

## Meeting of the Group Audit and Risk Committee

4.00\* - 6.00 pm on Thursday, 7 November 2019  
in 1B16 - Technopark, SE1 6LN

\* 3.30 – 4.00pm pre-meeting with the internal and external auditors only in 1B16,  
Technopark

### Agenda

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<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
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29.	Cyber security update	295 - 302	NL
30.	Audit Committee business plan	303 - 306	JS
31.	Matters to report to the Board following the meeting		JS

**Date of next meeting  
4.00 pm on Thursday, 13 February 2020**

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

**In attendance:** Michael Broadway, David Phoenix, Natalie Ferer, Richard Flatman and James Stevenson

**External auditors:** Fleur Nieboer and Jack Stapleton (KPMG)

**Internal auditors:** Ruth Ireland and Gemma Wright (BDO)

**Minutes of the meeting of the Group Audit and Risk Committee  
held at 4.00 pm on Tuesday, 1 October 2019  
Technopark, SE1 6LN**

**Present**

Duncan Brown (Chair)  
John Cole  
Mark Lemmon  
Rob Orr

**In attendance**

Michael Broadway  
Natalie Ferer  
Richard Flatman  
David Phoenix  
James Stevenson  
Justin Martin  
Amy Chiu  
Fleur Nieboer  
Jack Stapleton  
Ruth Ireland

**1. Welcome and apologies**

The Chair welcomed members to the meeting.

**2. Declarations of interest**

No interests were declared on any item on the agenda.

**3. Minutes of the previous meeting**

The committee approved the minutes of the meeting of 13 June 2019, with a slight amendment and their publication with redactions in minute 15.

**4. Matters arising**

All matters arising were covered on the agenda of the meeting.

The committee noted the update on actions taken since the internal audit report on procurement.

**5. Draft Group Audit terms of reference**

The committee discussed revised draft terms of reference to reflect its role in relation to the LSBU Group. The committee will have a group-wide remit and South Bank Academies and South Bank Colleges will continue to have audit committees to oversee local audit matters. The agreed principles would help inform the approach for other committees.

The committee noted its proposed name change to “Group Audit and Risk Committee”.

The committee recommended its revised terms of reference to the Board for approval.

6. **South Bank Academies risk management and Value for Money (VfM) audit report**

The committee noted the internal audit report on risk and value for money in SBA which was rated as ‘medium’ risk. The SBA audit committee would consider the report in detail.

7. **Student data continuous audit follow up report**

The committee discussed the internal audit report on student data which was rated as ‘medium’ risk. The committee noted that the number of exceptions was largely due to the number of manual processes which is being addressed by Project LEAP.

The committee noted that it received a separate annual report on data quality assurance processes and that management were confident that the number of exceptions in the internal audit report would not materially impact the quality of external data returns.

8. **GDPR compliance update**

The committee noted an update on the high risk internal audit report dated June 2019 into GDPR compliance. The committee welcomed the progress made against management actions. The committee also noted a summary of actions taken in 2018 against the PwC readiness assessment test.

A final follow up report would be brought to the meeting on 7 November 2019 on implementation of management actions. The committee would continue to receive any updates on any notifiable events to the Information Commissioner’s Office.

The Vice Chancellor referred to the establishment of an internal group compliance unit to prioritise areas for action.

9. **Draft internal audit annual report, 2018/19**

The committee discussed the draft internal audit annual report 2018/19. The final report would be considered at the meeting of 7 November 2019.

The committee welcomed the draft audit opinion that “governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory. However, there are some areas of weakness or non-compliance in the framework of governance, risk

management and control or value for money arrangements which potentially put the achievement of objectives at risk”.

The committee noted PwC’s opinion that whilst there were three ‘high risk’ reports these reflected specific risk areas that do not reflect the overall control environment and that any deterioration in core financial control may affect a future opinion.

The committee thanked PwC for their work as internal auditors.

*Justin Martin and Amy Chiu left the meeting*

**10. Internal Audit Strategy, 2019/20**

The committee discussed BDO’s presentation of the final internal audit strategy, 2019/20, a draft of which had been discussed in detail at its meeting of 13 June 2019.

The plan was for 206 days, reflecting the move to auditing the whole LSBU group. The committee queried how research was covered, and was advised that this was a six day review of REF preparation.

The committee approved the audit strategy, subject to the SBA and SBC audit committees approving the proposed audits for SBA and SBC respectively.

**11. Internal audit progress report**

The committee noted the internal audit progress report.

**12. External audit progress report and technical update**

The committee noted the external auditor’s progress report.

The committee noted the update on the OfS accounts direction for 2018/19 which was unchanged from 2017/18 accounts direction. The committee noted that LSBU intended to adopt early the requirement from the 2019/20 draft accounts direction to not include agency staff in the median pay ratio.

The committee noted the Data Security and Protection Toolkit requirements with NHS Digital.

The committee approved KPMG’s KPIs for the 2018/19 audit.

The committee noted the sector benchmarking data on risk register and financial statements.

**13. Pension assumptions and results**

The committee noted the external actuarial assumptions used for the FRS102/IAS19 pension fund disclosures as at 31 July 2019.

The external auditors confirmed that the assumptions were within the sector benchmark. The committee approved the assumptions in principle, subject to final confirmation by the external auditors that the assumptions were within the sector benchmark.

14. **2019/20 Group Risk Policy Approach**

The committee noted and supported the approach to group risk management and reporting, with more detail at the next meeting.

15. **Corporate risk update**

The committee discussed the corporate risk register and requested the executive to review whether a risk around 'research quality' is added and whether the medium risk rating of risk 305 "Data not used / maintained securely" is appropriate.

16. **Anti fraud bribery and corruption report**

The committee noted the anti-fraud, bribery and corruption report.

17. **Speak up report and annual policy review**

The committee noted the speak up report and approved the revised Group Speak Up policy, subject to minor amendments.

18. **OfS compliance**

The committee noted the update on OfS compliance and that guidance from the OfS on 'reportable events' was awaited.

The committee noted the matters that had been reported to the OfS.

19. **Audit Committee business plan**

The committee noted the Audit Committee business plan.

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

The committee requested that the following matters are reported to the Board: PwC's annual opinion, an update on the speak up policy, OfS compliance and revised terms of reference for approval.

**Date of next meeting  
4.00 pm, on Thursday, 7 November 2019**

**Confirmed as a true record**

..... (Chair)

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GROUP AUDIT AND RISK COMMITTEE - TUESDAY, 1 OCTOBER 2019  
ACTION SHEET

Agenda No	Agenda/Decision Item	Action	Date Due	Officer	Action Status
5.	Draft Group Audit terms of reference	Revised terms of reference to Board for approval		Michael Broadway	Completed
8.	GDPR compliance update	Follow up report on GDPR to November 2019 meeting		James Stevenson	Completed

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	INTERNAL
Paper title:	External Audit Findings
Board/Committee	Group Audit & Risk Committee
Date of meeting:	7 <sup>th</sup> November 2019
Author:	KPMG
Purpose:	To present draft findings from the external audit for the year ending 31 <sup>st</sup> July 2019.
Executive/Operations sponsor:	Richard Flatman – Chief Financial Officer
Recommendation:	The Committee is requested to note the report and its findings

**Summary:**

KPMG present here the draft findings from their audit of the group accounts to 31/7/19. As of the date of this report, the audit is substantially complete but there are a few outstanding matters that may lead to changes to this draft report. Outstanding matters are listed on page 3 and are highlighted throughout the report in green.

During the course of the audit no ‘priority 1’ (significant) control deficiencies were identified. Two ‘priority 2’ deficiencies were identified relating to the impairment of fixed assets and pensions assumptions – both of which are detailed on page 20 of the report. Prior year recommendations are shown on pages 21-23, all of which are either implemented or have been superseded.

**Recommendation:**

The Committee is requested to note this report.

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# Year end report 2018/19

DRAFT

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London South Bank University (Group and  
University)

31 October 2019

# Introduction

## To the Audit Committee of London South Bank University

We are pleased to have the opportunity to meet with you on 7 November to discuss the results of our audit of the consolidated financial statements of London South Bank University (the 'University') and its subsidiaries (the 'Group'), as at and for the year ended 31 July 2019.

We are providing this Report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This Report should be read in conjunction with our audit plan and strategy report, presented on 13 June. We will be pleased to elaborate on the matters covered in this Report when we meet.

Our audit is substantially complete. There have been no significant changes to our audit plan and strategy. Subject to your approval of the financial statements, we expect to be in a position to sign our audit opinion on 21 November, provided that the outstanding matters noted on page 3 of this Report are satisfactorily resolved.

We expect to issue an unmodified auditor's report on the financial statements.

We draw your attention to the important notice on page 3 of this Report, which explains:

- The purpose of this Report;
- Limitations on work performed; and
- Restrictions on distribution of this Report.

Yours faithfully,

[Personal signature]

Fleur Nieboer

7 November 2019

## How we have delivered 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

This Report also covers the following subsidiary entities:

- South Bank Colleges
- South Bank University Enterprises Ltd.
- SW4 Catering Ltd.

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# Important notice

This Report is presented under the terms of our audit engagement letter.

- Circulation of this Report is restricted.
- The content of this Report is based solely on the procedures necessary for our audit.

This Report has been prepared for the University's Group Audit Committee, in order to communicate matters of interest as required by ISAs (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

## Purpose of this Report

This Report has been prepared in connection with our audit of the consolidated financial statements of London South Bank University (the 'University') and its subsidiaries (the 'Group'), prepared in accordance with UK Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (FEHE SORP), as at and for the year end 31 July 2019.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the University's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Status of our audit

As at the date of drafting this Report (27 October 2019), our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Audit Committee meeting but would highlight the following work is still outstanding:

- Financial Statements audit: review of the consolidation of South Bank Colleges and SW4 Catering Ltd into the group accounts, testing of journals transactions, tuition fee testing, our review of the value of land and buildings transferred to South Bank Colleges.
- Annual Report: review of the final Remuneration Report.
- Use of funds: completion of the testing of redundancy packages; and
- Receipt of signed management representation letter following approval by the Board.

## Restrictions on distribution

The Report is provided on the basis that it is only for the information of the Audit Committee of the University; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.



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## Assessment of the control environment

**Significant control deficiencies** 0  
**Other control deficiencies** 2

Other control deficiencies identified to date relate to:

- Impairment review – we have not identified any impact on the financial statements but have made recommended that the impairment review process is strengthened.
- Pension assumptions review - we have not identified any impact on the financial statements but have made recommended that the review is strengthened.

We have included recommendations to address the deficiencies identified and followed up the status of recommendations from our prior year audit in Appendix One.

## Representations

You are required to provide us with representations on specific matters such as your going concern assertion. We provided a draft of this representation letter to the Group CFO on 23 October 2019. We draw your attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We have requested that management make an additional disclosure to confirm that, to the best of the Group's knowledge, no provision expense is required in the group accounts in respect of the claim brought against South Bank Colleges.

## Audit adjustments

We identified no unadjusted audit differences as a result of our audit. We identified one audit differences that have been adjusted. Further details are set out in Appendix Two.

## Risks

## Risk change

## Our findings

### Significant Risks

Page 5 - 10

1. Consolidation of South Bank Colleges	★ New	<i>Fieldwork ongoing at the date of this Report.</i>
2. Valuation of the local government pension scheme net liability	■ No change	The core assumptions used to calculate the pension liability were found to be appropriate. We identified an adjustments in respect of the value of the scheme
3. Fraud risk from revenue recognition	■ No change	The results of our testing were satisfactory. We considered the amount of revenue recognised to be acceptable.
4. Management override of control	■ No change	<i>Fieldwork ongoing at the date of this Report.</i>
5. Carrying value of land and buildings	■ No change	<i>Fieldwork ongoing at the date of this Report.</i>

### Other areas of audit focus

Page 11 and 18

4. Going concern	Increased	The going concern basis of accounting was appropriate and that no disclosure of material uncertainty is required.
5. Use of funds	No change	<i>Fieldwork ongoing at the date of this Report.</i>

### Key accounting judgements

Page 12

A. Net pension liability	Cautious	We assessed the assumptions made in determining the value of the pension liability against KPMG;s benchmarks. Assumptions were found to be slightly cautious.
B. Accruals and deferred income	Cautious	We reviewed the calculation of Accruals and deferred income for a sample of items. Through our testing we found the calculation of accruals and deferred income to be slightly cautious.



# Financial statements audit – significant risks

**1 Consolidation of South Bank Colleges**

Related risk register risks

624. LSBU Family integrated service benefits

**Significant audit risk**

**The risk**

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. 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**

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit 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.
- Review the accuracy and presentation of the loan funding granted by the Transaction Unit and the loan agreement with Barclays. We agreed the accounting treatment of both transactions with management during the transition.

**Outcome from audit work**

- *Our review of the valuation of the transfer of assets and liabilities, related party transaction disclosures and consolidation is still underway at the date of this Report.*
- We identified in the draft accounts intra-group related party transactions had not been disclosed in the Group accounts in line with the requirements of FRS 102.

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## Valuation of the local government pension scheme net liability

Related risk register risks

3. Sustainability of current pension schemes

### Significant audit risk

#### The risk

- LSBU 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.
- 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.

#### Planned response

- As presented to you in our audit plan dated May 2019 we agreed to perform the following audit 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.

#### Outcome from audit work

We have included our high level assessment of key judgements on page 12.

The key assumptions used are within KPMG's benchmark range. We consider the assumptions used at LSBU to be balanced and those to be used at South Bank Colleges to be cautious.

We found that the fund assets for both London South Bank University and South Bank Colleges had been calculated based on actual rates of return for the first 10 months of the year, then an estimate was used for the remaining two months of the year. The actual rate of return for the final two months was higher than the estimate made by the actuary, meaning the pension provision was overstated by £2,990k at LSBU and £892k at SBC.

The pension provision has been adjusted to take into consideration the outcome from the McCloud judgement reached in December 2018. The adjustment made to the LSBU provision fell within our materially acceptable range. The adjustment made to the South Bank Colleges liability following the McCloud judgement fell outside of our expected range by an immaterial amount and therefore does not require adjusting.

The presentation of the pension fund disclosures was in line with relevant reporting requirements.



### ③ Fraud risk from revenue recognition

Related risk register risks

2. Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets

#### Significant audit risk

##### The risk

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

##### Tuition fee and education

**contract income:** There is a risk of fraud and error associated with the recognition of tuition fee and education contract income.

**Funding council income:** 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.

##### Planned response

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit procedures:

##### Tuition fee income

- 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.
- 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.
- 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

- Agree the income received to the notification from the Office for Students and the ESFA and verify the amount received to cash receipts.

##### Outcome from audit work

##### Tuition fee income

We were able to fully test 79.7% of tuition fee income using data and analytics routines. We tested the residual population through sample testing and agreeing back to source documentation. No issues were identified in our testing of tuition fee income. Further information is included on page 14.

We identified two transactions at £257k that related to health income that were classified as other income, and three transactions at £235k classified as other income that should have been classified as health income. This is a classification issue, the net impact of which is below our AMPT threshold.

##### Funding council income

We were able to agree a sample of funding council income to underlying documentation to confirm the existence and completeness of income reviewed.



### Significant audit risk

#### The risk (continued)

**Other operating income:** The main sources of income included are income from residences and catering income. We rebut the assumption of a significant risk of fraudulent revenue recognition.

#### Research grants and contracts:

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. We consider the risk of material misstatement to be low and so rebut the fraudulent revenue recognition risk over research income.

Investment income and Donations and endowments are immaterial to the Group financial statements.

#### Planned response

##### Other operating income

- Perform 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

- Assess whether research income has been recognised in line with the grant agreement and accounting standards, and classified in the correct reporting period.

#### Outcome from audit work

##### Other operating income

We agreed a sample of other income transactions to underlying documentation to confirm that it had been recorded accurately and in the correct period. No issues were identified during this testing.

##### Research grants and contracts

We concluded that the sample of grant income reviewed had been recognised in line with the grant agreement and in accordance with accounting standards. All items tested had been recorded in the correct period.



#### 4 Management override of control

Related risk register risks

None identified.

### Significant audit risk

#### The risk

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

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

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

#### Planned response

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit procedures:

- 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.

#### Outcome from audit work

*Our testing of journals is still in progress at the date of this Report.*

No issues were noted in respect of accounting policies. There have been no significant changes to the methods used to prepare assumptions.

No significant transactions that were outside the Group's normal course of business, or that were otherwise unusual, were identified.



### ⑨ Carrying value of land and buildings

Related risk register risks

37. Impact or affordability of Capital Expenditure Investment Plans

#### Significant audit risk

##### The 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 (£65m) and Project Leap, which is a £65m upgrade and improvement project for the student records system.

##### Planned response

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit procedures:

- 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 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).

##### Outcome from audit work

*Our review of the transfer of land and buildings from Lambeth College to South Bank Colleges is still outstanding at the date of this draft.*

We found that additions to fixed assets had been accurately recorded and appropriately classified.

Our recalculation of the depreciation charge did not identify any material discrepancies, and the useful economic lives used by the University are appropriate compared to the wider sector.

Our review of the Fixed Asset Register reconciliation with the general ledger did not identify any discrepancies.

We reviewed the process for capitalising expenditure and found that it was designed and implemented appropriately. We reviewed a sample of additions and found that they had all been appropriately capitalised. Our testing of expenditure did not identify any assets that should have been capitalised that were not.



### 1 Going concern

#### Related risk register risks

2. Revenue reduction if course portfolio, and related marketing activity, does not achieve Home UG recruitment targets

#### Other area of audit focus

##### The risk

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.

##### Planned response

As presented to you in our audit plan dated May 2019 we agreed to perform the following audit procedures:

- Review of the University's overall financial position at the year end as part of our review of the financial statements;
- 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;
- 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);
- Assess the disclosures required in the financial statements of the University in respect of going concern.
- Assess whether that the University has complied with bank covenants in the year and is forecast to comply based on the future forecasts.

##### Outcome from audit work

We noted that the University's position at year-end was ahead of budget. The University's income position was in line with budget, and expenditure was £1.4m better than budget.

We have considered whether events or conditions exist that could indicate there is a material uncertainty over the University's ability to continue as a going concern. As part of this we considered:

- The size of the LGPS pension deficit;
- The acquisition of Lambeth Colleges; and
- The claim brought against South Bank Colleges by CMOL.

In each case we concluded that these events did not constitute a risk to the University's ability to continue as a going concern, and did not lead to events or circumstances that would indicate there is a material uncertainty over the Group or University's ability to continue as a going concern.

We concluded that the University had complied with bank covenants during the year.

We reviewed management's going concern assessment and concluded that the assumptions used could be appropriately supported by historical performance.

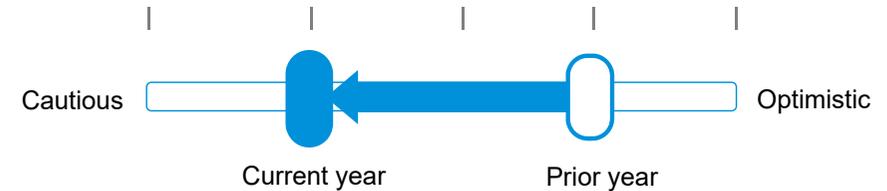
Overall we concluded that the adoption of the going concern basis of accounting was appropriate and that no disclosure of a material uncertainty over the Group's ability to continue as a going concern were required.



### Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Cautious means a smaller asset or bigger liability; optimistic is the reverse. We have only considered material judgements for the purpose of our reporting here.



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Asset/liability class	Our view of management judgement	Balance [(£m)]	YoY change [(£m)]	Our view of disclosure of judgements & estimates	Further comments
	Cautious   Neutral   Optimistic			Needs improvement   Neutral   Best practice	
Valuation of net pension liability		(112.3)	(12.5)		In 2017-18 we assessed the assumptions used to calculate the pension provision for LSBU as cautious. In the current year we have assessed those assumptions to be more balanced. At a group level, the provision includes the pension liability of South Bank Colleges, which we have assessed to be cautious, and therefore continue to assess the total provision held as slightly cautious. Further information is included on page 27 Appendix 4.
Recognition of accruals and deferred income		(25.2)	(0.7)		The university places all cash received initially into a deferred income code and then a process is carried out to release this into income where necessary. This is to ensure revenue is not over recognised. We have therefore assessed the recognition of accruals and deferred income as cautious.



### Annual report

We have read the contents of the Annual Report (including the Directors' Report, Statement of Corporate Governance and Statement of Internal Control) and checked compliance with the requirements of the Annual Report and financial statements with the Accounts Direction published by the Office for Students. Based on the work performed:

- We have not identified any inconsistencies between the contents of the Annual Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the director's statements. As Directors you confirm that you consider that the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the University's performance, business model and strategy.
- *We will comment on the disclosures included in the remuneration report once our fieldwork is complete in this respect;* and
- The Statement of Corporate Governance and Statement of Internal Control were consistent with the financial statements and comply with the guidance set out within the Accounts Direction.

During the course of our audit work we assessed the quality of your disclosures in the Statement of Corporate Governance in relation to Brexit in addition to assessing the quality of disclosures generally. We concluded that the disclosures are largely satisfactory with regard to the nature of the impact on the business model and strategy, the impact of economic/political changes on the current year and future performance of the business, the principal risks arising from Brexit and how these are monitored. Minor improvements may be made to the disclosures to highlight the future financial forecasts for the group and to include further detail on the significant campus development.

### Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

### Other matters

We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance; and any other audit matters of governance interest.

### Reconfirming materiality

We can confirm that we have completed all our audit work to the materiality that we proposed at the planning stage of the audit, which was a total performance materiality of £2.3m with an audit differences posting threshold of £145k.

### Audit Fees

Our fee for the audit was £99,886 plus VAT for the Group and £55,000 for London South Bank University (50,635 in 2017/18). This fee was in line with that highlighted within our audit plan agreed by the Audit Committee in June 2019. We have also completed non audit work during the year on tax compliance services and have included in appendix five confirmation of safeguards that have been put in place to preserve our independence.



## Tuition fees

As part of our audit we performed data and analytics routines over tuition fee data in the registry system in order to gain assurance over 100% of the transactions recorded. We sought to reconcile for each student record the income recognised to the expected income as per the business rules used for determining the amount to be charged.

Test	Description of results	Commentary
<b>Fees reconciled to fee table</b>	For 11,480 out of 15,292 student records we were able to match the fees charged to the student exactly to the expected level of fees to be charged per the University's fee tables.	The total value of fees for which we were able to gain assurance that the amount charged matched the expected level of fees exactly was £75m. This represents 75% of the number of student records and 79.7% of total tuition fee income.
<b>Differences from expected fee income</b>	We identified 1,501 student records where the amount charged for the course did not match the expected level based on the University's fee tables. This represented £13.3mm of fee income.	This exception was caused mainly by apprentice students who are not included within the fee matrix and students who are in receipt of a discount on their fee. As a follow up procedure we have selected a sample of students falling under this category to confirm that the fee charged is accurate.
<b>Records with complexities</b>	We identified 2,044 student records where the fee could not be recalculated due to complexities. This represented £8.2m of fee income.	This exception was caused mainly by partially attending students whose fees are recorded in a different manner to other students. As a follow up procedure we have selected a sample of students falling under this category to confirm that the fee charged is accurate.
<b>No corresponding student record</b>	We identified 64 students that were a fee had been recorded but no corresponding student record and therefore the fee could not be recalculated. This represented £256k of fee income.	This exception is driven by students who have been excluded and therefore no longer on the recorded provided. As a follow up procedure we have selected a sample of students falling under this category to confirm that the fee charged is accurate.
<b>Records excluded from income</b>	We identified 203 records that were excluded from testing as fees had been cancelled. This represented £298k fee income that had been cancelled.	Records have been excluded from are testing as they relate to credit notes for tuition fee in previous years. As a follow up procedure we have selected a sample of students falling under this category to confirm that they are correctly excluded and relate to prior years.
<b>Reconciliation to general ledger</b>	We reviewed the differences between income recorded in the registry system and the total tuition fee income shown in the general ledger. The total variance between the registry system and the accounts was £1.86m.	The difference of £1.86m between the student record system and the general ledger has been validated and is due to tuition fees that are not billed directly to students but instead are part of a contract and/or billed to a company or an organisation so do not appear in the QL system.



1 South Bank Colleges

For the year ended 31 July 2019 we have undertaken the statutory audit of South Bank Colleges. South Bank Colleges is an exempt charitable company limited by guarantee.

We have carried out our audit on the College pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

Our group audit has considered the accuracy of the consolidation of this company into the group accounts.

A separate report will be presented to the company's Audit Committee providing detailed results of our audit.

**Planned response**

*Significant risks*

As set out in our audit plan presented on 7 June 2019 we recognised significant risks relating to:

- 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.

**Outcome from audit work**

*Outstanding matters*

Our audit of this company remains ongoing. The following are the principal matters outstanding:

- The valuation of land and buildings
- Review of disclosures

*Findings in response to significant risks*

- *Transfer of assets and liabilities from South Bank Colleges – this work is still ongoing.*
- Valuation of the pension scheme liability – The key assumptions used are within KPMG's benchmark range. We consider the assumptions used at SBC to be cautious. The fund assets had been calculated based on actual rates of return for the first 10 months of the year, and an estimate was used for the remaining two months of the year. The actual rate of return for the final two months was higher than the estimate made by the actuary, meaning the pension provision was overstated by £892k.
- *Going concern – this work is still ongoing, and being completed in conjunction with the Group work on going concern.*
- Income and revenue recognition – Our sample testing of tuition fee income and period end testing found that transactions were recorded in the correct period and recorded accurately.
- Management override of control -

There were no material adjustments arising from our audit at Group level. There was one adjustment related to the fair value of pension scheme assets which was above the Group triviality threshold:

Dr	Pension liability (Balance sheet)	£862k
Cr	Actuarial gains and losses (I&E)	£862k

We have prepared a separate detailed audit report for South Bank Colleges which highlights adjustments material to the entity.

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South Bank University Enterprises Ltd.

For the year ended 31 July 2019 we have undertaken the statutory audit of South Bank University Enterprises Ltd.

We have carried out our audit on SBUEL pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

Our group audit has considered the accuracy of the consolidation of this company into the group accounts.

**Planned response**

*Significant risks*

As set out in our audit plan presented on 7 June 2019 we recognised significant risks relating to:

- Income and revenue recognition; and
- Management override of control.

**Outcome from audit work**

*Outstanding matters*

Our audit of this company remains ongoing. The following are the principal matters outstanding:

- Project income
- Bank confirmation
- Creditors
- Journals

*Findings in response to significant risks*

- Revenue recognition: We found a misstatement regarding project income which we have detailed below. We have not found any other issues regarding project income or the other streams of income.
- *Management override of controls: Our testing of journals is still being completed at the time of writing.*

We raised 3 adjustments below our Group triviality threshold relating to following below:

- Project income – Misstatement of £25.5k as an item was inaccurately posted. This has not yet been corrected by management but is below our materiality threshold and does not require adjustment.
- Cash/Debtors - £26k Upon review of a ledger posting, it was noticed that payment for an invoice had been coded to the incorrect period, the posting had been posted to period 1 19/20 instead of period 12 18/19. This has not yet been corrected by management but is below our materiality threshold and does not require adjustment.
- Cash – A duplicate journal was posted for an amount of £5,400. This has not yet been corrected by management but is below our materiality threshold and does not require adjustment.



### SW4 Catering Ltd.

For the year ended 31 July 2019 we have undertaken the statutory audit of SW4 Catering Ltd..

We have carried out our audit on [name] pursuant to International Auditing Standards and issue an opinion in accordance with the Companies Act 2006.

Our group audit has considered the accuracy of the consolidation of this company into the group accounts.

#### Planned response

##### Significant risks

As set out in our audit plan presented on 7 June 2019 we recognised significant risks relating to:

- Income and revenue recognition; and
- Management override of control.

