
- Apprentices have a good understanding of British values, equality and diversity and how to apply these to their work settings. For example, healthcare apprentices know how these values improve their attitudes towards patients.
- Apprentices feel safe and know how to keep safe, including when they are online. However, apprentices in construction do not have sufficient understanding of the risks associated with extremism and radicalisation. As a result, it is not clear whether apprentices know the impact these risks could have on them and their workplace and what to do when they have concerns.
- Staff have effective processes for assessing learners for potential additional learning needs. Where necessary, tutors make appropriate adaptations to their lessons to meet apprentices' needs. For example, they provide additional time for apprentices to complete assessments and support to develop their skills. This contributes to apprentices making the progress of which they are capable.

- Apprentices have access to an appropriate range of external agencies to support any additional learning needs. For example, they have access to organisations providing support on mental health or disabilities.
- Apprentices' attendance is not good enough. Leaders and managers monitor attendance and have set attendance targets. However, they have not met these targets. Leaders and managers identify when attendance is too low; however, their actions have not improved attendance quickly enough.

Outcomes for learners

Good

- At the time of inspection, no apprentices had achieved their apprenticeship. However, the proportion of apprentices who remain on their course is high.
- The majority of apprentices make expected progress towards successfully completing their apprenticeship. Apprentices are aware of what progress they are making towards achieving their foundation degree qualification.
- A small number of apprentices in healthcare have taken on additional responsibilities as a result of their course.
- Apprentices' work is of a good standard. Their written work is well organised and neat and appropriate for the level of the course that they are studying.
- Leaders and managers monitor the proportion of apprentices who are still on their course. Where leaders and managers have identified apprentices leaving their course before the end, their actions have been effective. For example, changes in the programme structure on healthcare courses have resulted in fewer male apprentices withdrawing from the course. Managers' positive actions also contribute to apprentices from different ethnic groups and genders making the same progress.
- Leaders and managers are aware of the shortcomings in English and mathematics teaching. They have put in place actions to rectify these. However, the proportion of apprentices achieving functional skills English and mathematics is too low. The proportion who achieve their qualification at the first attempt is very low. As a result, too many learners are not developing the skills they need to progress in their studies.

Provider details

Unique reference number	133873
Type of provider	Higher education institution
Age range of learners	16–18/19+
Approximate number of all learners over the previous full contract year	203
Principal	David Phoenix
Telephone number	020 7928 8989
Website	www.lsbu.ac.uk

Provider information at the time of the inspection

Main course or learning programme level	Level 1 or below		Level 2		Level 3		Level 4 or above	
	16–18	19+	16–18	19+	16–18	19+	16–18	19+
Total number of learners (excluding apprenticeships)	-	-	-	-	-	-	-	-
Number of apprentices by apprenticeship level and age	Intermediate		Advanced		Higher			
	16–18	19+	16–18	19+	16–18	19+		
	-	-	-	-	14	189		
Number of traineeships	16–19		19+		Total			
	-		-		-			
Number of learners aged 14 to 16	-							
Number of learners for which the provider receives high-needs funding	-							
At the time of inspection, the provider contracts with the following main subcontractors:	None							

Information about this inspection

The inspection team was assisted by the deputy vice-chancellor, as nominee. Inspectors took account of the provider's most recent self-assessment report and development plans. Inspectors used group and individual interviews, telephone calls and online questionnaires to gather the views of learners and employers; these views are reflected within the report. They observed learning sessions, assessments and progress reviews. The inspection took into account all relevant provision at the provider.

Inspection team

Steve Lambert, lead inspector

Her Majesty's Inspector

Graham Cunningham

Ofsted Inspector

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Apprenticeship Post –Ofsted Quality Improvement Plan April 2019

Element	Issue identified during Ofsted visit	What outcome or goal do we seek?	How will we get this outcome? (Steps)	By when / By whom	Progress notes
Effectiveness of Leadership and Management	Governors do not ensure that meetings cover all aspects of the provision in sufficient detail and do not monitor how well leaders are making improvements. As a result, governors do not know what impact leaders and managers are having on the quality of apprenticeships.	Comprehensive oversight of all aspects of provision at all levels of the institution to ensure consistently high quality delivery across all standards	1. Reporting on Apprenticeships embedded into governance and management structure.	1. Apprenticeship Committee launched January 2019, reporting to Executive and Board. 2. Reporting on apprenticeships included at all levels including School level via SASC, university level via QSC, Audit committee, Executive and Board meetings	Done Implementation continuing during 18/19
	Leaders and managers do not have a sufficiently comprehensive		2. Robust monitoring of KPIs and quality assurance procedures	Agreed as pilot in Autumn 2018.	Done



	overview of the quality of provision and are therefore not well enough informed about areas for further improvement.		including lesson observations via TQE and newly constituted University Apprenticeship Committee with Executive lead.	Presented to QSC (5.5.19) for implementation in 2019/29	In process
Teaching, Learning and Assessment	Leaders and managers do not provide a comprehensive programme of support for those apprentices who need to gain qualifications in English and mathematics. As a result, a minority of apprentices are not developing the skills they need to further their study.	1. All learners achieve English and maths at level	1. Effective planned delivery of taught sessions for Functional Skills	1. Timetable of taught sessions circulated to apprentices, employers and apprenticeship team by September 2019	In progress
		2. All learners improve the English, maths and digital skills.	2. Additional support including 1:1 sessions	2. Apprenticeship and course teams to liaise with colleagues at Lambeth and/or Dynamic Training	In progress
		3. Employers aware from start of apprenticeship, of their obligations under ESFA funding rules.	3. Employers to be reminded of their contractual obligation to release apprentices to study Functional Skills in addition to 'off the job' training.	3. Apprenticeship team at earliest opportunity.	To be arranged



	In a small minority of cases, apprentices' work in construction is not at the level expected for the course they are studying. In these instances, apprentices do not meet current industry standards and practice. As a result, these apprentices are not developing the skills needed to make good progress.	Learners produce high quality work which meets industry standards	Regular review of learner progress with employers to include monitoring of attainment of relevant knowledge, skills and behaviours and setting of SMART targets.	Course team to ensure that all apprentices are assessed on entry for skills, knowledge and behaviours relevant to the apprenticeship standard.	In progress.
	Tutors in construction do not monitor effectively apprentices' entitlement to off-the-job training. They do not ensure that apprentices spend sufficient time undertaking this element of their programme	Full compliance with 20% minimum for all apprentices by advance planning of 'off the job' training.	Use of OneFile to plan and monitor 'off the job' training with active engagement from employers and apprentices.	Course directors and tutors with support for apprenticeship team	In progress.
Personal development behaviour and	A minority of apprentices do not attend training frequently enough.	Good attendance across all areas of provisions	1. Reinforce 100% attendance target	1. Course tutors to include monitoring of attendance targets in all	In progress



	result, too many learners are not developing the skills they need to progress in their studies.				
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	CONFIDENTIAL
Paper title:	Anti – Fraud, bribery and corruption report
Board/Committee	Audit Committee
Date of meeting:	13 June 2019
Author:	Natalie Ferer, Group Financial Controller
Executive/Operations sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To alert Audit Committee to any instances of fraud, bribery or corruption arising in the period since the committee last met,
Which aspect of the Strategy/Corporate Delivery Plan will this help to deliver?	Financial Control and Sustainability
Recommendation:	That the Committee notes this report

Summary

Since the last report there are two matters to report:

1. Supplier fraud

A fraudulent attempt to change the bank details of a supplier to South Bank Academies was made. The member of staff receiving the request followed procedures by contacting a known contact with the supplier to verify these details and as such discovered that the request was fraudulent and therefore not actioned.

2. Tenant Fraud

In September 2017 a tenant, whose business rents space in the Clarence Centre, has made an insurance claim for personal injury against the university which our insurer, Zurich, has investigated as fraudulent due to inconsistencies in the details of the claim. The claim relates to an incident where the tenant claims he was injured

by a cabinet that was left at the entrance of the building. The claimant has since withdrawn the claim and Zurich have said that they are not planning on taking any further action.

Recommendation:

The Committee is requested to note this report

	CONFIDENTIAL
Paper title:	Speak up report
Board/Committee:	Audit Committee
Date of meeting:	13 June 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	Audit Committee is requested to note the report

Speak up report

Since the last meeting of the Audit Committee no new Speak Up issues have been raised.

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	CONFIDENTIAL
Paper title:	Prevent monitoring OfS response
Board/Committee:	Audit Committee
Date of meeting:	13 June 2019
Author(s):	Shan Wareing, Chief Operating Officer
Sponsor(s):	David Phoenix, Vice Chancellor
Purpose:	For Information
Recommendation:	Audit Committee is requested to note the report

Executive summary

The Audit Committee is asked to note the prevent monitoring (ADR and risk assessment outcome) received by the Vice Chancellor on 15 April 2019.

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Professor David Phoenix
London South Bank University
103 Borough Road
London
SE1 0AA

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Lime Kiln Close
Stoke Gifford
BRISTOL
BS34 8SR

0117 931 7317
www.officeforstudents.org.uk

15th April 2019

Dear Professor Phoenix

Prevent monitoring: ADR and risk assessment outcome

The Office for Students (the “OfS”) has regulatory oversight for ensuring that providers of higher education meet their responsibilities under the Counter Terrorism and Security Act 2015.

Each year, the OfS makes a judgement on the compliance of each provider with the Prevent Duty, based on the OfS’s core monitoring process, which include: the submission of accountability and data returns, Prevents review meetings, and the review of serious incidents and material changes.

I am writing to confirm both the outcome of the assessment of the accountability and data return (ADR) and the subsequent risk assessment made by the OfS on the risk of future non-compliance with the statutory Prevent Duty.