#### Outcome from audit work

##### Outstanding matters

Our audit of this company remains ongoing. The following are the principal matters outstanding:

- *We have completed the sample testing for our fieldwork over income, expenditure and journals. This work is under internal review and the findings will be reported once this is complete.*

##### Findings in response to significant risks

- *Income and revenue recognition - TBC*
- *Management override of controls – TBC.*



As the University receives funding from the Office for Students and Research England we are required to provide an opinion as to whether public sector funding received has been utilised in accordance with the associated terms and conditions. We have set out below a summary of the work performed and findings from our work:

Risk assessment	Controls	Substantive procedures
<p>We compared the financial performance for the year to budget and the cause of variances. The University exceeded it's budget target of £1.5m surplus in the year.</p> <p>We reviewed the reports produced by internal audit during the year to consider whether there were any matters raised that may demonstrate funds were not used appropriately. Although internal audit raised points on core financial systems during the year, these did not result in funds not being spent in line with funding conditions and do not impact on our use of funds opinion.</p> <p>We confirmed that there are appropriate policies and procedures in place, including provision of whistleblowing and anti-fraud and bribery requirements.</p> <p>We reviewed how the University had assessed its compliance with the requirements of the Committee of University Chairs code of practice for setting the remuneration of the head of provider. The Vice-Chancellor's remuneration is decided by the University's Remuneration Committee in relation to their performance during the year.</p>	<p>We assessed whether there were appropriate controls in place for the management of expenditure, including findings from our payroll and non-pay expenditure work.</p> <p>Our controls testing did not identify any issues that would impact on our regularity conclusion.</p> <p>We confirmed that an up to date register of interests was in place and whether there had been any transactions with related parties during the year. No risks were identified relating to transactions with related parties.</p>	<p>As part of our substantive audit procedures we undertook sample testing of research income and expenditure. We confirmed that expenditure incurred against funding received was utilised for appropriate purposes.</p> <p><i>Our remaining regularity work is still underway at the time of writing.</i></p>

We will conclude on our use of funds work once the above procedures are complete.



# Appendices

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# Recommendations raised and followed up

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations			
<b>1</b>	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	<b>2</b>	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
<b>3</b>	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
Page 32	<b>2</b>	<p><b>Impairment review</b></p> <p>Management’s review of buildings to assess whether they show signs of impairment has historically focused on the Clarence Centre as the only building held for commercial purposes. Given the extent of capital works being undertaken both at University and Group level the University will maintain an increased number of assets for varying purposes.</p> <p>We recommend that the process for undertaking the annual impairment review is formalised, and considers the full University estate. Management should consider each of the indicators of impairment listed in FRS 102 section 27.9 to consider whether any indicators apply as part of this process.</p>	<p><b>Agreed</b></p> <p>The entire estate will be reviewed at least annually for impairment and this process will be documented as a financial procedure.</p> <p><b>Responsible officer:</b> Natalie Ferer</p> <p><b>Due date:</b> 31 January 2020</p>
	<b>2</b>	<p><b>Review of pension assumptions</b></p> <p>The pensions assumptions used by Barnett Waddingham are derived by qualified actuaries based on a number of factors. The judgement involved in forming these assumptions and the size of the University’s pension liability mean that a small variance could result in a material impact on the financial statements. Management currently present the assumptions used in the calculation of the pension provision to the Audit Committee for approval, however this does not contain detail on the extent to which management has challenged the assumptions to ensure they are appropriate for LSBU.</p> <p>We recommend that management document in more detail the precision with which they review the pensions assumptions and challenge the actuaries on the assumptions they have set. Specifically, they should perform an assessment of membership numbers to ensure that the rolled forward number and assumptions applied are in line with current year figures. Additionally, management should challenge the actuary on their estimate of the return on investment to determine if there would be a material impact if actual data as received subsequent to year end was used.</p>	<p><b>Agreed</b></p> <p>Ae will continue to review the indicative assumptions final assumptions used by the actuaries to ensure that they are appropriate to the University and subsidiaries, including use of estimates as they impact on returns on investments.</p> <p><b>Responsible officer:</b> Natalie Ferer</p> <p><b>Due date:</b> 30 June 2020</p>

# Recommendations raised and followed up

**DRAFT**

We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
5	4	1

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (November 2019)
1	①	<p><b>Bank reconciliations</b></p> <p>In September 2017 HSBC closed a Euro account held with HSBC containing €843k (£751k) due to inactivity on the account. Due to an error on HSBC's behalf these funds were not transferred back into LSBU's principal account. The amount was held within the same ledger code and bank reconciliations were performed with the brought forward balance on the old account, therefore the missing amount was not identified, and this was not picked up during review. This was therefore not followed up until the time of our fieldwork in October 2018.</p> <p>We recommend that when accounts are closed, remaining funds are held as reconciling items on the bank statement or journaled into the expected ledger account to ensure they are followed up on a regular basis where they are not received.</p>	<p><b>Agreed</b></p> <p>In July 2018 when we discovered that this had happened, we decided to transfer the balance to our Natwest account and it was this instruction that HSBC did not action.</p> <p><b>Responsible Officer:</b> Loretta Audu / Rebecca Warren</p> <p><b>Due date:</b> 31 October 2018</p>	<p><b>Implemented</b></p> <p>Although LSBU has not closed any bank accounts in the year, we concluded that the bank reconciliation control was operating effectively in the 2018/19 financial year.</p> <p>We did however identify one reconciling item in the SBUEL bank reconciliation that had not been appropriately cleared.</p>
2	②	<p><b>Controls over journal entries</b></p> <p>Management have made improvements to journals controls by introducing automated approval workflow for all G6 journals in the last year. As the user is required to select the type of journal, if the journal type G6 is not selected the automated approval workflow is not triggered. Management have introduced a review of non-G6 journals on a monthly basis, however we did not see evidence that this had operated throughout the period.</p> <p>We recommend that the review of non-G6 journals on a monthly basis is reintroduced. This should be reviewed by the Financial Controller to provide assurance that the control has operated effectively.</p>	<p><b>Agreed</b></p> <p>The process of reviewing journals that have not gone through an automated authorization process has been in place since November 2017 but this review has not always been formally documented and was not always carried out by the Financial Controller. Going forward a formal review will be carried out as part of the month end process.</p> <p><b>Responsible officer:</b> Natalie Ferer</p> <p><b>Due date:</b> 31 October 2018</p>	<p><b>Implemented</b></p> <p>A process has been implemented in line with the recommendation, however a review of unauthorised journals does not take place every month. This has been picked up by internal audit and will be followed through as part of their recommendation tracking process.</p>

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## Recommendations raised and followed up

**DRAFT**

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (November 2019)
3	2	<p><b>Capturing data to calculate pay multiples</b></p> <p>This year the Office for Students introduced new requirements for calculating pay multiples. This should include substantive and temporary staff. Due to the way the data for temporary staff is captured by the University, it is difficult to accurately calculate the pay multiple including temporary staff as time worked cannot be easily matched to invoices.</p> <p>The OfS have permitted institutions to calculate the ratio omitting this data for this year, but could require this for 2018-19.</p> <p>We recommend that management review how they collate data relating to the time worked by temporary staff, and ensure that this can be cross referenced to invoices received to enable the University to perform this calculation in future years if required.</p>	<p><b>Agreed</b></p> <p>Agreed, we will review how to collate data on temporary agency staff in order to perform this calculation in the future</p> <p><b>Responsible Officer:</b> Natalie Ferer and Ed Spacey</p> <p><b>Due date:</b> 31 January 2019.</p>	<p><b>Superseded</b></p> <p>The Accounts Direction issued by the OfS for 2019-20 does not require agency staff to be included in the pay multiple calculation, and can be early adopted for the 2018-19 financial year, meaning this action is no longer required.</p>
	2	<p><b>Intercompany recharges</b></p> <p>During 2017-18 it was identified that for some transactions which had previously been processed through SBUEL it would have been more appropriate to recharge them to the University. This resulted in an adjustment during the 2017-18 audit and a further corporation tax charge relating to 2016-17.</p> <p>We recommend that management undertake regular reviews of the transactions which have been processed through SBUEL to confirm that they have been appropriately posted and do not represent LSBU activity which should be recharged to the University.</p>	<p><b>Agreed</b></p> <p>The key members of the Financial Accounting team now fully understand that invoices (or parts of invoices) relating to the acquisition of Lambeth College do not relate to SBUEL. We will continue to pay the invoices for the particular consultant through SBUEL because they relate partially to SBUEL, but will apportion them quarterly (as part of the preparation of the VAT return, for which the invoices will also need to be apportioned) and recharge the Lambeth element to the University.</p> <p><b>Responsible Officer:</b> Rebecca Warren, Head of Financial Accounting</p> <p><b>Due date:</b> Ongoing, linked to quarterly VAT cycle</p>	<p><b>Implemented</b></p> <p>We found that consultancy costs had been appropriately recorded in our testing of expenditure.</p>



# Recommendations raised and followed up

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Current Status (November 2019)
5	3	<p><b>Maintenance of employment contracts</b></p> <p>In our review of payroll HR were unable to find one employment contract. This related to a member of staff that has since left the University, and we were able to verify the existence of this member of staff through enquiry with the individual's line manager. The remaining 62 samples were held on file and no issued were noted with these samples.</p> <p>We understand that management can record in Midland iTrent whether a contract is held on file for a particular member of staff. We recommend management perform a one-off exercise/check to identify members of staff that do not have a contract in the system/file, and follows up with the respective areas of the University to assess whether contracts are held locally within the School.</p>	<p><b>Agreed</b></p> <p>A wider one off exercise will take place</p> <p><b>Responsible Officer:</b> Dave Lee</p> <p><b>Due date:</b> 28 February 2019.</p>	<p><b>Implemented</b></p> <p>Our review of a sample of 61 payroll transactions found that appropriate supporting documentation had been maintained in each case.</p>



# Audit differences - London South Bank University

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £145K are shown below:

Unadjusted audit differences (£'000)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Depreciation	£247k	-	Our testing of assets under construction identified an asset which was completed towards the end of 2017/18 but not yet transferred to the fixed asset register and therefore not depreciated in the year. This asset should have been depreciated in the year inline with the depreciation policy of the university.
	Cr Accumulated Depreciation	£-	£247k	
Total		£247k	£247k	

Under UK auditing standards (ISA UK&I 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Adjusted audit differences (£'000)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Pension liability	-	£2,990k	The fair value of the plan assets in the actuarial report issued by the University's actuaries was based on actual returns for the first 10 months of the year and estimated returns for the final two months of the year. The actual return for the final part of the year was 2% higher than predicted by the actuary.
	Cr Actuarial gains and losses	£2,990k	-	
Total		£2,990k	£2,990k	

We also identified minor presentation adjustments to the Related Parties note and the classification of income between Strategic Health Income and Other Income.



# Audit differences – South Bank Colleges

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are ‘clearly trivial’, which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor’s report, individually or in aggregate. We have not identified any unadjusted audit differences.

Under UK auditing standards (ISA UK&I 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Adjusted audit differences (£'000)				
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Funding body grant income	£131.6k	£-	There is an unspent balance relating to the learner support fund. An incorrect journal posting was made for this deferral, whereby income was credited and deferred income debited. We would expect the journal to be the other way around with the income account code being debited and the deferred income account being credited to show the movement of income into deferred income.
	Cr Accruals and deferred income	£-	£131.6k	
	Dr Pension liability	-	£892k	The fair value of the plan assets in the actuarial report issued by the University's actuaries was based on actual returns for the first 10 months of the year and estimated returns for the final two months of the year. The actual return for the final part of the year was 2% higher than predicted by the actuary.
	Cr Actuarial gains and losses	£892k	-	
Total		£131.6k	£131.6k	

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# Required communications with the Audit Committee

Under UK auditing standards (ISA (UK&I) 260) we are required to set out certain communications to the Audit Committee. We have summarised below the required communications and the status of these.

Type	Status	Response
<b>Our draft management representation letter</b>		Our draft representation letter is included for the Committee's review. We have requested that management make an additional disclosure to confirm that, to the best of the Group's knowledge, no provision expense is required in the group accounts in respect of the claim brought against South Bank Colleges by CMOL.
<b>Adjusted and unadjusted audit differences</b>		We have provided a summary of audit differences in Appendix Two.
<b>Control deficiencies</b>		We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit. Details of our recommendations are provided in Appendix One.
<b>Related parties</b>		<i>We identified minor adjustments to the University's related parties note which will be corrected in the final accounts.</i>
<b>Other matters warranting attention by the Audit Committee</b>		There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
<b>Actual or suspected fraud, non-compliance with laws or regulations or illegal acts</b>		No actual or suspected fraud involving group or component management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
<b>Significant difficulties</b>		No significant difficulties were encountered during the audit.
<b>Modifications to auditor's report</b>		None.
<b>Disagreements with management or scope limitations</b>		The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>		No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. We have provided a summary of our findings on page 13.
<b>Breaches of independence</b>		No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>		Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
<b>Significant matters discussed</b>		The were no significant matters arising from the audit.



With a number of changes to the Local Government Pension Schemes there is potential for volatility and increased liabilities on the Balance Sheet. It is therefore important that the University has appropriately assessed the assumptions used to value the defined benefit pension obligation.

The table below shows the movement in the net pension liability from 31 July 2018:

Liability	31 July 2019 (£'000)	31 July 2018 (£'000)
Present value of funded liabilities	(271,384)	(243,634)
Fair value of plan assets	159,128*	143,869
Net pension liability	112,256	99,765

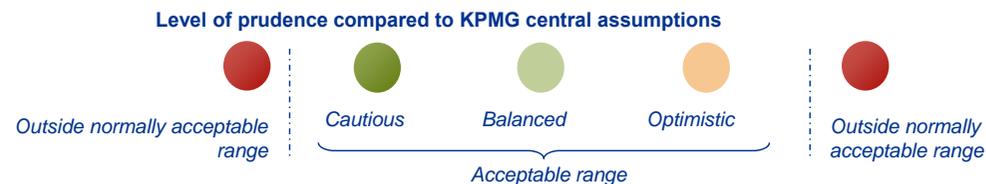
Source: draft financial statements

\* Excluding unfunded obligations totalling £10,420k in 2018-19 (£10,884k in 2017-18)

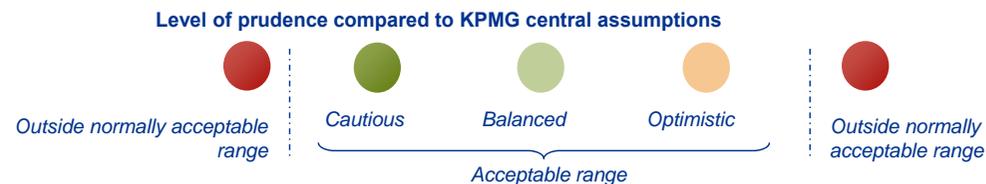
\*The fair value of the plan assets in the actuarial report issued by the University's actuaries was based on actual returns for the first 10 months of the year and estimated returns for the final two months of the year. The actual return for the final part of the year was 2% higher than predicted by the actuary, and is included as an adjusted misstatement in Appendix Two.

### Assumptions

We have set out the findings from our review of the assumptions used by the actuary on the following page. The scope of this report is restricted to a review of the assumptions adopted for determining the value of the pensions obligations under FRS102 only. In our view the overall set of assumptions proposed by the Employer can be considered to be balanced in respect of London South Bank University and cautious in respect of South Bank Colleges, relative to our central rates for a typical UK scheme with a duration of 21.2 years but within our normally acceptable range.



London South Bank University							
Overall assessment of UK assumptions for FRS 102 for audit consideration							
The overall assumptions adopted by the Company are considered to be Balanced relative to our central rates and within our normally acceptable range overall for a Fund with a duration of 20 years.							● <i>Balanced</i>
Underlying review of individual assumptions	Methodology	Consistent methodology to prior year?	Compliant methodology with FRS 102?	University	KPMG central	Assessment vs. KPMG central	Significant assumptions
Discount rate	AA corporate bond yield curve	✓	✓	2.10%	2.11%	●	✓
CPI inflation	Market-implied inflation curve	✓	✓	2.40%	2.32%	●	✓
Pension increases CPI inflation increases capped at 5% p.a.	Market-implied inflation curve	✓	✓	2.40%	2.32%	●	✓
Salary increases	CPI plus 1.5% p.a.	✓	✓	3.90%	In line with long-term remuneration policy	●	✓
Mortality	Base tables	✓	✓	Club Vita	In line with best-estimate Scheme experience	●	✓
	Future improvements	✓	✓	CMI 2018 projections model with a long term rate of 1.50%	CMI 2018 projections model with a 1.25% long-term trend rate and default smoothing and initial addition parameters	●	
Other demographics	In line with the last scheme valuation	✓	✓	In line with the last scheme valuation	In line with best-estimate Scheme experience	●	



South Bank Colleges							
Overall assessment of UK assumptions for FRS 102 for audit consideration							
The overall assumptions adopted by the Company are considered to be Balanced relative to our central rates and within our normally acceptable range overall for a Fund with a duration of 19 years.							● Cautious
Underlying review of individual assumptions	Methodology	Consistent methodology to prior year?	Compliant methodology with FRS 102?	University	KPMG central	Assessment vs. KPMG central	Significant assumptions
Discount rate	AA corporate bond yield curve	✓	✓	2.10%	2.09%	●	✓
CPI inflation	Market-implied inflation curve	✓	✓	2.40%	2.33%	●	✓
Pension increases CPI inflation increases capped at 5% p.a.	Market-implied inflation curve	✓	✓	2.40%	2.33%	●	✓
Salary increases	CPI plus 1.5% p.a.	✓	✓	3.90%	In line with long-term remuneration policy	●	✓
Mortality	Base tables	✓	✓	Club Vita	In line with best-estimate Scheme experience	●	✓
	Future improvements	✓	✓	CMI 2018 projections model with a long term rate of 1.50%	CMI 2018 projections model with a 1.25% long-term trend rate and default smoothing and initial addition parameters	●	
Other demographics	In line with the last scheme valuation	✓	✓	In line with the last scheme valuation	In line with best-estimate Scheme experience	●	

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# Audit 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 Board of Governors/Audit Committee members

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

Professional ethical standards require us to provide to you at the conclusion 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 University and its affiliates for professional services provided by us during the reporting period. We have detailed the fees charged by us to the company and its related entities for significant professional services provided by us during the reporting period below, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 July 2019 can be analysed as follows:



Component of audit (all fees exclude VAT)	2018/19	2017/18
<b>Audit services – statutory audit</b>		
London South Bank University	£55,000	£50,635
South Bank Colleges	£40,000	£45,000
SW4 Catering Limited	£2,000	N/A*
South Bank Enterprises	£2,866	£2,815
<i>Sub-total</i>	<i>£99,866</i>	<i>£97,150</i>
<b>Non audit fees</b>		
Audit related assurance services (covenant compliance)	£5,000	£-
All other non-audit services		
Corporation tax compliance services	£6,475	£5,491
International tax compliance	£33,850	£11,659
Tax services for the transfer of Lambeth College	£34,500	
<b>Total fee for Group</b>	<b>£179,691</b>	<b>£105,690</b>

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

The ratio of non-audit fees to audit fees for the year was 1.8: 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.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table on the following slide.

### Independence and objectivity considerations relating to other matters

We set out below our consideration of other matters which, in our professional judgement, have a bearing on our independence and objectivity.

### Other relationships

#### Number 20

During the year, the following directors/ employees were members of our client hub, Number 20 Grosvenor Street

#### ■ Steve Balmont

This facility is extended by invitation to senior management of KPMG audit and non-audit clients. Audit client members are provided access to the KPMG business lounge. They are also allowed to use the bar and restaurant if they wish to do so (i.e., without a KPMG person present) and can make meeting room bookings subject to certain restrictions although all food, drink and meeting room bookings must be paid for and are charged in full at normal commercial rates. We do not believe that this facility creates any familiarity threats to our objectivity and independence as auditor.

### Confirmation of audit independence

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

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

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

Yours faithfully

KPMG LLP



Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the YE 31.07.2019
Covenant compliance	<ol style="list-style-type: none"> <li>Self-interest</li> <li>Self-review</li> <li>Management</li> </ol>	<ol style="list-style-type: none"> <li>The fee for the work is not dependent on the compliance with the covenants, and is not material to KPMG or LSBU.</li> <li>The work will not involve the preparation of any financial information which will be subject to review.</li> <li>LSBU will be responsible for preparing the covenant compliance statement.</li> </ol>	Fixed fee	£0 (all services performed after year end)
Corporation tax compliance	<ol style="list-style-type: none"> <li>Management</li> <li>Advocacy</li> </ol>	<ol style="list-style-type: none"> <li>KPMG will not provide any advice on how the transaction should be recorded in the financial statements from a tax perspective. The advice will be supported by tax law or regulation, other precedent or established practice.</li> <li>The service will be provided by KPMG professionals who are not members of the audit team.</li> </ol>	Fixed fee	£6,475
International tax services	<ol style="list-style-type: none"> <li>Self-review</li> <li>Management</li> </ol>	<ol style="list-style-type: none"> <li>The service will be provided by KPMG professionals who are not members of the audit team.</li> <li>KPMG will not provide any advice on how the transaction should be recorded in the financial statements from a tax perspective. The advice will be supported by tax law or regulation, other precedent or established practice.</li> </ol>	Time and Materials	£33,850
Tax services for the transfer of Lambeth College	<ol style="list-style-type: none"> <li>Self-review</li> <li>Management</li> </ol>	<ol style="list-style-type: none"> <li>The service will be provided by KPMG professionals who are not members of the audit team.</li> <li>KPMG will not provide any advice on how the transaction should be recorded in the financial statements from a tax perspective. The advice will be supported by tax law or regulation, other precedent or established practice.</li> </ol>	Fixed fee	£34,500

In addition to the above we have currently submitted written proposals for the following services which have not yet been awarded:

- Due diligence services over the acquisition of a company providing training services.



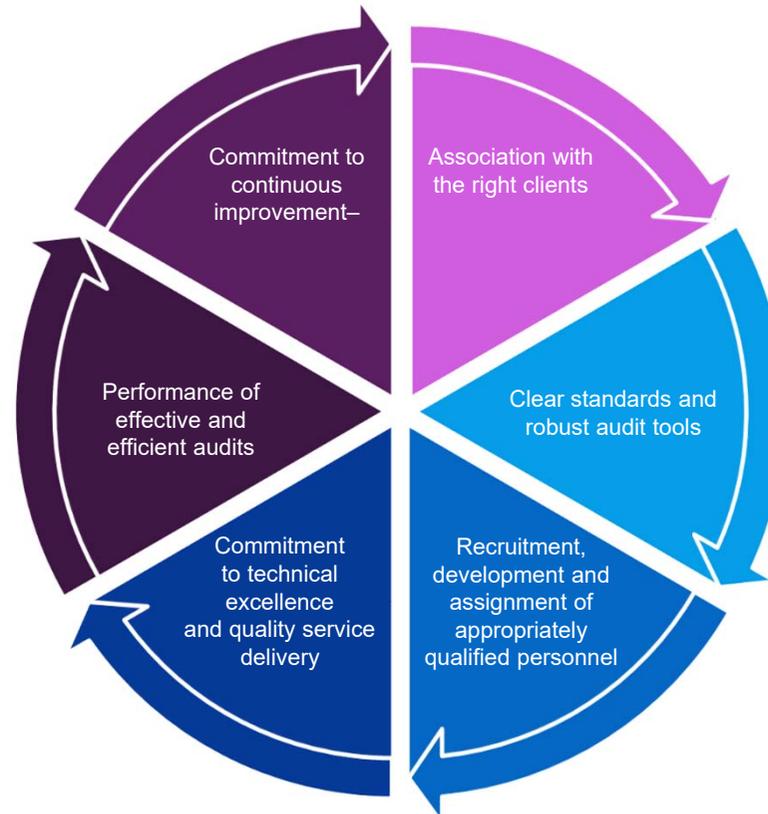
Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent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

Page 45

- Comprehensive effective monitoring processes
- Proactive identification of emerging risks and opportunities to improve quality and provide insights
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Relationships built on mutual respect
- Insightful, open and honest two way communications

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



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

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- Independence policies

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



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	INTERNAL
Paper title:	Annual Report and Accounts for year ending 31st July 2019
Board/Committee:	Group Audit & Risk Committee
Date of meeting:	07 November 2019
Author(s):	Natalie Ferer, Group Financial Controller
Sponsor(s):	Richard Flatman, Group Chief Financial Officer
Purpose:	For Review
Recommendation:	It is recommended that the Committee review the attached report and accounts.

## Executive summary

The draft report & accounts are presented here for review by this committee ahead of approval by the board.

The audit of the accounts is almost complete with a few outstanding matters. The accounts presented here are consolidated group accounts and there are three matters which may impact on the final accounts that go to the board:

- Results of the valuation of the land and buildings acquired from Lambeth College at 1<sup>st</sup> February 2019
- Inclusion in the value of the LPFA pension deficit acquired from Lambeth College of a provision relating to the McCloud Judgement.
- Adjustment to the LPFA pension deficit to reflect the actual rate of return on fund assets to 31/7/19.

Some narrative and disclosure sections of the accounts are still in draft pending final review by the team and by KPMG and these are detailed on the front cover of the accounts

## Outstanding steps to completion

- Resolution of matters relating to valuation of the land and buildings and pension deficits acquired from Lambeth College
- Completion of the review of the accounts by KPMG.
- Issuing of letter of representation by LSBU to KPMG.
- Approval by Board of Governors and Signing of accounts on 21<sup>nd</sup> November.

## **Recommendation**

It is recommended that the Committee review and note the attached Report and Accounts.



**Report and Financial Statements**

**31 July 2019**

**Draft at 31/10/19**

**Outstanding matters:**

1. Corporate Governance statement – final after AC
2. Remuneration report – final after AC
3. Audit report –KPMG to send report
4. Page numberings
5. Cashflow – balancing number to analyse out in cashflow.
6. Taxation and gift aid
7. note on TPS incomplete
8. note on LPFA to complete relating to SBC

# **Report and financial statements 2019**

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## Report and financial statements 2019

### Strategic Report

This Strategic Report is that of the University and its subsidiaries, South Bank Colleges and South Bank University Enterprises Limited.

London South Bank University (LSBU) was incorporated on 12 August 1970. It is registered at Companies House under number 986761 and its registered address is 103 Borough Road, London, SE1 0AA. LSBU is a company limited by guarantee and has no share capital.

The governing body of the University is responsible for the effective stewardship of the University and has control of the revenue and the property of the University. The University's corporate governance arrangements are described on pages 16-21 and the members of the Board of Governors during the year ended 31 July 2019 are listed on page 3. The Governors are also directors under the Companies Act 2006.

The University is an exempt charity within the meaning of the Charities Act 2011 applying in England and Wales and its principal regulator is the Office for Students (OfS). All Governors are also charitable trustees. The University is regulated principally by OfS. The University complies with conditions of grant set out in funding agreements with the relevant grantor.

#### Solicitors

Shakespeare Martineau LLP 1 Colmore Square Birmingham B4 6AA	Mills and Reeve LLP Botanic House 100 Hills Road Cambridge CB2 1PH	Veale Wasbrough Vizards LLP Orchard Court Orchard Lane Bristol BS1 5WS
Eversheds 70 Great Bridgewater Street Manchester M1 5ES		
<b>Auditor</b>  KPMG LLP 15 Canada Square London E14 5GL	<b>Internal Auditor</b>  Up until 31/7/19: PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH  From 1/8/19: BDO LLP Arcadia House Maritime Walk – Ocean Village Southampton SO14 3TL	<b>Bankers</b>  Up until 31/10/19: NatWest City of London Office 1 Princes Street London EC2R 8PA  From 1/11/19: Barclays Level 12 One Churchill Place London E14 5HP

# Report and financial statements 2019

## Strategic Report

### Structure, Governance and Management

The following were Governors throughout the year ended 31 July 2019 except as noted:

#### **Board of Governors**

Name	Dates
Mr Jeremy Cope (Chair)	
Professor David Phoenix OBE (Vice Chancellor and Chief Executive)	
Mr Steve Balmont	Resigned 31 July 2019
Mrs Shachi Blakemore	Resigned 31 March 2019
Mr Duncan Brown	
Ms Julie Chappell	Resigned 31 January 2019
Mr John Cole	Appointed 1 May 2019
Mr Michael Cutbill	
Mr Douglas Denham St Pinnock (Vice Chair )	
Professor Peter Fidler CBE	
Professor Hilary McCallion CBE	
Ms Nelly Kibirige	
Mr Mark Lemmon	Appointed 1 May 2019
Mr Kevin McGrath	Resigned 31 March 2019
Dr Mee Ling Ng OBE	
Ms Jenny Owen	Resigned 31 July 2019
Mr Jeremy Parr	Appointed 1 August 2018
Ms Rashda Rana	Appointed 1 May 2019
Mr Tony Roberts	
Ms Deepa Shah	Appointed 1 May 2019
Mr Nazene Smout	
Mr Vinay Tanna	Appointed 1 May 2019

#### **Principal Officers:**

Name	Position
Professor David Phoenix	Vice Chancellor and Chief Executive
Professor Patrick Bailey	Provost

# Report and financial statements 2019

## Strategic Report

Mr Richard Flatman	Group Chief Financial Officer
Professor Paul Ivey	Deputy Vice Chancellor and Chief Business Officer
Miss Nicole Louis	Chief Customer Officer
Mr Ian Mehrtens	Chief Operating Officer (Resigned 31 December 2018)
Ms Fiona Morey	Executive Principal Lambeth College / Pro Vice Chancellor Compulsory and Further Education
Mr James Stevenson	Group Secretary
Professor Shân Wareing	Chief Operating Officer and Deputy Vice Chancellor (Education)

A separate Corporate Governance Statement is shown on [pages 16-21](#).

### **Objectives and Activities**

London South Bank University transforms lives, communities, business and society through applied education and insight. We were established over 125 years with a mission to improve social mobility for the people of south London by improving their employment opportunities and providing access to the applied knowledge that would advance their businesses. Other than an increasingly global reach, that mission remains almost unchanged today

At the heart of the LSBU group is high quality applied professional and technical education. This is underpinned by first class academic insight – applied research and knowledge exchanges, which provide valued knowledge to employers and currency to the teaching and student experience we offer.

The content and delivery of our education is based on a detailed understanding of employer expectations and built around the personal and career needs and ambitions of our educational partners – whether we call them pupils, learners, students or clients.

Our civic mission means that our work is place-based, whether that place is our home in south London, or around our multi-touch international partnerships. Our courses, research and other activities are informed by our detailed understanding of local needs. Our international links provide global context.

Over the last few years, there have been many successes. We are recognised as a leader in professional and technical education, including in higher and degree apprenticeships. Our research income has doubled and we are second only to UCL in London for Knowledge Transfer Partnerships. We are the leading provider in London of SME business support funded by European Union structural funds and our business incubation programme has been recognised as second amongst all UK universities. Our global reach is increasing with inclusion in both major international rankings and our transnational student numbers have grown from around 100 to over 5000. We have been named Entrepreneurial University of the Year, and University of the Year for Graduate Employment - twice.

### **LSBU Group**

LSBU has adopted a new group structure, which structure is born out of a recommitment to our original civic mission. It enables us to create strategies and pathways by which people of all characteristics and talents can be supported through the education system to achieve their full potential, and so contribute their skills, energies and commitment to wider society throughout their lives. The LSBU Family comprises London South Bank University, South Bank Academies (South Bank Engineering UTC and University Academy of Engineering, South Bank), South Bank University Enterprises Ltd and, since 1 February, South Bank Colleges, previously known as Lambeth College. These organisations work to a shared mission and values and use a shared educational framework to achieve shared outcomes.

## Report and financial statements 2019

### Strategic Report

LSBU is formally the sponsor of the Multi Academy Trust which, whilst not consolidated in these accounts, has a close working relationship with the LSBU Group and was also established in accordance with this mission.

On 31 January Lambeth College Corporation was formally dissolved, and its assets are now part of South Bank Colleges, a wholly owned subsidiary of LSBU. South Bank Colleges is a medium sized General Further Education College with nearly 400 staff and over 8000 students. It offers a wide choice of industry-recognised, highly-regarded courses ranging from Entry Level and Level 1 courses that are accessible to all, regardless of past experience and education, through to Level 4 advanced qualifications. These cover key areas of local employment including Health and Social Care, Business and Accounting, Sport and Travel, Creative Arts and Media.

The acquisition arose out a strategic decision to create an educational Group which could more broadly serve the local community and which reflects the University's long standing commitment to transforming lives, businesses, communities and society. We continue to explore opportunities for expansion of the Group including with further education colleges, schools and other facilities.

#### Mission

The mission of LSBU is to be recognised as an enterprising civic university that addresses real world challenges. London South Bank University's Corporate Strategy 2015–2020 sets out how the University will achieve its vision of becoming London's top modern university by 2020. The University's strategy has three key outcomes:

#### Student success

- Ensuring we are externally recognised for providing a personalised, high calibre education which equips graduates for employment and prepares them to make a positive contribution to society.

#### Real world impact

- Ensuring we provide dynamic evidence-based education which is underpinned by highly applied research and enterprise activity.

#### Access to opportunity

- Building opportunity through partnership: ensuring we are actively widening participation, engaging with our communities and are a partner of choice.

2018-19 has seen a number of important strategic developments and some very positive outcomes for LSBU Group. Highlighted below are key updates and examples of our work underpinning our core corporate objectives:

#### Student Success

We aim to ensure that our teaching remains highly applied, professionally accredited and demonstrably linked to research and enterprise, delivering the attributes that will make our graduates highly sought after. Students are seen as participants in their learning and their voices are encouraged and listened to. We provide students with an individualised learning experience to develop the skills and aspirations that enable them to enter employment, further study or start their own business.

LSBU was named University of the Year for Graduate Employment for an unprecedented second year in succession [*The Times and Sunday Times Good University Guide 2019*].

- LSBU is a top 4 university in the UK for graduate outcomes (graduate employment and further study) [*Destinations of Leavers from Higher Education (DLHE) 2017/18*].

## Report and financial statements 2019

### Strategic Report

- LSBU is a top 10 UK university for Graduate Starting Salaries [*The Times Good University Guide September 2019*].
- LSBU is 21<sup>st</sup> of all UK universities for Graduate Prospects [*Complete University Guide 2019*]
- LSBU is ranked 68th in the Guardian League Table of UK universities [*The Guardian University League Tables 2020*]
- LSBU's graduate prospects score is the third highest in London and fourth highest in the UK *Complete University Guide 2020*
- LSBU again featured in the Times Higher Education (THE) World University Rankings

#### Academic Recognition

This year, the excellent work of our academic staff has once again been recognised through research successes, high profile appointments and other accolades.

- Dr Lynne Dawkins' study on the effects of e-cigarettes was featured in the highly prestigious New England Journal of Medicine
- Dr Gasper Epro won best paper out of 800 entrants at the 8<sup>th</sup> World Congress of Biomechanics
- Professor Marcantonio Spada was appointed Editor-in-Chief of the world leading journal "Addictive Behaviours"
- Professor Alison Leary received an MBE in the Queen's Birthday Honours for her work in Spectator Safety and Medical Care. She undertakes work for both Millwall Football Club and for Women in Football. Professor Leary, is a Fellow of the Queen's Nursing Institute and Chair of Healthcare & Workforce Modelling at London South Bank University.
- The NHS 70th celebration saw four of our past and present staff celebrated by the Nursing Standard and NHS England in "A Celebration of 70 Influential Nurses and Midwives from 1948 – 2018". Professor Alison Leary and Professor Neil Brimblecombe were named alongside two former Deans, Professor Judith Ellis and Professor David Sines, as part of the seventy most influential people in the UK.
- Three members of LSBU staff -Gill Foster, Stephen Dance and Patrick Callaghan - were made National Teaching Fellows. This was from a total of just 54 announced for the UK.
- Professor Patrick Callaghan also received a Lifetime Achievement Award for his outstanding contribution to mental health.

#### Real World Impact

We aim to deliver outstanding economic, social and cultural benefits from our intellectual capital, by connecting our teaching and research to the real world through commercial activities and social enterprise.

Our internationally renowned researchers this year contributed to the understanding of key social issues including gangs, nursing quality, and alcohol abuse.

- The University's Clarence Centre for Enterprise and Innovation is ranked in the top 15 worldwide of university-run business incubators. [UBI Global World Rankings 2017/18]
- The partnership between TWI and LSBU at the Cambridge Technology Park has continued to flourish throughout 2018/9 (*see detail below*).
- LSBU maintained its QS World Rankings rating of 4 stars.
- 150 British SME's and major companies have commercial research partnerships with LSBU.
- Over the last 5 years LSBU's tenant community produced £317m in combined income; has created 337 jobs; raised £13.5m in finance; enrolled and trained 325 apprentices; and hosted 30 LSBU interns in the last two years.
- 73% of LSBU research is rated 3\* and 4\* for Impact. LSBU has ongoing research partnerships with leading companies including Sellafeld, London Underground and FitFlop.

# Report and financial statements 2019

## Strategic Report

### Applied research with local and international impact

Since 2015, LSBU has teamed up with St Mungo's to combat homelessness in London. Every year, around 150 LSBU nursing students complete a one-week placement with the charity. This initiative was recognised as Partnership of the Year at the Student Nursing Times Awards 2018.

- LSBU's Dr Lynne Dawkins carried out a trial investigating the health effects of e-cigarettes and vapers. The study was funded by Cancer Research UK and published in the academic journal, 'Addiction'.
- TIGA, the video game trade association, recognised LSBU's "The Humanitarian Project" for its ground-breaking work. Led by LSBU researchers Professor Janet Jones and Dr Siobhán Thomas, the project is developing games to train humanitarian aid workers in effective emergency response techniques.
- LSBU researchers, led by Professor Andrew Whittaker, compiled a report on local gangs for Waltham Forest Council. Findings showed that gang behaviour is now more money orientated than territorial and that mental health issues are prevalent amongst gang members. The council has allocated an additional £806,000 over the next four years to reshape their existing gang prevention programme.

### TWI

During 2018-19 our collaboration with TWI continued to grow. We opened the Polymeric Materials Engineering, Research and Innovation Centre (PolyMERIC) – our third research centre on the Cambridge Technology Park. The year also saw our other two centres, the Advanced Resin and Coating Technologies Innovation Centre (ARCTIC) and the London South Bank Innovation Centre (LSBIC) continue to attract significant EU funding for their cutting edge research. In just two years of operation, the partnership has attracted projects worth over £10 million

### Passmore Centre

In November 2018 we officially opened the new Passmore Centre for Professional and Technical Education. The Centre, made possible by a £5m grant from Southwark Council, is a new hub for professional and technical education and will provide access for local people and businesses to high quality apprenticeships and other forms of employer-supported study. The opening of the Centre was linked to further investment of £7m, including £3m from HEFCE, in LSBU's laboratory facilities to enhance its professional and technical offer.

During the year, LSBU reached nearly 1000 higher and degree apprentices and now offers over 40 apprenticeship standards making it one of the leading in the country.

### LSBU's Clarence Centre for Research and Enterprise

LSBU is home to 72 small businesses, start-ups and entrepreneurs, based across three sites: Technopark (21,500sqft), Blackwells (6,000sqft) and the Clarence Centre for Enterprise and Innovation (10,000sqft). This year the Clarence Centre celebrated its 5th birthday and was ranked 2nd in the UK, 4th in Europe and 15th globally for innovative business development in the UBI's Global 2018 world rankings. Since its opening in 2013 the Centre has helped support 1450 start-ups and 27 student start-ups. The Clarence Centre business community has generated over £300m turnover and safeguarded or created 400 jobs.

### Mayor's Construction Academy Hub

The year saw LSBU awarded the London Mayor's Construction Academy Quality Mark. The university was then selected as the only higher education institution in the capital to lead and host a skills training and employment hub under the programme. LSBU's new construction skills hub is one of seven within London and is the product of a collaboration between LSBU and Southwark, Lambeth and Lewisham Councils.

### Access to Opportunity

LSBU works with partners to provide opportunities for students with the potential to succeed. LSBU is ranked in the top 200 in the world for Social Impact and 24<sup>th</sup> in the world for reducing inequality [*Guardian University League Tables 2020*]

- LSBU is a top 15 UK university and the top London Modern for part-time postgraduate study. Over a quarter of LSBU students are on postgraduate courses, with 45% of them sponsored by their employer (HESA Student Full Person Equivalent (FPE))

# Report and financial statements 2019

## Strategic Report

### ERDF (European Structural Funds) Start-up and SME programmes

LSBU is the leading HE provider of ERDF funded business and innovation support programmes in London. LSBU is currently delivering five programmes covering a range of sectors from health tech to food tech. Through these programmes over the next 3 years we aim to support over 1000 SMEs, create 120 jobs, bring over 180 new products/services to firms/markets and create over 100 long term collaborations with innovative SMEs. To date, these programmes have attracted over 700 SMEs and are on target to assist over 1200 in their lifetimes, creating 120 jobs, 240 new products and 160 long-term symbiotic relationships.

### Local Stakeholders

LSBU plays a key role in the community, working closely with borough councils, schools, businesses and other organisations to provide local residents and employers with the education, skills and knowledge they need. LSBU also supports its local communities across many other areas including health and wellbeing, legal advice, business growth and secondary education. In July 2019 LSBU signed an MOU with London Borough of Lewisham for the first time signifying continued collaboration over the coming years.

### International

Our partnership with the British University in Egypt has grown to over 5000 undergraduates and 76 postgraduate students, and is now the largest site for transnational education in the Middle East and North Africa region. LSBU's world-leading Confucius Institute delivers Chinese language teaching to over 50 schools, conducting education, research and business engagement with Chinese universities and institution and acting as a hub of cultural and academic activities. It is the largest Confucius Institute in the world, and one of the largest Chinese language testing centres in Europe.

### Strategic Enablers

In delivering our strategy we make targeted investments in our staff and information infrastructure. In 2018, we signed up to the 'Time to Change' pledge to revolutionise the way our University thinks about and acts upon mental health at work.

- We've seen our gender pay gap steadily reduce from 13.25% in 2009 to 6.7% in 2017/18 – significantly out-performing the higher education sector as a whole.

### LSBU Chancellor

In November 2018 Sir Simon Hughes took up the honorary position of Chancellor succeeding Richard Farleigh who had served the University for six years. In this role, Sir Simon will act as an ambassador of the University.

### LEAP

This year the University embarked on LEAP – a three-year organisational change programme, designed to transform the way we support our students. Emerging from a review of our Student Record System, this is an opportunity for us to redesign our processes and data structures, so they are fit for purpose for the coming years.

During the year we have been reviewing our Student Information System (SIS), Customer Relationship Management (CRM) systems and exploring the introduction of a Curriculum Portfolio Management (CPM) system. We need to think broadly how the University can fully transform the experience at LSBU for its students, Alumni and other key stakeholders. To do this we are looking beyond our systems and redesigning our services, processes and supporting information structures.

We expect LEAP to improve student recruitment, retention and achievement, and to positively affect National Student Survey results, notably in the areas of course organisation and management and academic support, enabling LSBU's journey towards TEF Gold and further league table position improvements.

LEAP is collaborative and designed by LSBU staff and students to ensure that what we deliver is right for LSBU.

### Campus Development

Our ambitious redevelopment will positively transform our University for all. Upon completion the London Road building will become a Learning Hub providing an enhanced library, improved Academy of Sport, enhanced space for

# Report and financial statements 2019

## Strategic Report

Elephant Studios and some community space. The project officially begins on 31 August 2019 and is scheduled for completion in spring 2021.

### External Environment

External factors affecting the university were principally the ongoing uncertainty over Brexit and further uncertainty over the contents and potential implementation of the Review of Post-18 Education (known as the “Augar Review”). At this stage we have no further certainty on either matter.

### Principal risks and uncertainties

At a corporate level, risks are identified and managed through the University’s risk management processes as described in the statement on internal control.

The Corporate Risk Register is the subject of careful and frequent review, and is aligned to the Corporate Strategy. The principal risks which the institution faces, considering external factors in the main, and the associated mitigation strategies are as follows:

Risk	Controls and Mitigation Strategies
Revenue reduction	<ul style="list-style-type: none"> <li>• Quality Standards Committee approval of course validations informed by market insight</li> <li>• Weekly review of numbers by Marketing, Admissions &amp; Communications leadership team</li> <li>• Monthly review of Admissions &amp; Enrolments report</li> <li>• Revised Outreach</li> </ul>
Progression rates don’t increase	<ul style="list-style-type: none"> <li>• Increase data analysis to academic staff including progression</li> <li>• Study support provided by Library &amp; Learning Resource Centre</li> <li>• Personal tutoring specification established</li> </ul>
Increasing pensions deficit	<ul style="list-style-type: none"> <li>• Regular review and consideration of potential options for future provision</li> <li>• Modelling / scenario analysis of future costs and projected movements in assets &amp; liabilities</li> <li>• Group defined contribution scheme established</li> <li>• Strict controls over early access to pensions.</li> </ul>
Impact of Govt. Education Review on HE funding	<ul style="list-style-type: none"> <li>• Annual Board approval of 5 year forecasts</li> <li>• Chief Financial Officer access to sector &amp; professional expertise</li> <li>• Scenario planning for reduced resource levels</li> </ul>
Impact and affordability of Capital Expenditure investment plans	<ul style="list-style-type: none"> <li>• Capex reporting embedded into management accounts provided to Finance, Policy and Resources Committee</li> <li>• Estates project methodology controls &amp; governance</li> <li>• Financial Regulations require Board approval for spend greater than £2m</li> </ul>
Impact of assurance activity & new initiatives fails to address issues around student experience	<ul style="list-style-type: none"> <li>• Action plans for each School &amp; for Institution</li> <li>• Year 1 &amp; year 2 Undergraduate Student Experience Survey (SES) identifies issues with cohorts ahead of year 3</li> <li>• Funding ring fenced for staff mini project submissions to address student experience issues</li> </ul>

# Report and financial statements 2019

## Strategic Report

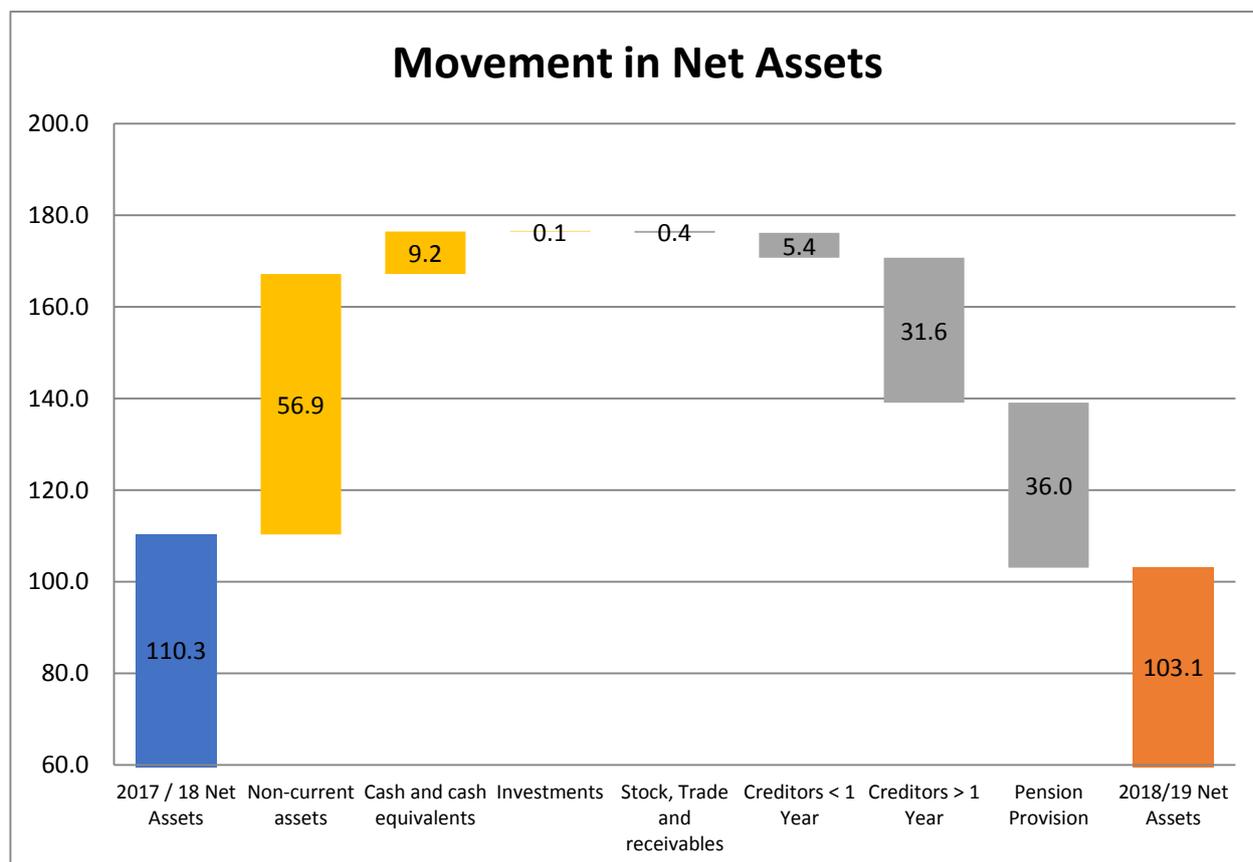
	<ul style="list-style-type: none"> <li>• Communication plan aims to shift student perceptions</li> <li>• Long term roadmaps in development to identify greater opportunities for incorporation of student feedback in provision of professional services</li> </ul>
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### Financial Review

#### Balance sheet and liquidity

The Group’s net assets decreased by 7% during the year moving from £110.3m to £103.1m. £2.2m of this decrease was due to changes in LSBU net assets, the remainder was due to SBC having an initial negative net asset position of £4.6m.

Of the other changes to Net Assets, the principal category for the change was Pension Provisions. £13.7m of the increase was due to change in the valuation of the deficit in the London Pension Fund Authority (LPFA) Scheme £22.4m was due to the SBC Pensions deficit. The increase in creditors due after 1 year is an increase in LSBU Loans is due to the novation of a Lambeth College Loan and the inclusion of SBC deferred income as a group asset.



The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances and bank deposits increased from £49.4m to £58.8m whilst Bank and other loans increased from £24.3m at 31 July 2017 to £36.4m at 31 July 2018 reflecting the loans novated from Lambeth College to the LSBU group and after loan repayments made during the year.

The levels of borrowing facilities are reviewed on a regular basis and are considered adequate to meet current operational plans.

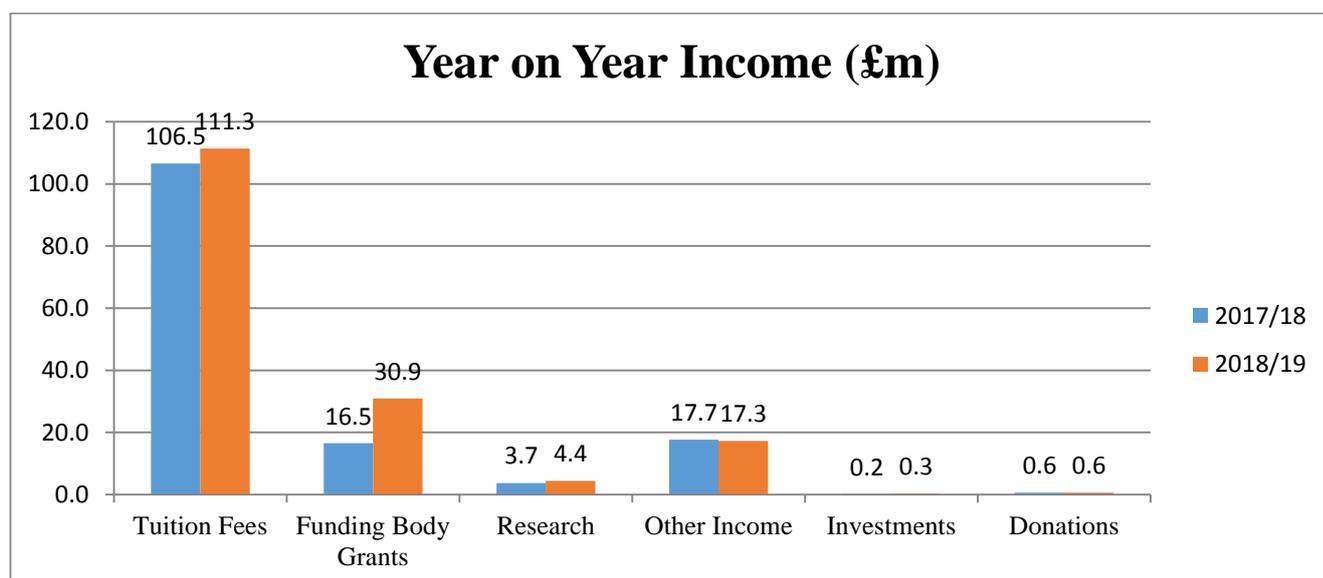
# Report and financial statements 2019

## Strategic Report

### Result for the Year

Financial Summary in £m			Variance from 2017 / 18 £m	
	2018/19	2017/18		
Income	164.9	145.3	19.6	13.5%
Expenditure	162.0	143.7	18.3	11.3%
Surplus for the year	2.9	1.6	1.3	81.3%
Surplus %	1.8%	1.1%		

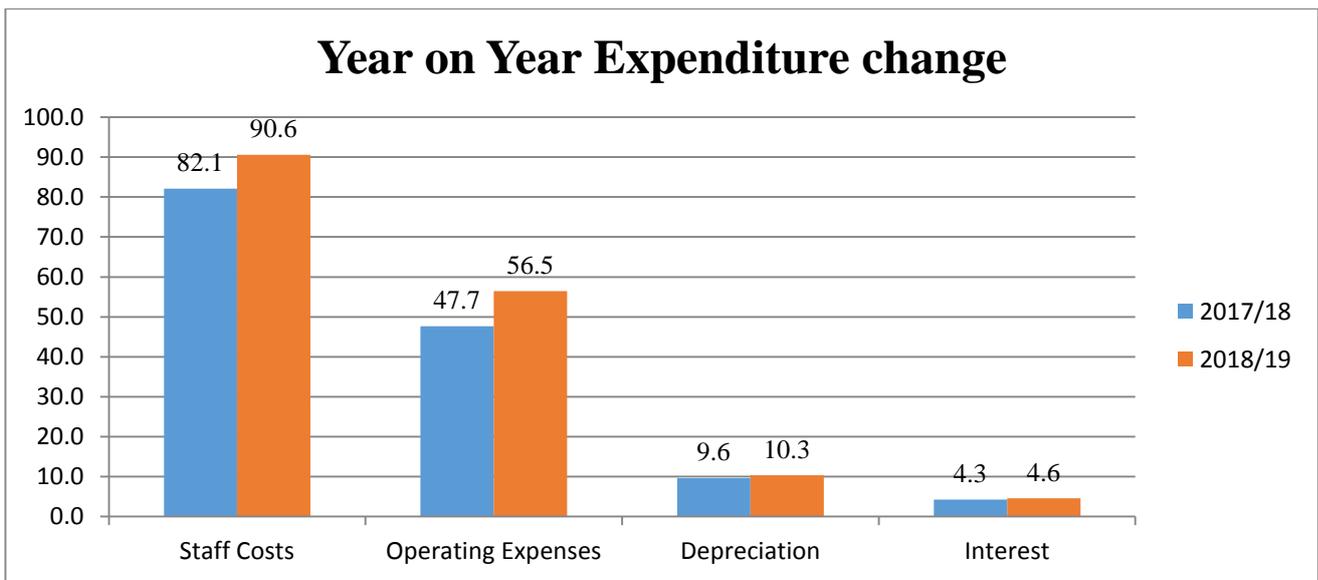
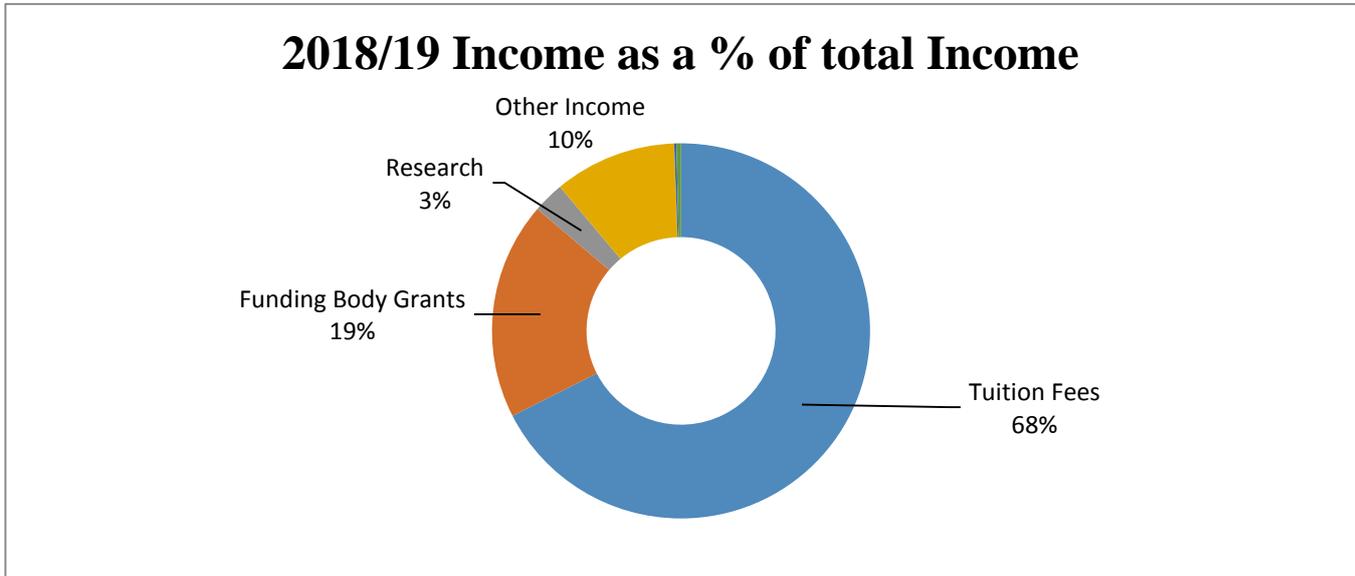
The operating surplus of £2.9m is ahead of the agreed LSBU budget surplus of £1.5m and the forecast surplus of £1.5m submitted to the Office for Students (OfS) as part of their monitoring processes and to the ESFA as part of the negotiations surrounding the Lambeth College transaction. In the context of the continuing investment being made by the University and the recruitment challenges across the sector in 2017/18, particularly with regard to changes in the full time undergraduate demographic and the decline of the part time student market, this is a considered a good result.