Accountability and data return outcome

Following consideration of your accountability and data return, we have concluded that London South Bank University **demonstrated due regard** to the [Prevent Duty].

Risk assessment outcome

We have assessed that London South Bank University is **not at higher risk of non-compliance with Prevent**. We used a variety of sources of information in order to inform that assessment. In paragraphs 86-88 of our ‘Prevent duty: Framework for monitoring in higher education in England 2018-19 onwards’, the OfS will run a separate but related risk assessment process to inform our wider understanding of a provider’s context and its approach to implementation of the duty and how we will engage with it.

The information used to inform that assessment included a provider’s track record of compliance with the former Higher Education Funding Council for England’s (HEFCE’s) processes; information and conclusions drawn from core processes under the OfS Monitoring framework for Prevent, such as the accountability and data return; where appropriate, initial or ongoing monitoring of

registration conditions, e.g. public interest principles, and information from Prevent partners, such as Ofsted, Charity Commission, the Department for Education about local and wider risk and threat¹.

Next steps

As London South Bank University is not considered to be at higher risk of non-compliance with the duty, it will be entered into the sample population for Prevent Review Meetings. We will notify you at the point London South Bank University has been selected for the Prevent Review Meeting, and will provide further details on the process. Further information on Prevent Review Meetings can be found in our guidance: Prevent Review Meetings: Guidance for providers.

In the meantime please report any Prevent-related events or changes in circumstance to prevent@officeforstudents.org.uk.

Yours sincerely

A handwritten signature in blue ink that reads "M. A. Hilton." The signature is written in a cursive style with a period after the first name and a comma after the middle initial.

Mark Hilton

Head of Prevent

Direct line 0117 931 7430

Mark.Hilton@officeforstudents.org.uk

¹ <https://www.officeforstudents.org.uk/media/3e9aa5d3-21de-4b24-ac21-18de19b041dc/prevent-duty-framework-for-monitoring-in-higher-education-in-england-2018-19-onwards-updated-22-january-2019.pdf>

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

Summary

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

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

Recommendation

The Committee is requested to note this report.

(Full report in appendix/supplement)

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	CONFIDENTIAL
Paper title:	Group Audit Committee business plan
Board/Committee:	Audit Committee
Date of meeting:	13 June 2019
Author(s):	Askari Jafri, Governance Officer
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	Audit Committee is requested to note the plan.

Executive Summary

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

The Committee is requested to note the plan.

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Audit Committee plan 2019 / 20

Agenda Item	Lead Officer
October 2019	
Public benefit statement	James Stevenson
Corporate governance statement	James Stevenson
Pension assumptions	Richard Flatman
Audit TOR & membership	James Stevenson
Internal controls annual review and effectiveness	Richard Flatman
Draft internal audit annual report	Richard Flatman
Anti-fraud, bribery and corruption report	Richard Flatman
Audit committee business plan	James Stevenson
Speak up report	James Stevenson
GDPR compliance update	James Stevenson
Internal audit plan & charter	Ruth Ireland
Risk strategy and appetite	Richard Flatman
Pensions assumptions	Richard Flatman
Corporate Risk	Richard Flatman

Internal audit progress report	Natalie Ferer
Strategic Report (Annual Report & Accounts)	Richard Flatman

November 2019

External audit findings	Richard Flatman
Annual value for money report	Richard Flatman
Audit Committee Annual Report	Richard Flatman
Anti-fraud, bribery and corruption report	Richard Flatman
Annual report and accounts	Richard Flatman
Corporate Risk	Richard Flatman
Quality assurance return	Shân Wareing
Going concern statement	Richard Flatman
Modern slavery act statement	Richard Flatman
Prevent annual return	Shân Wareing
External audit - review of non-audit services	Richard Flatman
External audit performance against KPIs	Richard Flatman

Final internal audit annual report	Richard Flatman
Speak up report	James Stevenson
External audit letter of rep	Richard Flatman
Internal audit progress report	Ruth Ireland
Audit committee business plan	James Stevenson

February 2020

Anti-fraud, bribery and corruption report	Richard Flatman
TRAC (T) return	Richard Flatman
Data assurance report	Richard Flatman
Corporate Risk	Richard Flatman
FMI Structure and leadership team	Richard Flatman
TRAC return	Richard Flatman
Speak up report	James Stevenson
GDPR compliance update	James Stevenson
Internal audit progress report	Ruth Ireland
Corporate Risk	Richard Flatman

Audit committee business plan	James Stevenson
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June 2020

Anti-fraud, bribery and corruption report	Richard Flatman
Annual debt write-off	Richard Flatman
Emergency plan annual assurance	Shân Wareing
Anti-fraud policy review	James Stevenson
Internal audit plan	Richard Flatman
External audit plan	Richard Flatman
Corporate Risk	Richard Flatman
Corporate Risk	Richard Flatman
Internal audit progress report	Shân Wareing
Speak up report	James Stevenson
GDPR compliance update	James Stevenson
Audit committee business plan	James Stevenson
Internal audit progress report	Shân Wareing