Total income for the group increased by 13.5% (£19.6m) to £164.9m (2017/18: £145.3m). Of this increase £3.2M was due to extra activity within the University whilst the remainder was due to the expansion of the LSBU group. Academic fees (including NHS contract income) and Funding Council Grants remain the main sources of income for the LSBU group representing 68% and 19% respectively (2016/17 = 73% and 11%). There was an increase in Funding Grants due to the funding profile of SBC. Tuition fees have increased year on year due to strong recruitment at the University. The other factors affecting income were an increase in research income following a number of successful research bids and an increase in Other Income as the University expands its enterprise activities.

# Report and financial statements 2019

## Strategic Report

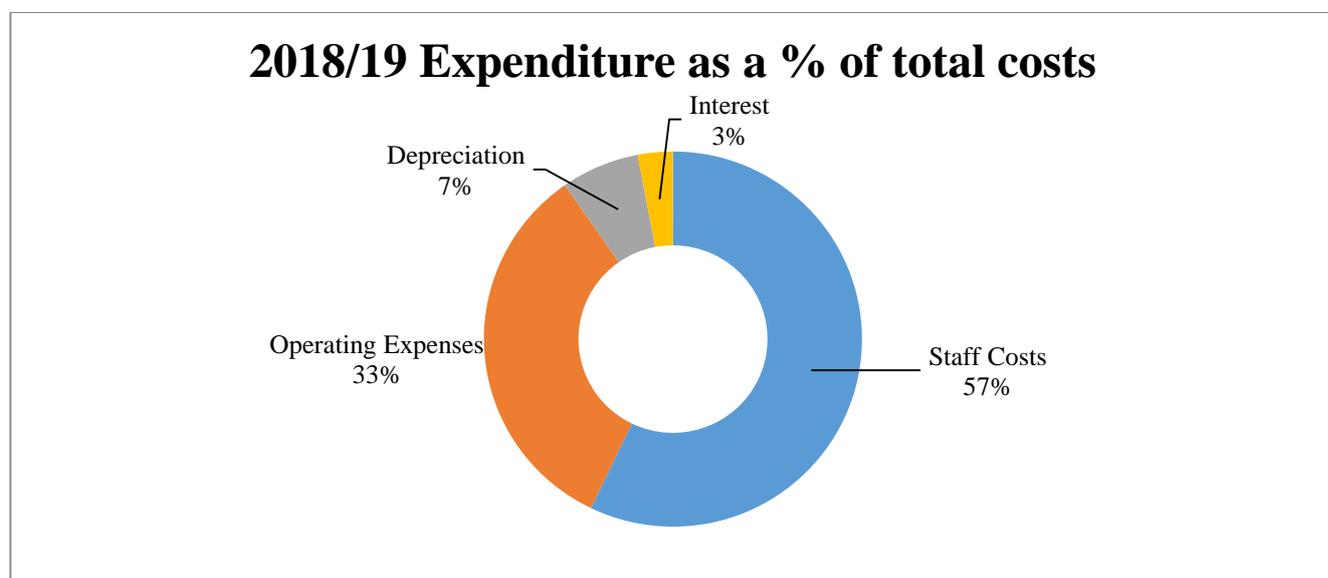


In terms of expenditure, staff costs increased by 9.4% from £82.1m in 2017/18 to £90.6m in 2018/19 representing 54.9% of income (2017/18: 56.5%). Although there was the normal level of increase linked to pay uplift and increments the University delivered an overall reduction in staff cost as compared to 17/18. The reason for the increase was due to the additional staff within SBC. After including seconded staff, sub contracted teaching costs and agency staff costs, which are included in the financial statements as operating expenditure but before any restructuring provision, total staff costs represent 55.9% of income. This is slightly higher than our target of 55% and staff costs remain an area of continued focus for the University Group in 2018/19.

Other operating expenses increased by 15.6% from £47.7m in 2016/17 to £56.5m. The University Group is extremely focused on delivering value for money for students and constantly reviews expenditure to drive down costs. There were increases in security and cleaning costs due to the full implementation of the London living wage, an increase in both business rates and utility bills and an increase in the cost of Scholarships as the University invests in Research activities. The remainder of the increase was due to the expenses associated with SBC.

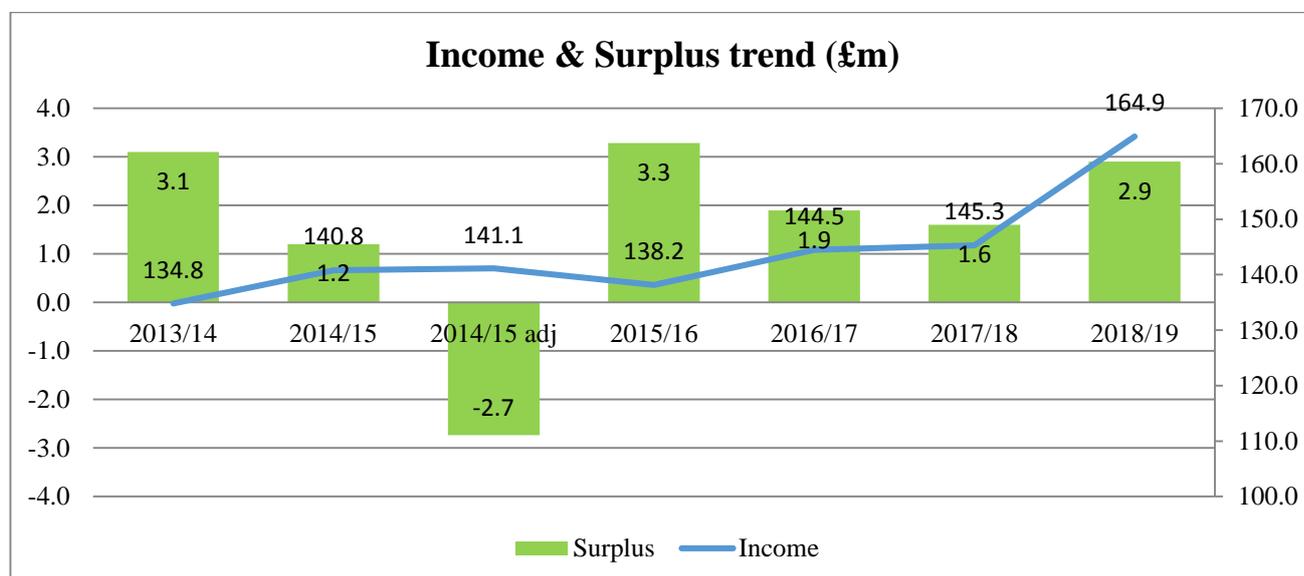
# Report and financial statements 2019

## Strategic Report



There were no significant changes to the University’s Fixed assets. There were no asset disposals and the increase in the value of the Groups fixed assets is due to the assets associated with SBC.

### Financial trend analysis



2014/15 adjusted for FRS 102 adjustments

Income has grown by 22% since 2013/14. There have been large decreases in funding grants but this has been offset by larger tuition fees. The University Group has also seen growth in Post Graduate and International tuition fees and a growth in Transnational Education Income. There has been significant growth in Research income as the University prepares for the Research Excellence Framework (REF) in 2020 and significant growth in income from Enterprise activities which led to the University being recognised as the Entrepreneurial University of the Year at the Times Higher Education Awards in 2016.

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The University Group always aims to make a small surplus and has consistently done so. There were a number of FRS102 adjustments that moved 2014/15 into a technical deficit position but this was considered exceptional and the future forecasts submitted to our regulator, the OFS, reflect our aspiration to generate a positive financial position in each of the next 5 years.

### **Subsidiaries**

South Bank Colleges acquired the assets of Lambeth College on 31<sup>st</sup> January 2019. The College delivers a wide range of courses and apprenticeships that open doors to career opportunities and further study.

South Bank University Enterprises Limited (SBUEL) provides consultancy and other services to a range of commercial organisations. SBUEL has entered into Gift Aid arrangements in order that its taxable profits can be donated to the University. SBUEL donated **£ in** gift aid to the University (2018: £0.5m).

South Bank Colleges is consolidated into the Group accounts from 1<sup>st</sup> February 2019 and SBUEL was consolidated for the full year.

### **Going Concern**

Governors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2018/19 has been a successful year with income growth of 13.5% to £164.9m (including the acquisition of Lambeth College) building on earlier re-structuring and investment for future success. A financial surplus of £2.9m is reported, £1.3m better than the approved budget, as a result of continued strong recruitment, sound financial management and effective cost control. This is after accounting for re-structure costs of £1.0 m and a year on year increase in pension service charge of £4.3m.

The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances and bank deposits increased from £49.4m to £58.8m whilst Bank and other loans increased from £24.3m at 31 July 2017 to £36.4m at 31 July 2018 reflecting the loans novated from Lambeth College to the LSBU group.

The levels of borrowing facilities are reviewed on a regular basis and are considered adequate to meet current operational plans.

A budget surplus of £1.5m has been approved for 2019/20, reflecting the need for continued surplus whilst maintaining appropriate levels of investment spend to drive the necessary corporate strategic outcomes. Recruitment has been positive this year, with new student enrolments expected to exceed targets, despite continued increased levels of market competition. We are confident that we can deliver to the agreed budget surplus.

### ***Public Benefit statement***

The University is an exempt charity within the meaning of the Charities Act 2011. It was regulated by the Higher Education Funding Council for England (HEFCE) until 1 April 2018 when its regulation transferred to the Office for Students (OfS). On 18 September 2018 the University was entered into the register of English higher education providers (the Register <https://www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/>)

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

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

### **Charitable Objects**

The charitable objects (under s.3 Charities Act 2011) of the University, as set out in its Articles of Association, are to:

## Report and financial statements 2019

### Strategic Report

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

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

The University advances education for the public benefit by:

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

The University promotes research and the dissemination of knowledge by:

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

The University provides student support and services for students through:

- wellbeing services, including support for students with disabilities and mental health issues. This includes a counselling service;
- student advice and guidance services via a one-stop-shop and student helpdesks
- employability services, supporting students who are working while studying, helping students source work experience and graduate opportunities;
- money advice, including debt management;
- specific support services for particular groups of students, including care leavers, carers and pregnant students;
- mentoring and coaching;
- providing student accommodation;
- funding some individual students' education through bursaries and fee waivers;
- providing funds to London South Bank University Students' Union (LSBUSU).

#### Beneficiaries

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

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

Like other universities LSBU must charge tuition fees. However, tuition fee and maintenance loans are available to home undergraduates who have applied for funding via Student Finance England. In addition, the University offers financial assistance in the form of scholarships, bursaries and charitable funds to students in need.

The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £823,960 on 31 July 2018 (2017: £761,457). The funds are managed with the aim of securing capital

## **Report and financial statements 2019**

### **Strategic Report**

growth and an annual income. In 2017/18 the income received was £25,882 (2016/17: £24,427). The income is allocated for distribution by the University's Hardship Panel to students in financial difficulty

The University's curriculum is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. In 2017, 87.5% of graduates were in graduate employment and/or further study 6 months after leaving (DLHE survey results 2017 – 18).

The University also contributes to the wider public benefit through the publication of research. The University performed well in the Research Excellence Framework 2014, with the majority of its research graded as "Internationally Excellent" and "Recognised Internationally". LSBU is committed to Open Access, sharing scholarly works with industry, the professions and wider public through LSBU Research Open at <http://researchopen.lsbu.ac.uk> and providing an Open Access Fund to pay Open Access publication costs.

#### **Disclosure of information to auditors**

At the date of making this report each of the Governors, as set out on page 3, confirm the following:

- So far as each Governor is aware, there is no relevant information needed by the University's auditors in connection with preparing their report of which the University's auditors are unaware; and
- Each Governor has taken all the steps that he or she ought to take as a Governor in order to make him or herself aware of any relevant information needed by the University's auditors in connection with preparing their report and to establish that the University's auditors are aware of that information.

#### **Auditor**

The Board of Governors will be asked to reappoint KPMG UK LLP as auditor of the University by written resolution.

#### **Directors' report**

This Strategic Report also serves as the Directors' Report for the purposes of the Companies Act 2006.

#### **Approval**

Approved by the Board of Governors and signed on behalf of the Board by:

Mr Jeremy Cope (Chair)

Professor David Phoenix (Vice Chancellor and Chief Executive)

Date

21 November 2019

## Statement of Responsibilities of the Board of Governors

In accordance with the University's Articles of Association, the Board of Governors is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year. The Board of Governors (the Governors of which are also the directors of the University for the purposes of company law) is responsible for preparing the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Board of Governors to prepare financial statements for each financial year. Under that law, the Board of Governors is required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. In addition, the Board of Governors is required to prepare the financial statements in accordance with the terms and conditions of the OfS Memorandum of assurance and accountability (July 2016), through its accountable officer. Under company law, the Board of Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the University and the Group and of the surplus or deficit, gains and losses, changes in reserves and cash flows of the University and the Group for that year.

In preparing the financial statements, the Board of Governors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Governors is responsible for keeping adequate accounting records that are sufficient to show and explain the University's transactions and disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements comply with the Articles of Association, the Statement of Recommended Practice - Accounting for Further and Higher Education as issued in March 2014 and any subsequent amendments, the HEFCE Accounts Direction and the Companies Act 2006. They are also responsible for safeguarding the assets of the University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Governors has taken reasonable steps to:

- ensure that funds from OfS and other funding bodies are used only for the purposes for which they have been given and in accordance with the OfS memorandum of assurance and accountability (July 2016) and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial management controls in place to safeguard public funds and funds from other sources;
- ensure that the University has a robust and comprehensive system of risk management, control and corporate governance, which includes the prevention and detection of corruption, fraud, bribery and irregularities; and
- secure the economic, efficient and effective management of the University and the Group's resources and expenditure.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board of Governors by:

Mr Jeremy Cope

*Chair of the Board of Governors*

**Statement of Responsibilities of the Board of Governors**

*21 November 2019*

## Corporate Governance Statement

The following statement is given to assist readers of the financial statements in understanding the governance and legal structure of the University. The accounts of South Bank Colleges (SBC) and South Bank University Enterprises Ltd form part of these accounts (South Bank Academies is also within the LSBU Group but is not consolidated). Further details on the corporate governance arrangements of these companies is included in their own accounts.

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

- The Directors' duties as set out in sections 170 – 177 of the Companies Act 2006
- The CUC Higher Education Code of Governance
  - Higher Education Senior Staff Remuneration Code
- The Office for Students (OfS) Terms and conditions of funding for higher education institutions and the Audit Code of Practice (March 2018)
- The OfS Public Interest Governance Principles
- The Charity Commission's Guidance on Public Benefit and its duties as charity trustees of compliance, prudence and care
- The University's Articles of Association and standing orders
- The seven principles of standards in public life
- Other legislative requirements of corporate and Higher Education bodies

### Governance and Legal Structure

London South Bank University is a company limited by guarantee and an exempt charity within the meaning of the Charities Act 2011. Its objects and powers are set out in its Articles of Association. The Articles provide the governance framework of the University and set out the key responsibilities of the Board of Governors and its powers to delegate to committees, the Vice Chancellor and the Academic Board.

### Compliance with the Public Interest Governance Principles

The University demonstrated its compliance with the OfS's Public Interest Governance principles when registering with the OfS and continue to be upheld by LSBU through the current governance structures reported in this section and the university's relevant published policies.

### Compliance with the CUC Higher Education Code of Governance

The Board has materially complied with all aspects of the Higher Education Code of Governance (CUC, December 2014) during the year under review, as demonstrated below. References to paragraphs of the code are shown in brackets below.

#### *Decision making*

London South Bank University is led by a Board of Governors, which is collectively responsible for the strategic direction of the University, approval of major projects and partnerships and ensuring that the potential of every student is maximised (1.1).

The Board has agreed a Schedule of Matters Reserved which establishes the responsibilities of the Board and its committees. The Board, and where appropriate, its committees make decisions by consensus at meetings or electronically (2.4). The schedule is reviewed on an annual basis. The schedule is currently being updated to reflect the new group structure of LSBU.

During the year, the Board met five times (five times in 2017/18). In addition, the Board held two strategy days (two in 2017/18) allowing further time to discuss and debate longer-term strategic challenges for the University. All

## Corporate Governance Statement

governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review there was an 82% (2017/18: 82%) attendance rate at Board meetings.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page 1 (1.2)). The Board receives an annual reminder on Charity Commission guidance (most recently, 17 October 2019). It receives assurance that the institution meets the requirements of the *Terms and conditions of funding for higher education institutions* with OfS through the Audit Committee (1.3).

### *Compliance*

All governors and members of the Executive are required to declare their interests on appointment, on an annual basis and are required to declare any interests which relate to decisions at meetings. During the year under review, all declared interests were authorised by the Board. No conditions were attached to any of these interests (2.2). The governing body affirms that it makes decisions without any undue pressure from external interest groups, which is assured through the declaration of interests' process (2.3).

HEFCE undertook its five-yearly assurance visit in January 2017 and concluded that it could place reliance on LSBU's accountability information, the highest opinion of the four possible.

The Board receives annual reports on the institution's compliance with key legislation, for example health and safety; equality, diversity and inclusion; and otherwise by exception reporting (3.6). In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. Material adverse change and reportable events are reported to the OfS when discovered and annually as part of the Accountability and Assurance statement (3.6). [One reportable event (the acquisition of Lambeth College) was reported and no material adverse changes were reported to the OfS during the year. The closure of two partnerships was reported to the OfS in September 2019 – to confirm at November 2019].

The Board receives annual reports from the Students' Union in relation to its democratic processes and finances (2.5).

### *Sustainability*

The Board is responsible for the sustainability of the institution and approves the annual budget, which is aligned to the five year corporate strategy (3.2). The Board oversees the performance and financial sustainability of the institution by regularly reviewing Key Performance Indicators, management accounts and five year forecasts (3.3). Overall financial control is delegated to the Chief Financial Officer, who is a member of the Executive and has regular access to the Vice Chancellor, as and when required.

### *Academic governance*

The Board has oversight of academic governance across the institution, receiving an annual report from the Academic Board. [The Board has reviewed the quality process and agreed an assurance statement during the year under review – to confirm at the November 2018 board.]

The Board has regard to the principle of academic freedom (4.1, 4.2, 4.3).

In addition, the Board meets with the Academic Board twice each year to discuss strategy.

### *External activities*

The Board reviews all proposals for all significant, external activities and independent legal advice is sought, if necessary. Due diligence is conducted when entering into major projects that have significant risk associated with them (5.1).

During the year under review the Board approved the acquisition of Lambeth College after taking account of appropriate due diligence.

### *Equality and Diversity*

The Board receives an annual report on equality, diversity and inclusion, and compliance with the public sector equality duty under the Equality Act 2010.

The Board regularly reviews its composition and considers equality and diversity in its appointments. The Nomination Committee has agreed that in the event of underrepresentation of any group, targeted recruitment would be used to

## Corporate Governance Statement

address this (6.3, 6.4, 6.5). During the year, a recruitment firm that specialises in equality and diversity was used to recruit five new governors, which has helped improve the diversity of the Board.

### *Structures and processes*

The Board when fully complemented consists of 18 governors: 13 independent governors (7.1), the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the period are listed on page (•) The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association. Staff and student governors were not excluded from any items at Board meetings during the year (1.4).

Under the Articles, the Board has the power to remove any governor from office if they breach their terms of office (7.2). On appointment, governors also agree to act in accordance with the seven principles of public life and the university values. (1.2, 2.1).

Following the publication of the OfS Public Interest Principles in 2018, all governors have confirmed that they meet the 'fit and proper' definitions as set out by the OfS.

### *Committees*

The Board delegates authority to a number of committees. All committees are formally constituted with appropriate terms of reference, which are reviewed annually (3.6). Terms of reference and membership of each committee are available on the governance pages of the University's website. Each committee has a majority of independent governors. The chairs of each committee are independent governors and are set out below under Key Individuals.

The following principal committees met throughout the year:

- Appointments Committee
- Audit Committee
- Finance, Planning and Resources Committee
- Major Projects and Investment Committee
- Nomination Committee
- Remuneration Committee
- Honorary Awards Joint Committee

The Nomination committee is responsible for recruiting new independent governors (7.3). Recommendations are made to the Appointments Committee, which makes the final decision on appointment. A written description of the role and capabilities required of governors has been agreed by the Nomination Committee. Candidates are judged against the capabilities required and the balance of skills, experience currently on the Board. The balance of skills, experience and diversity of independent governors is kept continually under review by the Nomination Committee.

Membership of the Audit Committee is between three and four independent governors (3.12), and a co-opted external member. Following OfS requirements, the Audit Committee produces an annual report for the Board, which gives an annual opinion on risk management control and governance; economy, efficiency and effectiveness; and management and quality assurance of data submitted to external bodies, (3.4, 3.5). The Audit Committee reviews the effectiveness of the systems of control in place across the institution. The Audit Committee receives an annual report on the quality of data submitted to external bodies (3.8, 3.10). The Audit Committee receives assurance annually from the external auditor that public funds have been spent appropriately.

There is a Remuneration Committee which decides the remuneration of senior executives, including the Vice Chancellor (3.13). Membership of the committee is four independent governors, including the Chair of the Board (3.14). No individual is present for discussions that directly affect them. The Vice Chancellor is not a member of the committee. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16.).

Further details on the work of the committee are included in the annual remuneration report below (at pages x to x).

The Honorary Joint Awards Committee is a joint committee with the Academic Board. It has delegated authority from the Board of Governors to select recipients for the conferment of an honorary degree or an honorary fellowship based on procedures and criteria as approved by the Academic Board. Its membership comprises independent governors, and staff and student governors who are also members of the Academic Board.

# Corporate Governance Statement

## *Effectiveness review*

During the year, the Board completed a full effectiveness review which was reported to the July 2019 Board meeting. Following this review no major changes to the Board's structure have been proposed. The review was undertaken internally but was quality assured by PwC, who concluded that they "did not identify any issues with the way in which the process was run by the governance team, We are comfortable that the process was free of bias and was conducted appropriately".

The main recommendations arising out of the review are:

1. to review both assurance and reporting from the Academic Board to the Board to enable greater visibility of the work done by the Academic Board;
2. that agendas for Board meetings and Strategy Days provide greater focus on strategic discussions and a reduction of operational papers; and
3. continued focus on finalising 'Group' governance arrangements and structure and for the Board of Governors to be assured of its responsibilities and potential liabilities in relation to it.

An action plan has been developed and the Board is monitoring progress against the plan.

## *LSBU Group*

With the creation of the LSBU Group in 2018/19, the LSBU Board acts as a 'Group Board'. As a 'Group Board' it has oversight of strategy, performance and key decisions across all aspects of the group.

## **Key Individuals**

<b>Position</b>	<b>Name</b>
Chair of the Board of Governors	Jeremy Cope
Vice Chair of the Board of Governors	Douglas Denham St Pinnock
Head of Institution (Vice Chancellor and Chief Executive)	David Phoenix
Chair of Audit Committee	Steve Balmont (until 31 December 2018) Duncan Brown (from 1 January 2019)
Chair of Finance, Planning and Resources Committee	Hillary McCallion
Chair of Major Projects and Investment Committee	Douglas Denham St Pinnock
Chair of Nominations Committee	Jeremy Cope
Chair of Appointments Committee	Jeremy Cope
Chair of Remuneration Committee	Mee Ling Ng (until 1 July 2019) Jeremy Parr (from 2 July 2019)

## **Corporate Governance Statement**

University Secretary and Clerk to the Board of  
Governors

James Stevenson

Key individuals can be contacted through the office of the University Secretary and Clerk to the Board of Governors, Mr James Stevenson, at London South Bank University, 103 Borough Road, London SE1 0AA. Published documents are available on the governance section of the University website.

# Corporate Governance Statement

## Statement of Primary Responsibilities of the Board of Governors

(based on the CUC Guide for Members of Higher Education Governing Bodies in the UK)

1. To approve the educational character, mission and strategic vision of the institution, together with its long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate, personnel and health and safety management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of quality assurance and systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself, and to carry out such reviews at appropriate intervals.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard and promote the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the University's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution or its students.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice to the Board is available to enable this to happen.

# Corporate Governance Statement

## Statement on Internal Control

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2018 and up to the date of approval of the financial statements, and accords with HEFCE/OFS guidance.

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

- We meet a minimum of seven times a year (including 2 strategy days) to consider the plans and strategic direction of the institution;
- The approach to internal control is risk based, including a regular evaluation of the likelihood and impact of risks becoming a reality;
- The Audit Committee provide oversight of the risk management process and comments on its effectiveness;
- We receive periodic reports from the chair of the Audit Committee concerning internal control and we require regular reports from managers on internal control activities and the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- The Audit Committee receives regular quarterly reports from management;
- Internal audit is outsourced to an external provider. The Audit Committee receives regular reports from the internal auditor, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, together with recommendations for improvement;
- The internal audit programme has been aligned with the University's corporate risk register;
- An organisation-wide register of key corporate risks is maintained, together with individual risk registers for each school and professional service group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;
- Senior Managers meet regularly to consider risk, assess the current exposure and keep up to date the record of key corporate risks facing the University;
- A network of risk champions exists to support risk management activity in all schools and professional service groups; Update training is provided as required to support delivery;
- Formal risk management and internal control procedures have been embedded within ongoing operations. Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the HEFCE/OFS Audit Code of Practice and which was last reviewed for effectiveness by the HEFCE Audit Service in January 2017. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement. Our review of the effectiveness of the system of internal control is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

## Corporate Governance Statement

Going forward the Audit Committee and Board will perform a Group role, with a responsibility for the oversight of risk and audit of the LSBU and its subsidiaries.

The Corporate Governance and Internal Control statements were approved by the Board of Governors on 21 November 2019 and were signed on its behalf by:

Mr Jeremy Cope

*Chair of the Board of Governors*

*21 November 2019*

## **Annual Remuneration Report, 2018/19**

### **Introduction**

This remuneration report sets out the University's approach to determining senior pay and outlines performance and reward during the year.

The Remuneration Committee is responsible for determining the remuneration of the Vice Chancellor and Senior Executives covered by the Senior Remuneration Policy as approved by the Board. Senior Executives are the senior leaders of LSBU who report directly to the Vice Chancellor. The Senior Executives for the year are listed on page **x**.

The Board has adopted the CUC Remuneration Code and approved a senior remuneration policy.

Full details of the senior pay policies referred to in this report are available on the LSBU website.

### **Terms of Reference**

The Remuneration Committee's Terms of Reference are available online.

### **Committee Membership 2017/18**

The members of the committee for the year 2018/19 were Mee Ling Ng (Committee Chair until July 2019 and committee member throughout the year), Jeremy Parr (Committee Chair from July 2019), Jerry Cope (Chair of the Board), Michael Cutbill and Douglas Denham St Pinnock. All members of the committee are independent governors. No members of the executive are members of the committee. The Vice Chancellor is invited to committee meetings where appropriate, such as to make recommendations on pay award and bonuses of senior executives. No member of the executive was present for any discussion on their own remuneration.

### **Committee meetings 2018/19**

The committee met twice in the 2018/19 academic year.

- 6 November 2018
- 2 July 2019

In addition, the committee made a decision via email in February 2019.

The committee also met on 21 November 2019 to consider Senior Executive performance and remuneration for 2018/19.

### **Approach to remuneration of all staff in 2018/19 and for 1 August 2019 onward**

LSBU is a large complex organisation requiring both general and specialised leadership to fulfil its strategic objective of being seen as the leading Modern University in London. This requires the provision of high quality teaching and support to its students, at home and overseas, enabling them to face the real world confidently and successfully. The teaching environment will be underpinned by input from employers and will have a strong focus on Enterprise and applied Research.

To achieve this objective, LSBU needs to attract, retain and motivate a strong calibre of leaders with competitive remuneration packages, within both a London and international labour market. However, the approach to senior remuneration must be framed within a context that all LSBU employees are, and feel, remunerated fairly for their roles and responsibilities and enthusiasm for the success of the University.

At LSBU, we create an environment which attracts and fosters the very best staff, and in which all staff, whatever their role, feel valued and proud of the University and take appropriate responsibility for its development. Embracing and integrating equality and diversity and inclusion is fundamental to our success and growth as an institution of higher education.

## Senior Remuneration

In setting senior remuneration, LSBU has adopted the CUC Higher Education Senior Staff Remuneration Code (2018).

LSBU's Senior Remuneration Policy sets out the following principles for senior remuneration:

- Remuneration will be applied to ensure that it is discrimination free, and based on job scale and complexity;
- Overall remuneration levels, including benefits, will be comparable, taking account of geography and affordability, to a set of equivalent institutions, decided by the Remuneration Committee but independently validated and, if appropriate, refreshed at least once every three years;
- Starting packages will reflect the experience and capability and particular circumstances of candidates, and the size and challenge of the particular role facing them;
- New starters will initially therefore often receive higher than average annual increases as their performance moves above the median expected for the role;
- Overall nonetheless the average % annual pay increases for senior executives as a whole will normally be no higher than for all employees, including the value of increments, where paid;
- Account will also be taken of the ratio of the VC's base salary and total remuneration to the median earnings of the Institution as a whole, both absolute and the change from the previous years.
- Individual annual pay increases will be influenced by performance, but in general good or exceptional performance will be rewarded mainly by annual unconsolidated bonus rather than basic pay;
- This individual performance annual bonus scheme, currently set at a maximum of 10% of basic pay, will be based on pre-agreed clear measurable output-based objectives; no individual bonus will normally be paid unless the University meets an overall financial target set by the Board as a whole;
- At the Remuneration Committee's discretion, a team bonus awarded against specific team objectives in addition to the individual bonus will operate, currently set at a maximum of 5% with the potential to rise to 10% on the approval of the Remuneration Committee
- At the Board's discretion, the overall package may also include a longer-term incentive scheme, the perceived value of which should be included in assessing comparability with equivalent institutions;
- The Board will publish the value of the packages of some or all of its senior executives, in the way defined and required by the Office for Students (OfS);
- These principles will be resubmitted to the full Board for endorsement, as a minimum once every three years and will be published in LSBU's Report & Accounts

### *Benchmarking*

An independent review of the benchmark set for Senior Executive salaries was carried out by Korn Ferry in September 2018 and based on recommendations a revised approach to benchmarking was approved by the Committee at its meeting of 6 November 2018.

The committee agreed that based on the distinctive challenges and structure of the LSBU group the following relevant benchmarks and indicators will be taken into consideration when setting and reviewing Senior Executive salaries:

- Institutions of similar size and type based on UCEA data (this data will be interpreted to take account of LSBU's London location by adding 5%);
- London modern universities; and
- Other universities with a group structure or similar complexity of structure or regulatory framework.

The Hay Group Guide Chart Profile Method of job evaluation was used to set the benchmark for all Executive level jobs and salaries.

### **Institutional performance, 2018/19**

The Board monitors the performance of the University through the agreed key performance indicators. As set out in the *Strategic Report*, the University performed well in terms of both financial and strategic outcomes.

Institutional performance including areas measured by the key performance indicators plus individual objectives are reviewed as part of individual Senior Executives' appraisals and are overseen by the Remuneration Committee.

### **Vice Chancellor performance, 2018/19**

This assessment of Vice Chancellor performance is for academic year 2018/19. The bonus awarded based on performance for academic year 2018/19 will be paid in financial year 2019/20 and appear in next year's accounts.

The Vice Chancellor's performance was reviewed by the Chair of the Board as part of the appraisal process. Looking at key results both against key KPIs for the University, which the Vice Chancellor oversees, and against the specific personal objectives (marked \*) set for the Vice Chancellor by the Remuneration Committee:

- \*The financial stability of the organisation has been ensured and the diversity of income streams has been increased;
- Recruitment in 2019, has been above expectation, where others have struggled, thanks to the growing reputation of the University;
- Progression rates were flat but disappointingly below target;
- \*Institutional reputation and specifically League table rankings across all tables have improved above the average improvement by comparators;
- \*The transaction for Lambeth College, as part of the family of educational institutions' strategy, has been completed;
- Costs have been controlled carefully, but with investment in key strategic areas;
- \*The staff engagement score improved by a significant 4%, at a time of significant change;
- \*Progress has been made on the Estates strategy with major improvements across the elephant estate, and work started at Vauxhall;
- \* The family of educational institutions concept has progressed within a new approved 2020-2025 Group strategy; and
- There has been strong and confident leadership both internally and externally, including representing LSBU to key stakeholders.

So in summary LSBU has had a further excellent year at a particularly complex and challenging time and is well placed to thrive in a potentially tough environment going forward, The Board recognises the importance of maintaining a strong and determined leadership team at this time.

During the year under review the Vice Chancellor was awarded a bonus of £xxk (a bonus of £19k was awarded for performance in 2017/18). [figures to be finalised following RemCo meeting]

#### *Performance related pay, 2018/19 and 2019/20*

Under the Senior Remuneration Policy, for 2018/19, the Vice Chancellor and Senior Executives are eligible for a bonus of up to 10% of salary and for a team bonus of up to 5% of salary as set out in the remuneration principles above. The award of both individual and team bonuses is reviewed and approved by the Remuneration Committee.

During the year, the University met its overall financial target and eight members of the executive were eligible to receive an individual bonus and a team bonus. Following the appraisal process and a report on performance against individual measurable objectives, the Committee approved xx individual (including the Vice Chancellor) bonuses and a team bonus (of 4.5%) together totalling £xxk (for 2017/18 performance, eight individual bonuses were awarded totalling £80k). [figures to be finalised following RemCo meeting]

For 2019/20, a separate team bonus to a maximum of 8% [to be agreed at Nov 2019 remuneration committee meeting] will operate in addition to the individual bonuses set out above and in line with a policy to increase the proportion of pay related annually to performance.

There is a separate performance related pay scheme for Senior Managers (grades A – B. Bonus of up to 3% of salary) and Senior Leaders (grade C. Bonus of up to 10% of salary). Staff eligible for performance related pay receive annual inflation uplifts to their base pay. Bonuses for performance during 2018/19 will be determined in November 2019 (xx bonuses were awarded totalling £xxk in 2018/19 for performance during 2017/18).

**Total Remuneration: Vice Chancellor**

The table below sets out payments to the Vice Chancellor during 2018/19 with a comparison to 2017/18. The bonus figure relates to performance in the previous year.

Emoluments of the Vice Chancellor	2018–19	2017–18
	£'000	£'000
Salary	234	228
Performance related pay	19	18
Taxable benefits	10	10
Subtotal	263	256
Pension scheme contributions or payments in lieu of pension contributions	34	34
Total	297	289

In August 2019, the Vice Chancellor paid back a loan of £350k in full to the University (full details of the loan are included in note 8(E)). Included in taxable benefits is the value of the benefit to the Vice Chancellor of the loan during 2018/19. Following repayment of the loan, and from 2019/20, this taxable benefit will be replaced by an annual, non-consolidated taxable accommodation allowance of £10k to reflect the loss of the taxable benefit and as a contribution to the Vice Chancellor’s increased living costs.

For the current year, the Vice Chancellor has been awarded a pay increase of [1.8]%, in line with the average annual pay rise for all employees (including the value of increments).

*Pay Multiple*

The Vice Chancellor’s basic salary is 6.15 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor’s total remuneration salary is 6.78 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The pay multiple has remained in line with that of previous years.

Year	Ratio – basic salary	Ratio – total remuneration
2018/19	6.15	6.78
2017/18	6.18	6.86
2016/17	6.33	7.01
2015/16	6.1	6.97

The ratios do not include agency workers.

The LSBU ratio compares to the sector ratio of xx (based on UCEA data for xx).

### **External appointments, expenses and severance**

LSBU’s policy on the retention of income generated from external bodies is that Executive members are expected to declare any external income. The expectation is that external income will not be retained but on occasion permission to retain income may be given by the Vice Chancellor (in the case of the Vice Chancellor by the Chair of the Board). Where Executive members are appointed on a fractional basis it may well be external activity can be accommodated outside of contract but it should still be declared to avoid conflict. The Remuneration Committee reviews these declarations.

In 2018/19, the Vice Chancellor donated royalties to the University’s hardship fund. The Vice Chancellor did not undertake any external remunerated activity.

LSBU’s Expense policy is available online. It applies to all staff including Senior Executives.

In 2018/19, the Vice Chancellor’s expenses totalled £2.5k. These are payments on a purchasing card for travel, accommodation, meals, entertaining and other authorised costs. In addition, work-related travel costs of £2k were booked through the University’s central travel buying team for the Vice Chancellor.

The Remuneration Committee has approved a policy on severance arrangements.

# INDEPENDENT AUDITOR'S REPORT TO BOARD OF GOVERNORS OF LONDON SOUTH BANK UNIVERSITY

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (KPMG to send 2019 version)

### Opinion

We have audited the financial statements of London South Bank University ("the University") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 *Statement of Recommended Practice – Accounting for Further and Higher Education*;
- meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students; and
- have been prepared in accordance with the requirements of the Companies Act 2006

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The Board of Governors is responsible for the other information, which comprises the Strategic Report and Corporate Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report and Corporate Governance Statement, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent University, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent University's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Board of Governors responsibilities**

As explained more fully in their statement set out on page 14, the Board of Governors (who are the Directors of the University company for the purposes of company law) is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters under the Office for Students and Research England Audit Codes of Practice issued under the Further and Higher Education Act 1992.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

## **THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Board of Governors, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

**Fleur Nieboer (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

Canary Wharf

London

E14 5GL

21 November 2019

**Consolidated and University Statement of Comprehensive  
Income and Expenditure  
Year ended 31 July 2019**

	Note	Consolidated		University	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Income</b>					
Tuition fees and education contracts	1	111,344	106,537	109,571	106,537
Funding body grants	2	30,896	16,544	16,338	16,054
Research grants and contracts	3	4,429	3,738	4,073	3,310
Other income	4	17,413	17,708	14,590	15,195
Investment income	5	303	179	299	177
		<hr/>	<hr/>	<hr/>	<hr/>
Total income before other grants and donations		164,385	144,706	144,871	141,273
Donations and endowments	6	646	596	376	596
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total income</b>		<b>165,031</b>	<b>145,302</b>	<b>145,247</b>	<b>141,869</b>
<b>Expenditure</b>					
Staff costs	7	90,586	82,106	80,534	80,346
Other operating expenses	9	56,455	47,658	48,099	46,466
Depreciation and Amortisation	12,13	10,350	9,626	9,352	9,626
Interest and other finance costs	11	4,586	4,298	4,360	4,298
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total expenditure</b>		<b>161,977</b>	<b>143,688</b>	<b>142,345</b>	<b>140,736</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Surplus before other gains and losses</b>		<b>3,054</b>	<b>1,614</b>	<b>2,902</b>	<b>1,133</b>
Gains on investments	20	31	17	31	17
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Surplus for the year</b>		<b>3,085</b>	<b>1,631</b>	<b>2,933</b>	<b>1,150</b>
Actuarial (loss)/gain in respect of pension schemes	26	(6,571)	19,083	(5,664)	19,083
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income /(loss) for the Year		<u>(3,486)</u>	<u>20,714</u>	<u>(2,731)</u>	<u>20,233</u>
Represented by:					
Endowment comprehensive income for the year		31	17	31	17
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income /(loss) for the year		(3,517)	20,697	(2,762)	20,216
		<hr/>	<hr/>	<hr/>	<hr/>
		<u>(3,486)</u>	<u>20,714</u>	<u>(2,731)</u>	<u>20,233</u>

All activities consist of continuing operations. South Bank Colleges, whose accounts are consolidated here, acquired Lambeth College on the 31<sup>st</sup> January 2019 and results for the six months from 1<sup>st</sup> February 2019 are included in the Consolidated Statement of Comprehensive income and Expenditure.

**Consolidated and University Statement of Changes in Reserves**

	Note	Income and Expenditure Reserve		Revaluation Reserve	Total Reserves
		<i>Endowment</i>	<i>Unrestricted</i>		
		£'000	£'000	£'000	£'000
<b>Consolidated</b>					
Balance at 1 August 2017		807	61,386	27,382	89,575
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	1,614	-	1,614
Other comprehensive income		17	19,083	-	19,100
Transfers between revaluation and income and expenditure reserve		-	660	(660)	-
Total comprehensive income / (expenditure) for the year		17	21,357	(660)	20,714
Balance at 1 August 2018		824	82,743	26,722	110,289
Acquisition by SBC of Lambeth College		-	(10,521)	6,777	(3,744)
Surplus before other gains and losses from the statement of comprehensive income and expenditure		-	3,054	-	3,054
Other comprehensive income	26	31	(6,571)	-	(6,540)
Transfers between revaluation and income and expenditure Reserve		-	846	(846)	-
Total Comprehensive income / (expenditure) for the year		31	(13,192)	5,931	(7,229)
Balance at 31 July 2019		<b>855</b>	<b>69,551</b>	<b>32,653</b>	<b>103,060</b>
<b>University</b>					
Balance at 1 August 2017		807	61,295	27,382	89,484
Surplus from the statement of comprehensive income and expenditure			1,133		1,133
Other comprehensive income		17	19,083	-	19,100
Transfers between revaluation and income and expenditure reserve		-	660	(660)	-
Total comprehensive income / (expenditure) for the year		17	20,876	(660)	20,233
Balance at 1 August 2018		824	82,171	26,722	109,717
Surplus from statement of other comprehensive income and expenditure		-	2,902	-	2,902
Other comprehensive income		31	(5,664)	-	(5,633)
Transfers between revaluation and income and expenditure reserve		-	771	(771)	-
Gift aid received		-	517	-	517
Total Comprehensive income / (expenditure) for the year		31	(1,474)	(771)	(2,214)
Balance at 31 July 2019		<b>855</b>	<b>80,697</b>	<b>25,951</b>	<b>107,503</b>

## London South Bank University

Consolidated and University Balance sheets  
As at 31 July 2019

	Notes	Consolidated		University	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Non-current assets</b>					
Intangible assets	12	165	1,065	165	1,065
Tangible fixed assets	13	275,582	217,804	224,452	217,804
Investments	14	38	38	38	38
		<u>275,785</u>	<u>218,907</u>	<u>224,655</u>	<u>218,907</u>
<b>Current assets</b>					
Stocks		6	10	6	10
Trade and other receivables	15	18,998	19,408	26,253	19,022
Investments	22	11,713	11,573	11,713	11,573
Cash and cash equivalents	22	47,088	37,841	45,602	36,821
		<u>77,805</u>	<u>68,832</u>	<u>83,574</u>	<u>67,426</u>
Creditors: amounts falling due within one year	16	(36,706)	(31,285)	(30,296)	(30,451)
<b>Net current assets</b>		<u>41,099</u>	<u>37,547</u>	<u>53,278</u>	<u>36,975</u>
<b>Total assets less current liabilities</b>		<u>316,884</u>	<u>256,454</u>	<u>277,933</u>	<u>255,882</u>
Creditors: amounts falling due after more than one year	17	(77,045)	(45,422)	(56,032)	(45,422)
<b>Provisions</b>					
Pension provisions	19	(136,780)	(100,743)	(114,398)	(100,743)
<b>Total net assets</b>		<u>103,059</u>	<u>110,289</u>	<u>107,503</u>	<u>109,717</u>
<b>Restricted reserves – endowment reserves</b>	20	855	824	855	824
<b>Unrestricted reserves</b>					
Income and expenditure reserve		69,551	82,743	80,697	82,171
Revaluation reserve	21	32,653	26,722	25,951	26,722
<b>Total Reserves</b>		<u>103,059</u>	<u>110,289</u>	<u>107,503</u>	<u>109,717</u>

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These financial statements were approved by the Board of Governors on 21 November 2019 and were signed and authorised on their behalf by:

# London South Bank University

## Consolidated Statement of Cash Flows Year ended 31 July 2019

	Note	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		3,085	1,631
<b>Adjustment for non cash items</b>			
Acquisition of Lambeth debtors and creditors (balancing item)			
Figure to balance cashflow		(30,549)	-
Amortisation / Depreciation	12,13	10,350	9,626
Investment income	5	(303)	(179)
Interest payable	11	4,586	4,298
(Increase) / decrease in stock		4	(2)
Decrease / (increase) in debtors	15	410	(1,030)
(Decrease) / increase in creditors	16	37,047	4,653
Pension costs less contributions payable	26	4,575	2,876
<b>Adjustment for investment or financing activities</b>			
Loss on disposal of assets	13	-	-
Investment income	5	23	22
Interest receivable	5	280	157
		<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>		<b>29,508</b>	<b>12,746</b>
		<hr/>	<hr/>
<b>Cashflows from investing activities</b>			
Payment to acquire tangible and intangible fixed assets	12/13	(17,406)	(9,623)
Cash removed from /(added to) fixed term deposits		140	5,047
Acquisition of Lambeth College	22	197	-
		<hr/>	<hr/>
		<b>(17,069)</b>	<b>(4,576)</b>
		<hr/>	<hr/>
<b>Cashflows from financing activities</b>			
Capital element of bank loan repayments	18	1,623	(1,347)
Interest element of bank loan repayments	11	1,569	(1,128)
		<hr/>	<hr/>
		<b>3,193</b>	<b>(2,475)</b>
		<hr/>	<hr/>
<b>Increase in cash and cash equivalents during the year</b>		<b>9,247</b>	<b>5,695</b>
		<hr/> <hr/>	<hr/> <hr/>
Cash at bank and on deposit at the start of the year	22	37,841	32,146
Cash at bank and on deposit at the end of the year		47,088	37,841

## Principal Accounting Policies

The following principal accounting policies adopted, have been applied consistently in both the current and prior year in dealing with items which are considered material in relation to the Group's financial statements.

### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard FRS 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared under the historical cost convention, modified by the inclusion of certain properties at valuation and the revaluation of endowment assets.

The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Board is satisfied that the University has adequate resources to continue in operation for the foreseeable future, as described in more detail on page 11 of these financial statements. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the University's accounting policies.

### **Consolidation of accounts**

The financial statements incorporate the financial statements of London South Bank University and its subsidiary undertakings; South Bank University Enterprises Limited (SBUEL) and South Bank Colleges. Following a change to the constitution of London South Bank University Students' Union (LSBUSU) from August 2012, the University no longer exercises control over LSBUSU and therefore took the decision to cease consolidating the accounts of LSBUSU within these financial statements from that date.

The University sponsors South Bank Academies, which operates The University Academy of Engineering South Bank and a University Technical College, Southbank Engineering UTC. Although the University has representation on the Trust's Board and the local governing boards of the two schools, the Trustees and Governors act for the Trust or schools and not the University. The University does not gain direct benefits from its activities and the funds of South Bank Academies are restricted to its own purpose and will not be available to the creditors of the University, for example in the event of the University's insolvency. Furthermore, if South Bank Academies were to fail, the University would not receive its assets or reserves. Therefore, the accounts of South Bank Academies are not consolidated into the University accounts.

Consolidation of subsidiaries is based on the equity method. Intragroup loans or balances are recognised at fair value.

### **Income recognition**

Income from the sale of goods and services is credited to the Statement of Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross and credited to the Statement of Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for as gross expenditure and not deducted from income.

Revenue Government grants, including funding council block and research grants from government sources are recognised within the Statement of Income and Expenditure over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a Government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Statement of Comprehensive Income and Expenditure when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions is deferred on the Balance sheet and released to the Statement of Comprehensive Income and Expenditure in line with such conditions being met.

Government capital grants are recognised in income over the expected useful economic life of the asset. Other capital grants are recognised in income when the University is entitled to funds subject to any performance related conditions being met.

## Principal Accounting Policies

Donations and endowments with donor imposed restrictions are recognised within the Statement of Comprehensive Income and Expenditure when the University is entitled to the income. Income is retained within the restrictive reserve until such a time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer. Any realised gains or losses from dealing in the related assets are retained within the restricted reserve in the Balance sheet and reported in the Statement of Comprehensive Income and Expenditure.

Donations with no restrictions are recorded within the Statement of Comprehensive Income and Expenditure when the University is entitled to the income.

Investment income is credited to the statement of Comprehensive Income and Expenditure on a receivable basis.

### Intangible assets

Software costing less than £10,000 per individual item or group of items is written off to the Statement of Comprehensive Income and Expenditure in the year of acquisition. All other software is capitalised as an intangible asset and amortised at 25% per annum.

### Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that have been revalued to fair value on the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. Properties are not carried under the valuation method and therefore regular revaluations of assets are not undertaken by the University.

Freehold land and buildings, long leasehold and short leasehold premises are included in the financial statements at cost or valuation together with subsequent refurbishment expenditure, less amounts written off by way of depreciation. Freehold land is not depreciated. Finance costs that are directly attributable to the construction of land and buildings are not capitalised.

Assets in the course of construction are accounted for at cost, based on the value of Quantity Surveyors' certificates and other direct costs incurred to the end of the year. They are not depreciated until they are brought into use.

Equipment costing less than £10,000 per individual item or group of items is written off to the Statement of Comprehensive Income and Expenditure in the year of acquisition. All other equipment is capitalised.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2% per annum
Long leaseholds	Period of lease
Short leaseholds	Period of lease
Building improvements	6.7% per annum
IT equipment	25% per annum
Other equipment and motor vehicles	20% per annum
Furniture	6.7% per annum

As LSBU is not a research intensive University, all equipment purchased with research grants is assumed to have a life equal to the length of the research project and will be depreciated accordingly. Assets purchased using research funds, including computers and software, costing less than £10,000 per individual item or group of related items are written off in the year of acquisition in line with the University's normal accounting policy regarding depreciation of fixed assets. All other items are capitalised and depreciated over the remaining life of the research project.

Freehold land is not depreciated as it is considered to have an indefinite useful life. No depreciation is charged on assets in the course of construction.

At each financial year end the carrying amounts of tangible assets are reviewed to determine whether there is any indication that those assets have suffered a diminution in value. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value and its value in use, is estimated in order to determine the extent of the impairment loss.

## **Principal Accounting Policies**

### **Investments**

Investments in subsidiaries and associated undertakings are shown in the University's Balance sheet at cost less any provision for impairment in their value.

Endowment Asset Investments are included in the Balance sheet at fair value.

### **Stocks**

Stocks are valued at the lower of cost and net realisable value.

### **Pension costs**

The University contributes to the Teachers' Pensions Scheme (England and Wales), the London Pension Fund Authority Pension Fund (LPFAPF) and the Universities Superannuation Scheme (USS). These schemes are administered by Teachers' Pensions (on behalf of the Department for Education), the London Pension Fund Authority and USS Ltd respectively and are all of the defined benefit type.

Where the University is unable to identify its share of the underlying assets and liabilities in a scheme on a reasonable and consistent basis, it accounts as if the scheme were a defined contribution scheme, so that the cost is equal to the total of contributions payable in the year. The TPS and USS are multi-employer schemes for which is not possible to identify the University's share of assets and are therefore reported as if they were defined contribution schemes, so that the cost is equal to the total of contributions payable in the year. Contractual obligations relating to these schemes including any agreements to pay additional contributions to fund a deficit are calculated at net present value and are included in provisions.

For other defined benefit schemes, including the LPFAPF, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that return on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The University has a defined contribution pension scheme for employees of its subsidiary, SBUEL. The University pays contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

### **Employment benefits**

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of unused entitlement.

### **Taxation status**

The University is an exempt charity within the meaning of part 3 of the Charities Act 2011, and as such is a 'charity' within the meaning of Section 467 of the Corporation Tax Act (CTA) 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 478 of the CTA 2010 and Section 256C of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

The University's subsidiary company SBUEL is subject to corporation tax and is therefore required to account for deferred tax and current tax.

South Bank Colleges is considered to pass the test set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, South Bank Colleges is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3

## **Principal Accounting Policies**

Part 11 Corporation Tax 2010 or Section 256 of the Taxation of Chargeable Gains Acts 1992, to the extent that such income or gains are applied exclusively to charitable purposes. IT is partially exempt in respect of Value Added Tax, so it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Deferred tax is provided in full on timing differences which result in an obligation at the Balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

### **Agency arrangements**

Funds the institution receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the institution where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Leases**

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The Finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### **Maintenance**

Maintenance expenditure is charged to the Statement of Comprehensive Income and Expenditure in the period in which it is incurred.

Refurbishment expenditure on a property is deemed to be of a capital nature if it either enhances the property's operational capabilities, or if it significantly upgrades the mechanical or electrical infrastructure of that property. To the extent that the expenditure is of a capital nature, it is capitalised and written off over its useful economic life. Refurbishment expenditure that does not meet either of these criteria is treated as maintenance expenditure.

### **Reserves**

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund as the University must hold the fund in perpetuity. Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Where fixed assets were revalued prior to the implementation of FRS 102, the gain or loss on revaluation was credited or debited to the revaluation reserve. Where depreciation on the revalued amount exceeds the corresponding depreciation based on historical cost, the excess is transferred annually from the capital reserve to the income and expenditure reserve.

The pension reserve represents the pension liability in respect of the defined benefit pension schemes (see note 26).

### **Cash flows and liquid resources**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within twenty-four hours without penalty.

Liquid resources comprise assets which in normal practice are generally convertible to cash and cash equivalents. They include term deposits held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

## **Principal Accounting Policies**

### **Financial instruments**

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and it is intended either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **Judgements and estimates**

#### **Material Judgements and estimates**

Accounting policies are supplemented by estimation techniques where judgement is required to establish the monetary amounts of assets, liabilities, gains and losses included in the financial statements and the estimates and associated assumptions are believed to be reasonable and prudent. In all cases these judgements and estimates are either based on past experience or are prepared by qualified advisors. In preparing these financial statements management have made the following judgements and estimates:

The present value of the London Pension Fund Authority Pension Fund (LPFAPF) and defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, salary, pension and price increase and any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability.

Land has been revalued at 31/7/14 resulting in a one off adjustment to increase the deemed cost of land by £41,946,000. The valuation was prepared by qualified valuers in accordance with the Red Book. The fair value depends on the classification of assets and a number of material assumptions including the condition of properties, ground and services, estimated market value and estimated rental income at the date of valuation.

A determination whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

#### **Non Material Judgements and Estimates**

The Provision for bad debt is calculated based on the University's past experience of collecting student and other debt. It is estimated that, at the date of signing the financial statements and after making deductions where a repayment arrangement has been agreed with the debtor, 90% of remaining debt will not be recoverable.

A determination as to whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

### **Foreign currency translation**

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year-end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

### **Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets arise where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise uncertain future events not wholly within the control of the University. These are disclosed by way of a note, where there is a probable, rather than a present asset arising from a past event.

## **Principal Accounting Policies**

## Annual Remuneration Report

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>1. Tuition fees and education contracts</b>				
Full-time home and EU students	72,287	60,218	70,514	60,218
Full-time international students	9,900	8,621	9,900	8,621
Part-time students	14,034	13,198	14,034	13,198
Other courses	1,920	1,925	1,920	1,925
Strategic Health Authority education contracts	13,203	22,575	13,203	22,575
	<u>111,344</u>	<u>106,537</u>	<u>109,571</u>	<u>106,537</u>
<b>2. Funding body grants</b>				
Recurrent grant	26,699	14,498	15,245	14,498
Non recurrent grants				
Specific grants	3,104	665	-	175
Pension liabilities	141	318	141	318
Other grants	952	964	952	964
Teaching Agency grant	-	99	-	99
	<u>30,896</u>	<u>16,544</u>	<u>16,338</u>	<u>16,054</u>
<b>3. Research grants and contracts</b>				
Research councils	2,358	1,768	2,018	1,340
UK based charities	398	242	398	242
European Commission	1,089	1,389	1,073	1,389
Other grants and contracts	334	208	334	208
Knowledge Transfer Partnerships	250	131	250	131
	<u>4,429</u>	<u>3,738</u>	<u>4,073</u>	<u>3,310</u>
<b>4. Other income</b>				
Residence and catering income	11,024	10,514	11,000	10,514
Other income	6,389	7,194	3,590	4,681
	<u>17,413</u>	<u>17,708</u>	<u>14,590</u>	<u>15,195</u>
<b>5. Investment income</b>				
Interest on short term investments	23	22	23	21
Endowment income and interest receivable	280	157	276	156
	<u>303</u>	<u>179</u>	<u>299</u>	<u>177</u>

## Annual Remuneration Report

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>6. Donations and endowments</b>				
Unrestricted donations	646	596	376	596

Donations include the estimated market value of SBC's rent free occupation of its Lambeth College premises in Brixton.

	Consolidated	
	2019	2018
	No.	No.
<b>7. Staff</b>		
Average staff numbers by major category:		
Academic staff	877	690
Student support staff	128	107
Other support staff	649	590
	1,654	1,387

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>Costs:</b>				
Wages and salaries	66,222	62,469	58,356	60,967
Social security costs	6,968	6,526	6,229	6,401
Employers' pension contributions	17,396	13,111	15,949	12,978
	90,586	82,106	80,534	80,346

Staff costs for the year include costs arising from redundancies of £1m (2018 £2m), of which £0.8m was paid during the year and £0.2m was accrued.

### 8. Remuneration of Board of Governors and higher paid employees

#### A. Governors

The University's governors do not receive remuneration from the University in their capacity as governors.

The salaries and pension contributions below therefore relate entirely to staff governors and to sums received by them in their capacity as employees of the University.

	2019	2018
	£'000	£'000
Salaries	404	400
Pension contributions or payment in lieu of pension contributions	59	57
	463	457

Governors, who are also all trustees, are paid expenses for attending meetings and duties directly related to their duties as trustees. In 2019 five trustees were paid total expenses of £1,217 (2018: five trustees were paid total expenses of £2,731) for travel and subsistence.

#### B. Determining pay of senior staff

Senior pay, including the pay of the Vice Chancellor, is overseen, and for designated posts is determined, by a Remuneration Committee, composed of Independent Board Members, and chaired by an experienced Independent Member. The Vice Chancellor is not a Member of the Remuneration Committee.

The Committee, in making its determination, considers remuneration levels in a number of comparable institutions, but also more widely in the Sector; it seeks to ensure, based on good performance, that remuneration in LSBU is competitive and comparable to those comparator Institutions. The Committee also considers as a key input the level of pay increase that has been made to staff generally. The Committee further considers a report on

## Annual Remuneration Report

the performance of Senior post holders against individual measurable stretching objectives and may award bonuses of up to 10% for clear achievement of those objectives, but only providing the overall financial performance of the University has been met.

Further information is provided in the Annual Remuneration Report on [pages 22 to 26](#).

<b>C. Emoluments of the Vice Chancellor</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Salary	234	228
Bonus	19	18
Taxable benefits	10	10
Pension Scheme contributions or payments in lieu of pension contributions	34	33
Total emoluments and remuneration	<u>297</u>	<u>289</u>

The Vice Chancellor is the highest paid Governor.

Included in taxable benefits is the value of the benefit to the Vice Chancellor of an interest free loan detailed in note 8(F). The Vice Chancellor's taxable benefit includes £8,750 interest benefit for the loan and £1,460 for medical care cover.

The Vice Chancellor's basic salary is 6.15 times the median pay of staff across the organisation, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The Vice Chancellor's total remuneration is 6.78 times the median total remuneration of staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the provider to its staff.

The calculation of these ratios comply with the draft 2019/20 OfS guidance.

## Notes to the accounts

### Year ended 31 July 2019

#### D. Remuneration of other higher paid staff

Certain employees, including the Vice Chancellor, received basic salary (excluding bonus, benefits and pension contributions) in excess of £100,000 during the year. Six of these employees accrued benefits under defined benefit pension schemes during the year (2018:5). These employees are grouped as follows:

	<b>Consolidated and University</b>	
	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
£100,000 to £104,999	1	-
£120,000 to £124,999	-	2
£125,000 to £129,999	1	2
£130,000 to £134,999	-	1
£135,000 to £139,999	2	-
£140,000 to £144,999	1	1
£145,000 to £149,999	1	1
£155,000 to £159,999	1	1
£225,000 to £229,999	-	1
£230,000 to £234,999	1	-
	<u>8</u>	<u>9</u>

#### E. Key management personnel

Key Management personnel include members of the University Executive Group, being those persons having authority and responsibility for planning, directing and controlling the activities of the University. This includes compensation (including salary and benefits in kind but excludes employers pension contributions). Members of the University Executive are listed on page 4 of these accounts.

	<b>£'000</b>	<b>£'000</b>
Key management personnel	<u>1,213</u>	<u>1,370</u>

#### F. Related party disclosures

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from public and private sector organisations) it is possible that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

The accounts of SBUEL, a wholly owned subsidiary, are consolidated into these financial statements. During the year the university paid for staffing, expenses and equipment for SBUEL totalling £240k (2018: £217k), and collected rental income of £59k (2018: £90k). At the year-end SBUEL owed the University £538k (2018: 356k).

The University is the sole Member of South Bank Colleges (SBC), a Private Limited Company by guarantee, which was incorporated on 1<sup>st</sup> August 2018. SBC and its wholly owned subsidiary, SW4 Catering Limited, are consolidated into these financial statements. On 1<sup>st</sup> February 2019 SBC received £13.7m from the ESFA which was transferred to the University on 2<sup>nd</sup> February 2019 to hold on its behalf and to transfer back to SBC as it is needed to fund operational and capital expenditure requirements. During the 6 months from 1st February the University transferred £7.45m to SBC. Services totalling £965k were recharged to SBC during the year and the balance between SBC and the University at the year-end was £8,414k.

The President and the Union Council Chair of the LSBU Students' Union are members of the Board of Governors. During the year the LSBU Students' Union received financial support from the University of £945,000 (2018: £945,000) net of services provided by the University. Services provided by the University totalled £37,960. The balance between the two parties at the year-end was £1,260 (2018: £nil).

## Notes to the accounts

### Year ended 31 July 2019

A member of the Board, Hilary McCallion, is a visiting professors at Kings College London. During the year the University paid Kings College London £31,482 (2018: £74,100) in respect of seconded staff and received £4,117 in tuition fees. Hilary McCallion is also a non-executive director of Ashford and St Peters NHS Foundation Trust. During the year the University received £5,685 in tuition fee income from Ashford and St Peters.

A member of the Board, Jeremy Cope, is a board member of the Universities and Colleges Employer Association (UCEA). During the year the University paid £2,306 (2018: £20,832) in respect of membership and conference fees.

A member of the Board, Duncan Brown, is a retired partner of PricewaterhouseCoopers LLP (PwC) and receives an annuity from that organization. During the year the University paid PwC £1,942,015 (2018: £164,625) in respect of internal audit and professional fees, and the University received £8,800 in respect of tuition fees.

The Vice Chancellor of the University, Professor David Phoenix and the University are both members of the board of South Bank Academies. During the year the University charged South Bank Academies Trust £25,000 (2018:£6,000) for clerking services and £1,791 (2018:£18,000) in reimbursement of actual expenses incurred. SBUEL charged South Bank Academies £50k for staff provided through LSBU Employment, an employment agency run by SBUEL. At the year-end South Bank Academies owed The Group £1,791.

The Vice Chancellor is a Trustee of the British University in Egypt. During the year the University invoiced £1,545,491 (2018:£1,539,279) in respect of educational Services.

The Vice Chancellor is a member of the Board, and Chair of the Funding Policy Network of Universities UK. During the year the University paid Universities UK £941 in respect of conference fees.

The Vice Chancellor is a member of the Board of the National Centre for Universities and Businesses (NCUK). During the year the University paid NCUK £9,000 in respect of subscription fees and project contributions.

The Vice Chancellor of the University received an interest free loan in October 2013 as part of a relocation package agreed for him. Professor David Phoenix is an employee of the University. The amount of the loan was £350,000 and was solely to contribute to a specified property and was fully secured by way of legal mortgage on the property in favour of London South Bank University. As of 31 July 2019 the outstanding balance was £350,000, with the total balance being repaid on 8<sup>th</sup> August 2019.

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>9. Other operating expenses</b>				
Academic	12,033	10,275	11,691	10,275
Academic support	12,175	7,254	9,088	7,254
Other support	5,530	6,696	5,530	6,696
Premises	13,529	13,032	12,584	13,032
Residence and catering	4,032	3,981	4,032	3,981
Other expenses	9,156	6,420	5,174	5,228
	<u>56,455</u>	<u>47,658</u>	<u>48,099</u>	<u>46,466</u>

Group other operating expenses are stated after charging:

	2019 £'000	2018 £'000
Auditors' remuneration		
<i>External audit</i> * KPMG LLP	100	53
<i>Other services</i> KPMG LLP	79	17

## Notes to the accounts

### Year ended 31 July 2019

Rentals under operating leases: Plant and machinery\*\* 208 168

\* Includes £100,285 attributable to the University (2018: £62,294)

\*\*Includes £156,641 attributable to the University

#### 10. Taxation

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and trading losses as there is insufficient evidence that the asset will be recovered.

The amount of the asset not recognised is £X.Xk (2018: £9.9k). The asset would be recovered if suitable taxable profits were to arise in the future against which the asset could be offset.

	Consolidated		University	
	2019	2018	2019	2018
11. Interest and other finance costs	£'000	£'000	£'000	£'000
Loans Interest	1,566	1,128	1,569	1,128
Net charge on pension scheme	3,020	3,170	2,791	3,170
	<u>4,586</u>	<u>4,298</u>	<u>4,360</u>	<u>4,298</u>

#### 12. Intangible Assets Software

Cost or Valuation	Consolidated and University		
	Software	Assets in Course of Construction	Total Intangible Assets
	£'000	£'000	£'000
At August 2018	4,140	50	4,190
Additions	-	73	73
Transfer	-	-	-
At 31 July 2019	<u>4,140</u>	<u>123</u>	<u>4,263</u>
<b>Amortisation Charge</b>			
At August 2018	(3,125)	-	(3,125)
Charge for the year	(973)	-	(973)
At 31 July 2019	<u>(4,098)</u>	<u>-</u>	<u>(4,098)</u>
<b>Net Book Value</b>			
At 31 July 2019	<u>42</u>	<u>123</u>	<u>165</u>
At 31 July 2018	<u>1,015</u>	<u>50</u>	<u>1,065</u>

## Notes to the accounts

### Year ended 31 July 2019

#### 13. Tangible fixed assets (Consolidated)

	Freehold Land £'000	Freehold Buildings £'000	Long Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Short Leasehold Land and Buildings £'000	Assets in Course of Construction £'000	Fixed Assets Total £'000
<b>Cost or Valuation</b>							
At 1 August 2018	64,368	167,110	47,210	46,906	44	19,091	344,729
Additions	-	28	(10)	28	-	17,287	17,333
Additions at 1 February	-	45,539	2,468	1,130	-	687	49,824
Disposal	-	-	-	(24)	-	-	(24)
Transfers	-	4,743	-	6,052	-	(10,795)	-
At 31 July 2019	<u>64,368</u>	<u>217,420</u>	<u>49,668</u>	<u>54,092</u>	<u>44</u>	<u>26,270</u>	<u>411,862</u>
<b>Depreciation</b>							
At 1 August 2018	-	(59,099)	(30,620)	(37,170)	(37)	-	(126,926)
Charge for the year	-	(5,366)	(1,256)	(2,756)	-	-	(9,378)
Disposals	-	-	-	24	-	-	24
At 31 July 2019	<u>-</u>	<u>(64,465)</u>	<u>(31,876)</u>	<u>(39,902)</u>	<u>(37)</u>	<u>-</u>	<u>(136,280)</u>
<b>Net book value</b>							
At 31 July 2019	<u>64,368</u>	<u>152,955</u>	<u>17,792</u>	<u>14,190</u>	<u>7</u>	<u>26,270</u>	<u>275,582</u>
At 31 July 2018	<u>64,368</u>	<u>108,013</u>	<u>16,589</u>	<u>9,736</u>	<u>7</u>	<u>19,091</u>	<u>217,804</u>

#### Tangible Fixed assets (University)

	Freehold Land £'000	Freehold Buildings £'000	Long Leasehold Land and Buildings £'000	Fixtures, Fittings and Equipment £'000	Short Leasehold Land and Buildings £'000	Assets in Course of Construction £'000	Total Fixed Assets Total £'000
<b>Cost or Valuation</b>							
At 1 August 2018	64,368	167,110	47,210	46,906	44	19,091	344,729
Additions	-	-	-	-	-	15,028	15,028
Disposal	-	-	-	(24)	-	-	(24)
Transfers	-	4,743	-	6,052	-	(10,795)	-
At 31 July 2019	<u>64,368</u>	<u>171,853</u>	<u>47,210</u>	<u>52,934</u>	<u>44</u>	<u>23,324</u>	<u>359,733</u>
<b>Depreciation</b>							
At 1 August 2018	-	(59,099)	(30,620)	(37,170)	(37)	-	(126,962)
Charge for the year	-	(4,677)	(1,231)	(2,471)	-	-	(8,379)
Disposals	-	-	-	24	-	-	24
At 31 July 2019	<u>-</u>	<u>(63,776)</u>	<u>(31,851)</u>	<u>(39,617)</u>	<u>(37)</u>	<u>-</u>	<u>(135,281)</u>
<b>Net book value</b>							
At 31 July 2019	<u>64,368</u>	<u>108,077</u>	<u>15,359</u>	<u>13,317</u>	<u>7</u>	<u>23,324</u>	<u>224,452</u>
At 31 July 2018	<u>64,368</u>	<u>108,013</u>	<u>16,589</u>	<u>9,736</u>	<u>7</u>	<u>19,091</u>	<u>217,804</u>

## Notes to the accounts

### Year ended 31 July 2019

14. Investments	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
CVCP Properties plc	38	38	38	38

The University holds 9% of the £1 ordinary shares of CVCP Properties plc. The principal activity of the company is leasing of buildings, with the majority of tenants being Higher Education organisations.

Details of the companies, all incorporated in England and Wales, in which London South Bank University holds directly or indirectly more than 20% of the nominal value of any class of share capital are as follows:

#### South Bank University Enterprises Limited

The University holds 100% of the £1 ordinary shares of South Bank University Enterprises Limited (SBUEL), which was formed in order to take over the commercial aspects of the University's activities. Five of these shares have been held since 5 February 1988 with a further five issued on 19 July 2012.

#### South Bank Colleges

The University is the sole member of South Bank colleges, a private company limited by guarantee and incorporated on 1<sup>st</sup> August 2018 and its results are fully consolidated in these accounts. South Bank Colleges took over the operations of Lambeth College from 1<sup>st</sup> February 2019 and has one subsidiary, SW4 Catering Ltd.

#### Other investments

All other investments represent less than 20% of the issued share capital in each case and are therefore not individually disclosed.

15. Debtors: amounts falling due within one year	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade debtors	15,786	14,454	14,167	14,072
Amounts owed by group undertakings	-	-	8,952	356
Other debtors	996	1,255	977	1,253
Prepayments and accrued income	2,216	3,349	2,157	2,991
Total debtors due within one year	18,998	19,058	26,253	18,672
Debtors: amounts falling due after one year: amounts owed by related parties (note 8)	-	350	-	350
	18,998	19,408	26,253	19,022

16. Creditors: amounts falling due within one year	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank and other loans	1,909	1,367	1,909	1,367
Trade creditors	810	1,677	809	1,661
Other creditors	4,489	1,582	1,620	1,449
Social security and other taxation payable	1,978	1,544	1,487	1,544
Accruals and deferred income	27,520	25,115	24,471	24,430
	36,706	31,285	30,296	30,451

**Notes to the accounts**  
**Year ended 31 July 2019**

17. Creditors: amounts falling due after more than one year	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank and other loans	34,452	22,895	34,452	22,895
Deferred income	42,593	22,527	21,580	22,527
	77,045	45,422	56,032	45,422

Included within deferred income are items of income which have been deferred until specific performance related conditions have been met.

	Consolidated		University	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Government	12,026	7,818	11,863	7,492
Non-government	2,167	2,603	2,016	2,448
Capital grants	30,738	23,158	22,206	23,158
	44,931	33,579	36,085	33,098

18. Borrowings	Consolidated and University	
	2019 £'000	2018 £'000
Bank loans are repayable as follows:		
Due in less than one year (note 16)	1,909	1,367
Due between one and two years	1,945	1,383
Due between two and five years	6,035	4,156
Due after five years	26,472	17,356
Total due after one year (note 17)	34,452	22,895
	36,361	24,262

## Notes to the accounts

### Year ended 31 July 2019

#### Details of bank basic loans

Lender	Term	Interest rate	Security	2019 £'000	2018 £'000
Barclays Bank	25 years to 2032	5.67% fixed	} McLaren House	3,886	4,197
Barclays Bank	To April 2029	5.25 % fixed		5,000	5,000
Barclays Bank	23.25 years to 2032	5.54% fixed		6,909	7,291
Barclays Bank	23 years to 2032	0.225% over Libor		3,786	4,083
Barclays Bank	16 years to 2035	5.16-5.20% Fixed plus 1.65% margin	McLaren House	13,467	-
Allied Irish Bank	26.5 years to 2027	6.67% Fixed	Dante Road Halls	3,113	3,491
Salix	Variable	Interest free	Unsecured	200	200
				36,361	24,262
				36,361	24,262

#### 19. Provisions for liabilities: Consolidated

	Obligation to fund deficit on USS pension £'000	LPFA defined benefit obligation £'000	Enhanced pension £'000	Total £'000
Balance at 1 August 2018	977	99,766	-	100,743
Additions at 1 February	-	18,839	1,934	20,773
Utilised during the year	-	(6,278)	(74)	(6,352)
Charged to comprehensive income and expenditure	1,165	20,246	205	21,616
<b>Balance at 31 July 2019</b>	2,142	132,573	2,065	136,780
	2,142	132,573	2,065	136,780

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme to deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are in note 26B.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 26B. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £1,229,497, a decrease of £912,372 from the current year end provision.

The enhanced pension provision relates to the cost of staff who retired from Lambeth College Corporation with enhanced pension provisions between 1995/96 and 2006/7. The value of the provision is calculated in accordance with guidelines issued by the Association for Colleges.

**Notes to the accounts**  
**Year ended 31 July 2019**

**University**

	<b>Obligation to fund deficit on USS pension £'000</b>	<b>LPFA defined benefit obligation £'000</b>	<b>Total Provisions £'000</b>
Balance at 1 August 2018	977	99,766	100,743
Utilised during the year	-	(5,842)	(5,842)
Charged to comprehensive income and expenditure	1,165	18,332	19,497
<b>Balance at 31 July 2019</b>	<b>2,142</b>	<b>112,256</b>	<b>114,398</b>

20. Restricted reserves	Endowments		Consolidated and University	
	<b>Restricted Permanent £'000</b>	<b>Restricted Expendable £'000</b>	<b>2019 Total £'000</b>	<b>2018 Total £'000</b>
Balance at 1 August	692	131	824	807
Increase in market value of investments	25	6	31	17
<b>Balance at 31 July</b>	<b>717</b>	<b>137</b>	<b>855</b>	<b>824</b>

21. Unrestricted reserve	Consolidated		University	
	<b>2019 £'000</b>	<b>2018 £'000</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Revaluation reserve</b>				
Balance at 1 August	26,722	27,382	26,722	27,382
Addition at 1 February	6,777	-	-	-
Transfer to income and expenditure reserves being excess depreciation on revalued assets	(846)	(660)	(771)	(660)
<b>Balance at 31 July</b>	<b>32,653</b>	<b>26,722</b>	<b>25,951</b>	<b>26,722</b>

**22. Cash and cash equivalents**

	<b>At 1 Aug 2018 £'000</b>	<b>Cashflows £'000</b>	<b>At 31 July 2019 £'000</b>
<b>Consolidated</b>			
Investments	11,573	140	11,713
Cash at bank and on deposit	37,841	9,247	47,088
<b>Balance at 31 July</b>	<b>49,414</b>	<b>9,387</b>	<b>58,801</b>

Investments comprise funds held in fixed term deposits for periods exceeding three months at 31 July 2019. Cash at bank and on deposit comprise funds held in bank and on deposit not exceeding 3 months.

## Notes to the accounts

### Year ended 31 July 2019

#### Consolidated and University

#### 23. Capital commitments

	2019	2018
	£'000	£'000
Commitments contracted at 31 July	15,442	6,941

Of the above, £6,178k relates to LSBU and £9,264k relates to SBC (2018: £6,941k relates to University)

#### 24. Lease obligations

At 31 July 2019 the University and the Group were committed to making the following future minimum lease payments in respect of operating leases on land and buildings:

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Expiring within one year	77	-	-	-
Expiring within two and five years	41	-	-	-
Expiring in over five years	459	470	459	470
	577	470	459	470

#### 25. Amounts disbursed as agent

##### Teacher Training Bursaries

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Balance at 1 August	(10)	3	(10)	3
Funding council grant	26	23	26	23
Disbursed to students	(16)	(36)	(16)	(36)
Balance at 31 July	-	(10)	-	(10)

##### Apprenticeship Employer Incentive Payments

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Balance at 1 August	-	-	-	-
Funds received	19	12	19	12
Disbursed to employers	(19)	(12)	(19)	(12)
Balance at 31 July	-	-	-	-

##### Learner support funds

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Balance at 1 August	-	-	-	-
Acquired at 1 February 2019	305	-	-	-
24+ bursary	231	-	-	-
Disbursed to students	(516)	-	-	-
Administration costs	(20)	-	-	-

## Notes to the accounts

### Year ended 31 July 2019

Balance at 31 July - - - -

Teacher Training Bursary funds are paid to universities by the Teaching Agency to provide financial support to students studying for a postgraduate qualification which leads to Qualified Teacher Status (QTS).

The grant from the Training and Development Agency for Schools (TDA) is available solely for students. The University acts only as a paying agent. The grant and related disbursements are therefore excluded from the Income and Expenditure account and grants not disbursed are shown within other creditors.

#### 26. Pension arrangements

Different categories of staff were eligible to join one of four different schemes:

- Teachers' Pension Scheme (TPS)
- Universities Superannuation Scheme Limited (USS)
- London Pension Fund Authority (LPFA) Pension Fund
- London South Bank University Defined Contribution Scheme, administered by Aviva.
- National Employment Savings Trust (NEST)

##### A. The Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales including teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers or lecturers and from 1 January 2007 automatic too for teachers or lecturers in part-time employment following appointment or change of contract. Teachers and lecturers are able to opt out of the TPS.

Retirement and other pension benefits are provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Teachers' contributions are credited to the Exchequer under arrangements governed by the above act. The Teachers' Pension Regulations require that an annual account, the Teachers' Budgeting and Valuation Account, be kept of receipts and expenditure, including the cost of pension increases.

From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

- The last valuation of the TPS was as of 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost CAP) Directions 2014. The valuation report was published by the Department on 5 March 2019. The Key results of the valuation are:
- Uncorrected employer contribution rate effective over the implementation period: 19.5% of pensionable pay. This is an increase of 3.1% on the current contribution rate. This increase is primarily due to the reduction in the SCAPE discount rate to 2.4% pa above CPI with effect from 1 April 2019.
- Corrected employer contribution rate payable over the implementation period: 22.8% of pensionable pay. This is an increase of 6.4% on the current contribution rate. This rate is calculated in the same way as the uncorrected employer contribution rate except that the accrual rate of the 2015 Scheme is assumed to be improved from 1 April 2019 to the extent necessary such that the employer contribution correction cost equals the target cost of the scheme.

Following agreement between the Department for Education and HM Treasury we understand that no change will be made to the employer contributions until September 2019, with employers continuing to pay contributions at a rate of 16.4% of pensionable pay. As a consequence of this delay in implementing the change, an additional 0.8% of pay will be payable over the remainder of the period to 31 March 2023 to ensure that the level of the notional fund at the

## Notes to the accounts

### Year ended 31 July 2019

next valuation of the scheme is expected to be unaffected by the delay. Employers will therefore pay contributions at a rate of 23.6% of pensionable pay from September 2019

At 31 July 2019 the University Group had 1125 active members participating in the scheme. During the year contributions were paid by the University and charged to the Income and Expenditure account at a current rate of 16.48% (2017: 16.48%) of salaries and the Group's contribution to the TPS for 2019 was £4,635,824 (2018: £4,294,274). Employees paid tiered contribution rates which ranged from 7.4% - 11.7%, depending on earnings.

Under the definitions set out in FRS 102 'Retirement Benefits', the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme.

#### **B. The Universities Superannuation Scheme**

The University participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contributing rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS102 'Employee Benefits', the University accounts for the scheme as if it were a wholly defined contribution scheme. Since the University has entered into an agreement that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that relate to the deficit and movement in this provision is treated as an expense.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The latest available complete actuarial valuation of the Retirement Income builder section of the scheme is 31 March 2017, which was carried out using the projected unit method. The valuation as at 31 March 2018 is underway but not yet complete.

Since the institution cannot identify its share of Retirement Income Builder section of the scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

Discount rates (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32%, Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21, Years 21 +: CPI + 1.7%
Pension increases	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

## Notes to the accounts

### Year ended 31 July 2019

Pre- retirement 71% of AMC00 (Duration 0) for males and 112% of AFC00 (duration 0) for females.

Post-retirement 96.5% of SAPS SINMA 'light' for males and 101.3% of RFV00 for females

Future improvements to mortality: CMI\_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	Males		Females	
	Years		Years	
	2019	2018	2019	2018
Current pensioners (currently 65 years)	24.6	24.5	26.1	26.1
Future pensioners (currently 45 years)	26.6	26.5	27.9	27.8

	2019	2018
Scheme Assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

At 31 July 2019 the Group had 40 active members participating in the scheme. The total cost charged to the Statement of Comprehensive Income and Expenditure is £1,643,839 (2018: £513,726). The employer contribution rate was 18%, rising to 19.5% from 1<sup>st</sup> April 2019. (2018: 18%). From 1<sup>st</sup> October 2019 the employer rate will rise to 22.5% then again from 1<sup>st</sup> April 2020 to 24.2%.

#### C. The London Pension Fund

The London Pension Fund Authority (LPFA) provides members with benefits related to pay and service at rates which are defined under the Local Government Pensions Scheme Regulations 2013. To finance these benefits, assets are accumulated in the Fund and held separately from the assets of the University.

A full triennial valuation was carried out by the scheme's actuary Barnett Waddingham as at 31 March 2016 with the valuation results taking into account changes to the scheme from 1 April 2017. The results showed the market fund attributable to the Group as £XXM. The actuarial value of those assets represented xx% of the value of the benefits that have accrued to the group's pensioners, deferred pensioners and current members based upon past service but allowing for assumed pay increases and pension increases. Employer contribution rates effective from 1 April 2019 are 12.7% for London South Bank University and 13.5% for South Bank Colleges, plus a past service adjustment expressed as a lump sum to clear the deficit over a recovery deficit period of 17 years for the university and x years for South Bank Colleges. During the year ending 1 April 2018 this payment amounted to £2.31m

#### Pension costs under FRS 102

For accounting purposes, the scheme's assets are measured at market value and liabilities are valued using the projected unit method and discounted using the annualised yield on the iBoxx AA rated over 15-year corporate bond

## Notes to the accounts

### Year ended 31 July 2019

index. The valuation uses market-based assumptions and asset valuations, and represents a current valuation. It does not impact on the contribution rates set by the trustees of the scheme. The principal assumptions used by the actuary were:

	<b>Consolidated and University</b>	
	<b>31 July 2019</b>	<b>31 July 2018</b>
	<b>% per annum</b>	<b>% per annum</b>
Salary increases	3.9%	3.85%
Pension and price increases	2.4%	2.35%
Discount rate	2.1%	2.65%

Employees retiring on or after 6 April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

On the advice of our actuaries we have made the following assumptions:

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

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

#### Life expectancy

Post-retirement mortality is based on Club Vita analysis. These base tables are then projected using the CMI 2015 model, allowing for a long term rate of improvement of 1.5% per annum. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	<b>Males</b>		<b>Females</b>	
	<b>Years</b>		<b>Years</b>	
	<b>LSBU</b>	<b>South Bank colleges</b>	<b>LSBU</b>	<b>South Bank Colleges</b>
Current pensioners	20.3	20.3	23.3	23.1
Future pensioners	22.1	22.1	25.2	25.0

#### Fund assets

The return on the fund, on a bid value to bid value basis, for the year to 31<sup>st</sup> July 2019 is estimated at 10%. The actual return on fund assets over the year may be different. The estimated asset allocation at 31<sup>st</sup> July 2019 is as follows:

	<b>Consolidated</b>		<b>University</b>	
	<b>Fair value as at 31 July 2019</b>	<b>Fair value as at 31 July 2018</b>	<b>Fair value as at 31 July 2019</b>	<b>Fair value as at 31 July 2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equities	110,359	87,224	86,706	87,224
Target return portfolio	51,438	31,847	40,413	31,847

## Notes to the accounts

### Year ended 31 July 2019

Cash	10,684	6,599	8,394	6,599
Infrastructure	11,607	7,155	9,119	7,155
Property	18,451	11,044	14,496	11,044
Total fair value of assets	202,539	143,869	159,128	143,869

#### Net pension liability

The following amounts at 31 July 2019 related to the Group are measured in accordance with the requirements of FRS 102:

<b>Consolidated</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair value of Employer Assets	95,865	143,869	133,771	112,066	105,534
Present value of funded obligations	(217,553)	(232,750)	(234,955)	(221,698)	(182,439)
Net underfunding in funded plans	(121,688)	(88,881)	(101,184)	(109,632)	(76,905)
Present value of unfunded obligations	(10,885)	(10,884)	(11,565)	(11,868)	(11,852)
Net Pension Liability	(132,573)	(99,765)	(112,749)	(121,500)	(88,757)

<b>University</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair value of Employer Assets	159,128	143,869	133,771	112,066	105,534
Present value of funded obligations	(260,964)	(232,750)	(234,955)	(221,698)	(182,439)
Net underfunding in funded plans	(101,836)	(88,881)	(101,184)	(109,632)	(76,905)
Present value of unfunded obligations	(10,420)	(10,884)	(11,565)	(11,868)	(11,852)
Net Pension Liability	(112,256)	(99,765)	(112,749)	(121,500)	(88,757)

The movement for the year in the net pension liability is shown in note 19.

#### Analysis of the amount included in staff costs for the year

	<b>Consolidated</b>		<b>University</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Service cost	10,853	8,616	9,904	8,616
Total operating charge	10,853	8,934	9,904	8,934

## Notes to the accounts

### Year ended 31 July 2019

Analysis of the amount included in interest payable for the year	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest on the defined liability (asset)	2,789	2,969	2,578	2,969
Administration expenses	239	174	187	174
Total interest charge	3,028	3,143	2,765	3,143

	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>Analysis of the amount recognised in Other Comprehensive Income</b>				
Return on fund assets in excess of interest	13,330	4,524	10,446	4,524
Other actuarial gains on assets	-	-	-	-
Change in financial assumptions	(36,403)	14,543	(29,620)	14,543
Change in demographic assumptions	16,593	-	13,510	-
Experience gains and losses on defined benefit obligation	114	16	-	16
Remeasurement of the net assets / (defined liability)	(6,366)	19,083	(5,664)	19,083

Analysis of movement in the present value of scheme liabilities	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At 1 August	243,634	246,520	243,634	246,520
Movement in the year:	59,081	-	-	-
Acquisition by SBC of Lambeth College	-	-	-	-
Current service cost	8,526	8,488	7,822	8,488
Interest cost	7,174	6,609	6,406	6,609
Changes in financial assumptions	36,403	(14,543)	29,620	(14,543)
Change in demographic assumptions	(16,593)	-	(13,510)	-
Experience loss / (gain) in defined benefit obligation	(114)	(16)	-	(16)
Past service costs, including curtailments	2,327	128	2,082	128
Estimated benefits paid net of transfers in	(6,432)	(4,513)	(5,649)	(4,513)
Contributions by scheme participants	1,846	1,697	1,707	1,697
Unfunded pension payments	(740)	(736)	(728)	(736)
At 31 July	335,112	243,634	271,384	243,634

Analysis of movement in the fair value of scheme assets	Consolidated		University	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At 1 August	143,869	133,771	143,869	133,771
Acquisition by SBC of Lambeth College	40,242	-	-	-
Interest on assets	4,359	3,640	3,848	3,640
Return on assets less interest	13,330	4,524	10,446	4,524
Other actuarial gains	-	-	-	-
Administration expenses	(213)	(174)	(187)	(174)
Contributions paid	8,124	7,357	7,549	7,357
Estimated benefits paid plus unfunded net of transfers in	(7,172)	(5,249)	(6,377)	(5,249)
At 31 July	202,539	143,869	159,148	143,869

The projected pension expense for the year to 31 July 2020 is £15,144(consolidated) £13,233(University).

## Notes to the accounts

### Year ended 31 July 2019

#### **D. London South Bank University Defined Contribution Scheme**

The University provides a defined contribution pension scheme through Aviva for employees of London South Bank University Enterprises Limited (SBUEL). At 31 July 2019 the University had 32 members participating in the scheme. The University's contribution to the Aviva scheme for the year ending 31<sup>st</sup> July 2019 was £104,754 (2018: £89,516) and employer's contribution rates ranged from 6%-9%. Pension contributions payable at 31 July 2019 were £10,060 (2018: £7,373).

#### **E. National Employment Savings Trust (NEST)**

The University provides a defined contribution scheme through NEST for employees of SW4, a subsidiary of South Bank Colleges. At 31<sup>st</sup> July 2019 there were 12 staff in the scheme. Employer contribution to the NEST scheme for the year ending 31<sup>st</sup> July 2019 was £4,579 and employer contributions were 3%. Pension contributions payable at 31<sup>st</sup> July 2019 were £1,502.

#### **27. Post Balance Sheet Events**

As set out in Note 26 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £912,373 in the provision for the Obligation to fund the deficit on the USS pension which would instead be £1,229,497. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 26B. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £1,229,497, a decrease of £912,372 from the current year end provision.

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	CONFIDENTIAL
Paper title:	Going Concern Statement
Board/Committee	Group Audit & Risk Committee
Date of meeting:	7 November 2019
Author:	Natalie Ferer
Sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Information
Recommendation:	The Committee is requested to note the report and its findings

The Board of Governors is required to produce a statement in the annual accounts that the University Group continues to be a going concern. The draft statement in the 2018/19 accounts is below:

Governors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2018/19 has been a successful year with income growth of 13.5% to £164.9m (including the acquisition of Lambeth College) building on earlier re-structuring and investment for future success. A financial surplus of £2.9m is reported, £1.3m better than the approved budget, as a result of continued strong recruitment, sound financial management and effective cost control. This is after accounting for re-structure costs of £1.0 m and a year on year increase in pension service charge of £4.3m.

The Group always plans to have sufficient liquid assets to meet its liabilities as they fall due. Cash balances and bank deposits increased from £49.4m to £58.8m whilst Bank and other loans increased from £24.3m at 31 July 2017 to £36.4m at 31 July 2018 reflecting the loans novated from Lambeth College to the LSBU group.

The levels of borrowing facilities are reviewed on a regular basis and are considered adequate to meet current operational plans.

A budget surplus of £1.5m has been approved for 2019/20, reflecting the need for continued surplus whilst maintaining appropriate levels of investment spend to drive

the necessary corporate strategic outcomes. Recruitment has been positive this year, with new student enrolments expected to exceed targets, despite continued increased levels of market competition. We are confident that we can deliver to the agreed budget surplus.

The key elements that give us assurance regarding institutional sustainability, and which support the going concern statement, are set out below:

### 1. KPI reporting

We review the institution's performance continually using a number of KPIs in areas relevant to the sustainability of the institution. In these areas, we have set long term targets against which the Board of Governors and its committees and our Executive team and Senior Leadership Team monitor performance. We are satisfied that our strategies will help us move towards achieving these targets. The headline financial KPI targets aligned to the corporate strategy are unchanged from last year and are as follows:

By 2020 we will have delivered:
• 25% growth in income from £136m to £170m
• An operating surplus of 5% (£8.5m pa on income of £170m)
• EBITDA margin (EBITDA/income) of 15% (equivalent to EBITDA of £25.5m pa on income of £170m)

The KPI report is provided to each meeting of the Finance Planning & Resources committee. The latest KPI report for the University is attached at Appendix 1.

We are satisfied that our process for the selection of KPIs, and of data collection and analysis in setting targets and making assessments is appropriate and rigorous and can be reconciled with other information including the statutory financial accounts. Considerable work was done to ensure that the KPI set was effectively aligned to the University Strategy 2015/20.

## **2. Risk management**

We have an effective risk management process rated as low risk by our internal auditors. This process is linked to the achievement of institutional objectives as set out in the corporate strategy 2015/20 and designed to identify, evaluate and effectively manage risk. Where there are serious issues or risks, this process helps ensure that appropriate controls are in place and/or remedial actions taken as appropriate. We have also continued during 2018/19 to ensure that we have aligned our processes to the Board's assessment of risk appetite.

## **3. Financial sustainability**

### *Financial strategy and forecasts*

The University's financial strategy is expressed through its rolling five year financial forecasts.

The key elements of the financial strategy are to:

- Aim for a surplus of 5% of income.
- Deliver growth in income, with a particular focus on apprenticeships, enterprise and income from international students
- Manage staff costs, including agency costs, to an agreed maximum percentage of income
- Ensure flexibility, to allow management to respond as necessary to changes as they arise.
- Provide capital investment at an appropriate level to provide for future sustainability in buildings and infrastructure
- Ensure that all aspects of the University's operation are as lean and efficient as possible without compromising quality or student success
- Maintain cash balances at agreed levels.
- Sufficient operating cash to enable the University to meet its stated investment.

Our forecasts were updated in July 2019 with income projections for 2019/20 reduced from £155m to £152m. At group level, income for the year is projected to be £177m. Both the University and SBC have flexed their expenditure in line with the changes in income and so our forecast levels of surplus are broadly commensurate with the previous 5 year forecast. South Bank Colleges has produced a better than expected financial outturn in the second half of 2018/19 and is on track to achieve its financial turnaround by 2022/23.

As at the end of Sept-19 The University had 12,757 enrolled FTE students and is 7% ahead of the year on year position. The biggest increase is new students which are up by 22% and there have been significant increases across most schools.

Capital expenditure plans and Lambeth College (SBC'S) financial support requirements have been analysed in detail and a detailed cash flow model has been prepared as an integral part of the 5 year financial forecasts which reflect these agreed spending plans. The approved forecasts provide for sufficient annual net cash inflows which, together with additional new bank loan facilities, will enable the University to meet its current investment plan. We have already tested the market and are confident that there is sufficient appetite to meet the University's new borrowing requirements.

**Recommendation:**

The Committee is requested to note this report.

**Appendix:**

2018/19 University KPI Performance and 2019/20 KPI Targets

Corporate Strategy Goals	20/20 Success Measures	#	Key Performance Indicators	End of Corporate Strategy Ambition	Past Performance				2018/19					2019/20
					14/15	15/16	16/17	17/18	Green	Amber	Red	Target	Actual	Agreed 2019/20 Target (Exec 30/1/19 except finance targets which were agreed Executive of 3/4/19)
Teaching and Learning	Top 50% of universities for graduate employment / starting salaries.	1	Graduate level employment &/or Further study (EPI population)	80%	68.0%	76.0%	81.8%	87.7%				82%	No data available in 2018/19	Not Applicable
Student Experience	Top quartile of all universities in NSS	2	NSS scores – overall satisfaction (First Degree respondents)	89%	82%	82.0%	82.2%	78.8%	83 % +	80 - 82 %	< 80 %	86%	81.8%	84%
		3	International Student barometer (% recommending LSBU)	81%		77%	77%	80%	77% +	75 - 77%	< 75 %	78%	78%	81%
		4	PGT experience (% satisfaction)	82%	74%	74%	71%	71%	74 % +	70 - 73 %	< 70 %	77%	71%	76%
		5	Student Staff Ratio	18:1	19.7:1	20.5:1	19.8:1	16:1	16.5 - 17.5	16 - 16.5	< 16 > 18	17:1	16.1	16-18:1
Employability	95% students in employment / further study (EPI)	6	DLHE Positive Outcomes; employment or further study (EPI)	95%	90.2%	90.8%	94.6%	95.3%				94%	No data available in 2018/19	Not Applicable
	Top 10 UK universities for student start ups	7	Number of Student start ups (Active Firms in HE-BCI 4aiv)	150	30	50	45	48	110 +	100 - 109	< 100	110	Data available January 2020	65
Research & Enterprise	Top 50% UK for Research & Enterprise Income	8	Research Income (non QR)	£6.0 m	£2.0	£1.9	£2.8	£3.5	£4.3 m +	£4.0 - 4.3 m	< £4 m	£3.5m	£4.1m	£5.2m
		9	Enterprise Income	£19.0 m	£8.1	£7.8	£9.2	£10.9	£12 m +	£11 - 11.9 m	<£11 m	£13.0	£10.5m	£11.0m
Access	Top London Modern for LPN recruitment	10	% recruits from low participation neighbourhoods (Young FT FD)	9.0%	7.7%	8.4%	9.2%	8.9%	8.0% +	7.7 - 7.9 %	<7.7 %	8.6%	7.6%	8-10%
		11	FTUG % (w/o HSC contract) recruited before Clearing	90%	75.0%	76.4%	77.2%	78.0%	78 % +	74 - 77 %	< 74 %	77%	75.3%	+77%
	Exceed expectations on completion	12	First Degree Completion projection (at or above benchmark)	+3%	-7 %	-5.8%	-5.5%	-1.8%	>=-1 %	-2 to -3 %	<-3 %	-1%	-4.0%	0%
		13	Year 1 progression (can change due to Jan 2019 2nd Semester Enrolment)	85%	73.1%	77.3%	74.7%	72.4%	76 % +	72 - 75%	<72%	82%	73%^	80%
		14	Good Honours	63 - 67%	61.2%	66.4%	69.1%	70.0%	66-71%	72-73% 64-65%	>73% <64%	63-67%	70.8%	65-70%
15	PGT completion	85%	61.5%	58.7%	69%	61.0%	75% +	71-74%	< 71%		66.1%	72%		
International	4 QS Stars	16	QS Star Rating	4	3 stars	3 stars	4 stars	4 stars	4	3	2	4	4	4
		17	Overseas student income (millions). Includes TNE	£20m	£11.2	£9.8	£11.2	£10.8	£12.6 m +	£12.2 - 12.5 m	<£12.2 m	£15.0	£12.1m	£11.6m
People and Organisation	Rated as a good employer	18	Appraisal completion % (Amongst all eligible staff)	100%	90%	91%	95.6%	85.3%	100%	95 - 99 %	< 95 %	100%	34.3%*	100%
		19	Average Engagement Score as a %	75%		58%	62%	61%	69%	65 - 68 %	< 64 %	69%	66%	70%
Resources & Infrastructure	Grow our income by 25% to £170m annually, deliver an operating surplus of 5% and an EBITDA margin of 15%	20	Surplus as % of income	5.0%	0.9%	2.4%	1.3%	1.1%	1 % +	0.7 - 0.9 %	< 0.7%	1.4%	2%	1.3%
		21	Income (£m)	£170.0m	£140.8m	£138.2	£144.5	£146.3	£145.2 m +	£142 - 145 m	< £142 m	£156.1 m	£149m	£152.0m
		22	EBITDA margin (EBITDA expressed as % of income)	15.0%	9.2%	11.8%	12.0%	10.7%	12.8% +	11.7 - 12.7%	<11.7%	13.5%	11.2%	11.4%
	Student satisfaction with facilities & environment in top UK quartile	23	Student satisfaction ratings with facilities & environment (FD)	90%	87.7%	90.0%	87.2%	83.9%	87 % +	84 - 86 %	< 84%	90.0%	84.9%	90.0%
		24	ICS Service Index %	80%	68%	76%	66%					76%	No score available in 2018/19	80%
Overall	Top London Modern university (excl UAL)	25	Times - League table ranking	85	120 / 127	120 / 128	106 / 128	107/132	99 or higher	100 - 104	105 or lower	96	86/131	90
		26	Guardian – League table ranking	70	111 / 119	107 / 119	92 / 121	78 / 121	75 or higher	76 - 78	79 or lower	79	68/121	65
		27	Complete University Guide – League table ranking	87	119 / 126	115 / 127	108 / 129	93 / 131	90 or higher	91 - 94	95 or lower	98	87/131	85

^ progression figure as at 18 October 2019.

\* appraisal completion rates as at 30 September 2019.

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	CONFIDENTIAL
Paper title:	Letter of Representation
Board/Committee	Group Audit & Risk Committee
Date of meeting:	7 <sup>th</sup> November 2019
Author:	KPMG
Sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	To present the Letter of Representations, relating to the audit of the accounts for the LSBU group and for SBC, to be approved by the Boards of LSBU and SBC.
Recommendation:	<p>The Committee is requested to:</p> <ul style="list-style-type: none"> <li>• support the recommendation that the attached LSBU letter of representation is approved by the Board; and</li> <li>• note the attached SBC letter of representation to be approved by the SBC Board.</li> </ul>

**Summary:**

The Letter of Representation requires the Board to give specific assurances to the auditors, KPMG, over matters regarding the financial statements and the year end audit. It should be signed by the Chair of the Board at the time of signing the accounts. The 2 attached draft letters contain the following items specific to the LSBU group and to SBC, with all other items being standard representations.

1. (applicable to both Group and South Bank Colleges letters) – that the Group and South Bank Colleges are satisfied that no provision is required in respect of the claim brought against South Bank Colleges by CMOL;
2. (applicable to South Bank Colleges only) – that the College will implement the Estates Strategy as defined in the grant agreement with the ESFA ensuring funds will not be repaid (this same point was raised in the management letter for the 6 month accounts of Lambeth College); and
3. (applicable to South Bank Colleges only) – that the Brixton lease has been accounted for in line with the rental agreement (this same point was raised in the management letter for the 6 month accounts of Lambeth College).

The SBC draft letter of representation will be reviewed by the SBC Audit Committee ahead of approval by the SBC Board.

The Executive has reviewed both letters and is content to make these representations.

**Recommendation:**

The Committee is requested to:

- support the recommendation that the attached LSBU letter of representation is approved by the Board; and
- note the attached SBC letter of representation to be approved by the SBC Board.

**Attachments:**

- LSBU letter of representation
- SBC letter of representation

(Letterhead of London South Bank University)

KPMG LLP  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

XX November 2019

Dear Fleur

This representation letter is provided in connection with your audit of the Group and University financial statements of London South Bank University (“the University”), for the year ended 31 July 2019, for the purpose of expressing an opinion:

- i. as to whether the financial statements give a true and fair view of the state of the Group’s and University’s affairs as at 31 July 2019 and of the Group’s and University’s income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- ii. whether the financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education (FEHE SORP);
- iii. whether the financial statements meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students, and those elements of the Accounts Direction dated [date] issued by the Office for Students which the University has chosen to early adopt;
- iv. whether the financial statements have been prepared in accordance with the Companies Act 2006

These financial statements comprise the Group and University Balance Sheets as at 31 July 2019, the Group and University Statements of Comprehensive Income, the Group and University Statements of Changes in Reserves, and the Group Statement of cash flows, and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Governing Body confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Governing Body confirms, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

**Financial statements**

1. The Governing Body has fulfilled its responsibilities, as set out in the terms of the audit engagement dated 30 March 2017, for the preparation of financial statements that:
  - give a true and fair view of the state of the Group's and the University's affairs as at the end of its financial year and of the Group's and University's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended; and
  - have been properly prepared in accordance with UK Generally Accepted Accounting Practice (including FRS 102) and the HESORP; and
  - have been prepared in accordance with the requirements of the Companies Act 2006

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Governing Body in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which Section 32 of FRS 102 (*Events after the End of the Reporting Period*) requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

**Information provided**

5. The Governing Body has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Governing Body for the purpose of the audit; and
  - unrestricted access to persons within the Group and the University from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Governing Body confirms the following:
  - (i) The Governing Body has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- (ii) The Governing Body has disclosed to you all information in relation to:
- (a) Fraud or suspected fraud that it is aware of and that affects the Group and the University and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - (b) allegations of fraud, or suspected fraud, affecting the Group and the University's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Governing Body acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Governing Body acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Governing Body has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Governing Body has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with FRS 102 Section 21, *Provisions and Contingencies*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Governing Body has disclosed to you the identity of the Group and the University's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with FRS 102 Section 33, *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in FRS 102.

11. The Governing Body confirms that:
  - (a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the University's and Group's ability to continue as a going concern as required to provide a true and fair view.
  - (b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the University and the Group to continue as a going concern.
12. On the basis of the process established by the Governing Body and having made appropriate enquiries, the Governing Body is satisfied that the actuarial assumptions

underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with the requirements of section 28 of FRS 102 .

13. The Governing Body further confirms that:

(a) all significant retirement benefits, including any arrangements that are:

- statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved, have been identified and properly accounted for; and

(b) all plan amendments, settlements and curtailments have been identified and properly accounted for.

14. In particular the Governing Body confirms that:

- there are no significant matters that have arisen that would require a restatement of the corresponding figures.
- the Governing Body confirms that costs or credits attributable to the agreement of a deficit recovery plan for the Universities Superannuation Scheme (USS) are calculated using assumptions that are consistent with its knowledge of the business. In particular, the Governing Body confirms that the assumptions for assumed salary inflation in each year during the life of the plan and assumed USS membership changes during the life of the plan are consistent with the University's projected employee population profile.
- we are not aware of any issues or disputes associated with delivery undertaken by partners which would impact on the financial statements.
- we are of the opinion that the land and buildings included within tangible fixed assets have been valued appropriately in accordance with the requirements of FRS 102, and to the best of our knowledge and belief we are satisfied that no impairment provision is necessary in respect of the University's estate.
- to the best of our knowledge and belief the University has complied with the requirements of the Charities Act 2011. In particular, the University has disclosed all payments made in relation to trustees expenses and all "connected institutions and bodies" have been disclosed appropriately. Furthermore, all serious incidents, as defined under the Act, have been captured and recorded appropriately.
- there are no issues arising from the finalisation of student data for the year ending 31 July 2019 which has been used to produce the University's 2019 HESA return/re-creation of HESES18 which would have a material impact on teaching funding from the Office for Students or English undergraduate fee income recognised in the financial statements.
- we are not aware of any issues relating to the University's other Office For Students or Research England funding streams years (e.g. Higher Education

Innovation Fund grants) which may lead to a clawback in funding over and above that recognised in the financial statements.

- to the best of our knowledge and belief the University has complied with the terms and conditions of any capital grant funding received during the year and in respect of other capital grant funding received in prior years. In all instances, the University is satisfied that the agreed outputs against which each project will be assessed will be delivered.
- to the best of our knowledge and belief the University has complied with the terms and conditions of any revenue grant funding (for example research funding) received in recent years and where agreed outputs are to be delivered as part of the grant agreement, the University has or anticipates delivering these.
- In all material respects funds from whatever source administered by the Group and the University for specific purposes have been applied to those purposes during the year ended 31 July 2019.
- in all material respects the University has complied with the Office for Students and Research England terms and conditions of funding in the period from 1 August 2018 to 31 July 2019.
- the University has obtained the OfS's approval for any new borrowings in line with the requirements of the OfS.
- the University has obtained consent for new acquisition.
- the University has notified the OFS of any material adverse events, (including frauds in excess of £25k).
- the University's subsidiary (South Bank Colleges) has obtained legal advice with regards to the claim brought against South Bank Colleges in respect of the Vauxhall development and confirms the claim is unlikely to succeed and cannot be financially quantified at the date of signing, and to the best of our knowledge and belief we are satisfied that no provision is necessary in respect of this claim.

This letter was tabled and agreed at the meeting of the Governing Body on XX November 2019.

Yours faithfully,

[Chair]

**Appendix A to the Representation Letter of London South Bank University:  
Definitions**

**Financial Statements**

A complete set of financial statements comprises:

- Group and University balance sheets as at the end of the period;
- Group and University Statement of Comprehensive Income for the period;
- Group and University Statement of Changes in Reserves for the period;
- Group Cash Flow Statement for the period; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

**Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* states that:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or combination of both, could be the determining factor.

**Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

**Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and

- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

## **Related Party and Related Party Transaction**

### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions apply:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled, or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### **Related party transaction**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**Appendix B to the Management Representation Letter of London South bank  
University**

**Summary of unadjusted audit differences**

Under the requirements of ISA 260 we are required to present any unadjusted audit differences, other than those which are clearly trifling, to the Audit Committee.

<b>London South Bank University</b>	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Unadjusted Audit differences (£000)				
Depreciation	£247k			
Accumulated depreciation				£247k
Total effect	£247k	£-	£-	£247k

<b>South Bank University Enterprises Ltd</b>	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Unadjusted Audit differences (£000)				
Project income		£25.5k		
Accrued income			£25.5k	
Total effect	£-	£25.5k	£25.5k	£-k

**Summary of adjusted audit differences**

ISA 260 also requires us to report differences found during our audit which have been adjusted by management in arriving at the final results for the Group and the University. These adjusted amounts need to be considered by the Audit Committee as they may indicate broader failures in systems of controls which will need addressing.

<b>London South Bank University</b>	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Adjusted Audit differences (£000)				
Pension liability			£2,990k	
Actuarial gain and losses		£2,990k		
Total effect	£-	£2,990k	£2,990k	£-

<b>South Bank University Enterprises Ltd</b>	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Adjusted Audit differences (£000)				
Cash			£26k	
Revenue		£26k		
Cash			£5.4k	
Debtors				£5.4k
<b>Total effect</b>	<b>£-</b>	<b>£26k</b>	<b>£31.4k</b>	<b>£5.4k</b>

<b>South Bank Colleges</b>	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Adjusted Audit differences (£000)				
Funding body grant income	£131.6k			
Accruals and deferred income				£131.6k
<b>Total effect</b>	<b>£-131.6k</b>	<b>£-</b>	<b>£-</b>	<b>£131.6k</b>

There were also a number of other presentational adjustments made to the accounts following our review including grossing up of balances and reclassification of other balances. These have all been adjusted for and are reflected in the financial statements.

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(Letterhead of South Bank Colleges)

KPMG LLP  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

**XX** November 2019

Dear Fleur,

This representation letter is provided in connection with your audit of the financial statements of South Bank Colleges (“the Company”), for the period ended 31 July 2019, for the purpose of expressing an opinion:

- i. give a true and fair view of the state of the Company’s affairs as at 31 July 2019 and of the Corporation’s income and expenditure, gains and losses and changes in reserves and cash flows for the period then ended; and
- ii. whether the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”)) and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

These financial statements comprise the Company’s balance sheet as at 31 July 2019, the Statement of Comprehensive Income, the Statement of Changes in Reserves, and the Statement of cash flows, and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Company confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Company confirms, to the best of its knowledge and belief, having made such enquiries of Governors and officers of the Company with the relevant knowledge and experience, as it considered necessary for the purpose of appropriately informing itself:

### **Financial statements**

1. The Company has fulfilled its responsibilities, as set out in the terms of the audit engagement letter dated 11 February 2019 for the preparation of financial statements that:
  - give a true and fair view of the state of the Company’s affairs as at 31 July 2019 and of the Company’s income and expenditure, gains and losses and changes in reserves and cash flows for the year then ended; and

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including FRS 102) and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Company in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which Section 32 of FRS 102 (*Events after the End of the Reporting Period*) requires adjustment or disclosure have been adjusted or disclosed.

### Information provided

4. The Company has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Company for the purpose of the audit;
  - unrestricted access to persons within the Company from whom you determined it necessary to obtain audit evidence; and
  - all other records and related information, including minutes of all management and Company meetings and, when applicable, summaries of actions of meetings held after period end for which minutes have not yet been prepared.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Company confirms the following:
  - (i) The Company has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- (ii) The Company has disclosed to you all information in relation to:
  - (a) Fraud or suspected fraud that it is aware of and that affects the Company and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - (b) allegations of fraud, or suspected fraud, affecting the Company's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Company acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Company has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Company has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with Section 21 of FRS 102 and the FEHE SORP all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Company has disclosed to you the identity of the Company's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with Section 33 of FRS 102.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

10. The Company confirms that:
  - (a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Company's ability to continue as a going concern as required to provide a true and fair view.
  - (b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Company to continue as a going concern.
11. On the basis of the process established by the Company and having made appropriate enquiries, the Company is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with the requirements of section 28 of FRS 102.

We agree with the findings of Barnett Waddingham as the Company's actuarial specialists in preparing the Local Government Pension Scheme valuation. The Company did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact in the independence or objectivity of the specialists.

12. The Company further confirms that:
  - (a) all significant retirement benefits, including any arrangements that are:
    - statutory, contractual or implicit in the employer's actions;
    - arise in the UK and the Republic of Ireland or overseas;
    - funded or unfunded; and

- approved or unapproved, have been identified and properly accounted for; and

(b) all settlements and curtailments have been identified and properly accounted for.

13. In particular the Company confirms that:

- There are no significant matters that have arisen that would require a restatement of the corresponding figures.
- We are not aware of any issues relating to the Company's Education and Skills Funding Agency funding streams which may lead to a clawback in funding over and above that recognised in the financial statements.
- We are not aware of any issues or disputes associated with delivery undertaken by partners which would impact on the financial statements.
- The Company has complied with the terms and conditions of any capital or revenue grant funding received during the year and in respect of other grant funding received in prior years. In all instances, the Corporation is satisfied that the agreed outputs against which each project will be assessed will be delivered.
- We are satisfied that no impairment provisions are necessary in respect of the carrying value of the Company's fixed assets.
- The Company has reviewed the Accounting Officer's Statement on Regularity, Propriety and Compliance and is satisfied that the Accounting Officer has properly discharged their personal responsibilities to Parliament for the resources under their control during the financial period ending 31 July 2019.
- In all material respects the Company has disbursed expenditure during the period ended 31 July 2019 in accordance with purposes intended by Parliament and the financial transactions conform to the authorities which govern them.
- In all material respects the Company has complied with the requirements of its funding agreement with the Education and Skills Funding Agency during the period ended 31 July 2019.
- The Company is satisfied that all material instances of irregularity or impropriety, or non-compliance with the terms of the Company's funding agreement have been reported to the Company and the Education and Skills Funding Agency.
- The Company has complied with the requirements of the Charities Act 2011. In particular, all payments made in relation to trustee expenses and remuneration have been disclosed and all serious incidents, as defined under the Act, have been captured and recorded appropriately.

- The Company has accounted for the Brixton centre lease in accordance with the lease agreement.
- The Company has obtained legal advice with regards to the claim brought against South Bank Colleges in respect of the Vauxhall development and confirms the claim is unlikely to succeed and cannot be financially quantified at the date of signing, and to the best of our knowledge and belief we are satisfied that no provision is necessary in respect of this claim.

This letter was agreed at the meeting of the Company on **XX November 2019**.

Yours faithfully,

**[Chair]**

## **Appendix A to the Representation Letter of South Bank Colleges: Definitions**

### **Financial Statements**

A complete set of financial statements comprises:

- College balance sheets as at the end of the period;
- College Statements of Comprehensive Income for the period;
- College Statement of Changes in Reserves for the period;
- College Statement of Cash Flows for the period; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* states that:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or combination of both, could be the determining factor.

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

### **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

### **Management**

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

### **Related Party and Related Party Transaction**

#### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions apply:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled, or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

#### **Related party transaction**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

### **Appendix B to the Management Representation Letter of South bank University**

#### **Summary of unadjusted audit differences**

Under the requirements of ISA 260 we are required to present any unadjusted audit differences, other than those which are clearly trifling, to the Audit Committee.

There were no unadjusted differences in the period.

### Summary of adjusted audit differences

ISA 260 also requires us to report differences found during our audit which have been adjusted by management in arriving at the final results for the College. These adjusted amounts need to be considered by the Audit Committee as they may indicate broader failures in systems of controls which will need addressing.

South Bank Colleges	SOCIE		Balance sheet	
	Debit	Credit	Debit	Credit
Adjusted Audit differences (£000)				
Funding body grant income	£131.6k			£131.6k
Accruals and deferred income				
Pension liability			£892k	
Actuarial gains and losses		£892k		
Total effect	£-131.6k	£892k	£892k	£131.6k

	CONFIDENTIAL
Paper title:	Draft Public Benefit Statement
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	07 November 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	The Committee is requested to note the draft Public Benefit Statement for inclusion in the annual report and accounts

## Executive Summary

The Public Benefit Statement forms a mandatory part of the annual report of charities. The Charity Commission's guidance on public benefit that the following must be included in the audited financial statements:

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

The draft statement sets out the University's charitable objects from its Articles of Association. It demonstrates how the University advances education for the public benefit. The University's main beneficiaries are its students. In carrying out its objects the University also benefits the wider public through research and knowledge transfer. Reference is made to SBC and the acquisition of Lambeth College during the year to create the LSBU Group. The detail of how SBC and SBA meets their public benefit duties are set out in their own company accounts.

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

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# ***London South Bank University (charity) Public Benefit statement***

LSBU is an exempt charity within the meaning of the Charities Act 2011. Its principal regulator is the Office for Students (OfS). On 18 September 2018 LSBU was entered into the register of English higher education providers.

The accounts of South Bank Colleges (SBC), an exempt charity within the meaning of the Charities Act 2011, form part of these accounts. Further details on how SBC meets its public benefit obligations are set out in SBC's own accounts.

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

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

## **Charitable Objects**

The charitable objects (under s.3 Charities Act 2011) of LSBU, as set out in its Articles of Association, are to:

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

LSBU's objects are applied solely for the public benefit, as follows.

LSBU advances education for the public benefit by:

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

LSBU promotes research and the dissemination of knowledge by:

- undertaking academic research and publishing the results;
- publishing articles in peer-reviewed journals;
- maintaining an online and physical academic library with access for students, staff and guests;

LSBU provides support and services for students through:

- wellbeing services, including support for students with disabilities and mental health issues. This includes a counselling service;
- student advice and guidance services via a one-stop-shop and student helpdesks
- employability services, supporting students who are working while studying, helping students source work experience and graduate opportunities;
- money advice, including debt management;
- specific support services for particular groups of students, including care leavers, carers and pregnant students;
- mentoring and coaching;
- providing student accommodation;
- funding some individual students' education through bursaries and fee waivers; and
- providing funds to London South Bank University Students' Union (LSBUSU).

## **Beneficiaries**

In carrying out its objects, LSBU benefits its students and future students through teaching and learning activities either directly or through the support of its subsidiaries (SBA and SBC). LSBU also benefits the wider public, through research and knowledge transfer.

The trustees affirm that the opportunity to benefit is not unreasonably restricted. The benefits of learning at LSBU are open to anyone whom it believes has the potential to succeed. Throughout its history, LSBU has enabled wider access to education. Its Strategy, 2015-2020 sets clear targets to focus on three key areas, all directly related to providing public benefit: student success; real world impact; and access to opportunity.

Like other universities, LSBU must charge tuition fees. However, tuition fee and maintenance loans are available to home undergraduates who have applied for funding via Student Finance England. In addition, the University offers financial assistance in the form of scholarships, bursaries and charitable funds to students in need.

The University has one "linked" exempt charity: the LSBU consolidated charitable fund for the welfare of students. This fund was worth £ 854,880 on 31 July 2019 (2018: £823,960). The funds are managed with the aim of securing capital growth and an annual income. In 2018/19 the income received was £ 30,910 (2017/18: £25,882). The income is allocated for distribution by the University's Hardship Panel to students in financial difficulty.

The University's curriculum is firmly rooted in professional courses supported by accreditation from professional, statutory and regulatory bodies that enhance employability and career success. In 2017 (the last available year of DLHE data), 87.5% of graduates were in graduate employment and/or further study 6 months after leaving (DLHE survey results 2017 – 18).

The University also contributes to the wider public benefit through the publication of research. The University performed well in the Research Excellence Framework 2014, with the majority of its research graded as "Internationally Excellent" and "Recognised Internationally". LSBU is committed to Open Access, sharing scholarly works with industry,

the professions and wider public through LSBU Research Open and providing an Open Access Fund to pay Open Access publication costs.

LSBU is London's largest University contributor to community based enterprise and evidenced by some £11M of ERDF and ESF projects. In addition the University is in the top two of all London Universities for the number of Knowledge Transfer Partnership run with local businesses and enterprises. The commitment to local enterprise education and SME development is recognised internationally, from working with refugee groups across south London to operating commercially in Borough Market.

### **Access and Participation**

As part of LSBU's registration with the OfS in September 2018, an access and participation plan was approved by the OfS. This sets out how LSBU will continue to enable opportunities for student success. This plan has been updated to cover the next five years and was approved by the OfS in September 2019.

### **Group structure**

During the year, Lambeth College joined the LSBU Group. This major strategic decision was taken to create an educational Group which could more broadly serve the local community and is directly linked to LSBU's charitable object of delivering courses of education at all levels.

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	CONFIDENTIAL
Paper title:	Draft Corporate Governance statement
Board/Committee	Group Audit and Risk Committee
Date of meeting:	7 November 2019
Author:	Michael Broadway, Deputy University Secretary
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors
Purpose:	For information
Recommendation:	The Audit Committee is requested to note the draft Corporate Governance statement for inclusion in the annual report and accounts

## **Executive Summary**

The Corporate Governance Statement is intended to assist readers of the financial statements in obtaining an understanding of the governance and legal structure of the University. It sets out the governance and legal structure of the University and how the Board complies with the Higher Education Code of Governance (CUC, 2014) and the OfS's public interest governance principles.

The Audit Committee is requested to note the draft Corporate Governance statement for inclusion in the annual report and accounts.

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## **Corporate Governance Statement**

The following statement is given to assist readers of the accounts in understanding the governance and legal structure of the University. The accounts of South Bank Colleges (SBC) and South Bank University Enterprises Ltd form part of these accounts (South Bank Academies is also within the LSBU Group but is not consolidated). Further details on the corporate governance arrangements of these companies is included in their own accounts.

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

- The Directors' duties as set out in sections 170 – 177 of the Companies Act 2006
- The CUC Higher Education Code of Governance
  - Higher Education Senior Staff Remuneration Code
- The Office for Students (OfS) Terms and conditions of funding for higher education institutions and the Audit Code of Practice (March 2018)
- The OfS Public Interest Governance Principles
- The Charity Commission's Guidance on Public Benefit and its duties as charity trustees of compliance, prudence and care
- The University's Articles of Association and standing orders
- The seven principles of standards in public life
- Other legislative requirements of corporate and Higher Education bodies

## **Governance and Legal Structure**

London South Bank University is a company limited by guarantee and an exempt charity within the meaning of the Charities Act 2011. Its objects and powers are set out in its Articles of Association. The Articles provide the governance framework of the University and set out the key responsibilities of the Board of Governors and its powers to delegate to committees, the Vice Chancellor and the Academic Board.

## **Compliance with the Public Interest Governance Principles**

The University demonstrated its compliance with the OfS's Public Interest Governance principles when registering with the OfS and they continue to be upheld by LSBU through the current governance structures reported in this section and the university's relevant published policies.

## Compliance with the CUC Higher Education Code of Governance

The Board has materially complied with all aspects of the Higher Education Code of Governance (CUC, December 2014) during the year under review, as demonstrated below. References to paragraphs of the code are shown in brackets below.

### *Decision making*

London South Bank University is led by a Board of Governors, which is collectively responsible for the strategic direction of the University, approval of major projects and partnerships and ensuring that the potential of every student is maximised (1.1).

The Board has agreed a Schedule of Matters Reserved which establishes the responsibilities of the Board and its committees. The Board, and where appropriate, its committees make decisions by consensus at meetings or electronically (2.4). The schedule is reviewed on an annual basis. The schedule is currently being updated to reflect the new group structure of LSBU.

During the year, the Board met five times (five times in 2017/18). In addition, the Board held two strategy days (two in 2017/18) allowing further time to discuss and debate longer-term strategic challenges for the University. All governors are expected to attend meetings and to contribute effectively. Attendance at meetings is recorded and monitored by the Chair. In the year under review, there was an 82% (2017/18: 82%) attendance rate at Board meetings.

The Board has due regard to Charity Commission guidance on public benefit when making decisions (see separate statement of public benefit on page [•] (1.2). The Board receives an annual reminder on Charity Commission guidance (most recently, 17 October 2019). It receives assurance that the institution meets the requirements of the *Terms and conditions of funding for higher education institutions* with OfS through the Audit Committee (1.3).

### *Compliance*

All governors and members of the Executive are required to declare their interests on appointment, on an annual basis and are required to declare any interests which relate to decisions at meetings. During the year under review, all declared interests were authorised by the Board. No conditions were attached to any of these interests (2.2). The governing body affirms that it makes decisions without any undue pressure from external interest groups, which is assured through the declaration of interests' process (2.3).

HEFCE undertook its five-yearly assurance visit in January 2017 and concluded that it could place reliance on LSBU's accountability information, the highest opinion of the four possible.

The Board receives annual reports on the institution's compliance with key legislation, for example health and safety; equality, diversity and inclusion; and otherwise by exception reporting (3.6). In addition, independent governors have the right to external, independent advice at the University's expense where necessary in order to fulfil their duties. Material adverse change and reportable events are reported to the OfS when discovered and annually as part of the Accountability and Assurance statement (3.6). [One reportable event (the acquisition of Lambeth College) was reported and no material adverse changes were reported to the OfS during the year. The closure of two partnerships was reported to the OfS in September 2019 – *to confirm at November 2019*].

The Board receives annual reports from the Students' Union in relation to its democratic processes and finances (2.5).

### *Sustainability*

The Board is responsible for the sustainability of the institution and approves the annual budget, which is aligned to the five year corporate strategy (3.2). The Board oversees the performance and financial sustainability of the institution by regularly reviewing Key Performance Indicators, management accounts and five year forecasts (3.3). Overall financial control is delegated to the Chief Financial Officer, who is a member of the Executive and has regular access to the Vice Chancellor, as and when required.

### *Academic governance*

The Board has oversight of academic governance across the institution, receiving an annual report from the Academic Board. [The Board has reviewed the quality process and agreed an assurance statement during the year under review – *to confirm at the November 2018 board*.]

The Board has regard to the principle of academic freedom (4.1, 4.2, 4.3).

In addition, the Board meets with the Academic Board twice each year to discuss strategy.

### *External activities*

The Board reviews all proposals for all significant, external activities and independent legal advice is sought, if necessary. Due diligence is conducted when entering into major projects that have significant risk associated with them (5.1).

During the year under review the Board approved the acquisition of Lambeth College after taking account of appropriate due diligence.

### *Equality and Diversity*

The Board receives an annual report on equality, diversity and inclusion, and compliance with the public sector equality duty under the Equality Act 2010.

The Board regularly reviews its composition and considers equality and diversity in its appointments. The Nomination Committee has agreed that in the event of underrepresentation of any group, targeted recruitment would be used to address this (6.3, 6.4, 6.5). During the year, a recruitment firm that specialises in equality and diversity was used to recruit five new governors, which has helped improve the diversity of the Board.

### *Structures and processes*

The Board when fully complemented consists of 18 governors: 13 independent governors (7.1), the Vice Chancellor, two student governors and two academic staff members nominated by the Academic Board. Governors serving for the period are listed on page (•) The Board determines the number and composition of the Board of Governors within parameters set by the University's Articles of Association. Staff and student governors were not excluded from any items at Board meetings during the year (1.4).

Under the Articles, the Board has the power to remove any governor from office if they breach their terms of office (7.2). On appointment, governors also agree to act in accordance with the seven principles of public life and the university values. (1.2, 2.1).

Following the publication of the OfS Public Interest Principles in 2018, all governors have confirmed that they meet the 'fit and proper' definitions as set out by the OfS.

### *Committees*

The Board delegates authority to a number of committees. All committees are formally constituted with appropriate terms of reference, which are reviewed annually (3.6). Terms of reference and membership of each committee are available on the governance pages of the University's website. Each committee has a majority of independent governors. The chairs of each committee are independent governors and are set out below under Key Individuals.

The following principal committees met throughout the year:

- Appointments Committee
- Audit Committee
- Finance, Planning and Resources Committee
- Major Projects and Investment Committee
- Nomination Committee
- Remuneration Committee
- Honorary Awards Joint Committee

The Nomination committee is responsible for recruiting new independent governors (7.3). Recommendations are made to the Appointments Committee, which makes the final decision on appointment. A written description of the role and capabilities required of governors has been agreed by the Nomination Committee. Candidates are judged against the capabilities required and the balance of skills, experience currently on the Board. The balance of skills, experience and diversity of independent governors is kept continually under review by the Nomination Committee.

Membership of the Audit Committee is between three and four independent governors (3.12), and a co-opted external member. Following OfS requirements, the Audit Committee produces an annual report for the Board, which gives an annual opinion on risk management control and governance; economy, efficiency and effectiveness; and management and quality assurance of data submitted to external bodies, (3.4, 3.5). The Audit Committee reviews the effectiveness of the systems of control in place across the institution. The Audit Committee receives an annual report on the quality of data submitted to external bodies (3.8, 3.10). The Audit Committee receives assurance annually from the external auditor that public funds have been spent appropriately.

There is a Remuneration Committee which decides the remuneration of senior executives, including the Vice Chancellor (3.13). Membership of the committee is four independent governors, including the Chair of the Board (3.14). No individual is present for discussions that directly affect them. The Vice Chancellor is not a member of the committee. The committee considers comparison information and use of public funding when deciding remuneration (3.15, 3.16.).

Further details on the work of the committee are included in the annual remuneration report below (at pages x to x).

The Honorary Joint Awards Committee is a joint committee with the Academic Board. It has delegated authority from the Board of Governors to select recipients for the conferment of an honorary degree or an honorary fellowship based on procedures and criteria as approved by the Academic Board. Its membership comprises independent governors, and staff and student governors who are also members of the Academic Board.

#### *Effectiveness review*

During the year, the Board completed a full effectiveness review which was reported to the July 2019 Board meeting. Following this review no major changes to the Board's structure have been proposed. The review was undertaken internally but was quality assured by PwC, who concluded that they "did not identify any issues with the way in which the process was run by the governance team, We are comfortable that the process was free of bias and was conducted appropriately".

The main recommendations arising out of the review are:

1. to review both assurance and reporting from the Academic Board to the Board to enable greater visibility of the work done by the Academic Board;
2. that agendas for Board meetings and Strategy Days provide greater focus on strategic discussions and a reduction of operational papers; and
3. continued focus on finalising 'Group' governance arrangements and structure and for the Board of Governors to be assured of its responsibilities and potential liabilities in relation to it.

An action plan has been developed and the Board is monitoring progress against the plan.

#### *LSBU Group*

With the creation of the LSBU Group in 2018/19, the LSBU Board acts as a 'Group Board'. As a 'Group Board' it has oversight of strategy, performance and key decisions across all aspects of the group.

#### **Key Individuals**

##### **Position**

##### **Name**

Chair of the Board of Governors

Jeremy Cope

Vice Chair of the Board of Governors

Douglas Denham St Pinnock

Head of Institution (Vice Chancellor and Chief Executive)

David Phoenix

Chair of Audit Committee

Steve Balmont (until 31 December 2018)

Duncan Brown (from 1 January 2019)

Chair of Finance, Planning and Resources Committee

Hillary McCallion

Chair of Major Projects and Investment Committee

Douglas Denham St Pinnock

Chair of Nominations Committee

Jeremy Cope

Chair of Appointments Committee

Jeremy Cope

Chair of Remuneration Committee

Mee Ling Ng (until 1 July 2019)

Jeremy Parr (from 2 July 2019)

University Secretary and Clerk to the Board of Governors      James Stevenson

Key individuals can be contacted through the office of the University Secretary and Clerk to the Board of Governors, Mr James Stevenson, at London South Bank University, 103 Borough Road, London SE1 0AA. Published documents are available on the governance section of the University website.

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## **Statement of Primary Responsibilities of the Board of Governors**

(based on the CUC Guide for Members of Higher Education Governing Bodies in the UK)

1. To approve the educational character, mission and strategic vision of the institution, together with its long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate, personnel and health and safety management of the institution, and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of quality assurance and systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself, and to carry out such reviews at appropriate intervals.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard and promote the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and

financial statements, and to have overall responsibility for the University's assets, property and estate.

12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution or its students.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice to the Board is available to enable this to happen.

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	CONFIDENTIAL
Paper title:	Internal Controls - Annual Review of Effectiveness – 2018/2019
Board/Committee:	Group Audit & Risk Committee
Date of meeting:	07 November 2019
Author(s):	Richard Duke, Director of Strategy & Planning
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Approval.
Recommendation:	Note the attached review.

## **Executive Summary**

This paper presents the annual review of effectiveness of the University’s system of internal control, and underpins the internal control statement in the annual report and accounts. This represents an updated version from what was submitted on 1<sup>st</sup> October, as this was submitted without a signed off 2018/19 Internal Audit report. No significant changes have been made since that paper, apart from to update internal audit recommendation implementation rates.

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

- The Audit Committee is requested to note the report and approve the annual compliance statement

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London South Bank University Group

System of Internal Controls

Annual Review of Effectiveness

Year ended 31 July 2019



## CONTENTS

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

### Appendix

1. Draft [Statement on Internal Control](#)
2. [Corporate Risk Register Residual Likelihood Matrix](#) Overview, as at 1<sup>st</sup> October 2019

## 1. Executive Summary

This report documents the progress that has been made with regard to our system of internal control and to our risk management processes over the past year. A copy of the proposed statement of full compliance for the year ended 31 July 2019 is enclosed as Appendix 1 on page 16.

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

Effective risk management:

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

In making this assessment, and in drafting the proposed full compliance statement for the period under review (for the year ended 31 July 2019, but considering all matters up to the date of approval of the financial statements) the following assurance sources have been taken into account:

### ***The Office for Students***

- On the 1<sup>st</sup> April 2018, Hefce was disestablished, and the Office for Students (OfS) came into being. Overall Governance, and effective Risk management processes are a requirement of Conditions of Registration (condition E2 – adequate and effective governance) with the OfS.
- As part of the seeking registration with the OfS, LSBU submitted a self-assessment, regarding its governance arrangements, including risk management and internal audit controls.

- LSBU was successful in its application for registration with the OfS, and therefore it can be concluded that the OfS deemed LSBU's governance arrangements adequate and effective. LSBU received notice of its successful registration on 18<sup>th</sup> September 2018.
- LSBU has a quarterly OfS taskforce, to monitor progress against OfS conditions of registration to ensure conditions continue to be met.

### ***Internal Audit***

- The programme of internal audit work for the year ended 31 July 2019 was aligned to the corporate risk framework to provide assurance on the effectiveness of controls in key risk areas.
- The conclusions from internal audit work are discussed in more detail in section 5 of this report. There have been no reports with a critical risk rating this year, and no critical findings.
- The opinion of the internal auditors is that controls are 'generally satisfactory, with some improvements required'.
- The Continuous Audit programme has identified no significant exceptions or control recommendations. The findings identified are not considered to be significant in aggregate to the key financial control environment.
- Appropriate action is being taken to address weaknesses identified and to implement agreed actions.
- The annual internal audit report outlines three reports with a high risk rating - relating to Procurement, CMA compliance and GDPR compliance. This reflects an increase in non-systemic issues in year. These are key areas and we have developed action plans in each which are in the process of implementation. The overall risk rating of satisfactory reflects the fact that, notwithstanding the increase in the number of high risk rated reviews, this does not reflect the overall control environment within the university which has remained consistent during the year with no significant exceptions or control recommendations raised; and which has improved considerably since 2016/17.
- The overall number of findings has decreased to 24 (from 28 last year), but this should be considered in the context of the fact that different reviews take place each year, with different risk profiles, this total is consistent with that during 16/17 (25) and 15/16 (23). There were 14 medium risk findings, only 5 at high risk and 5 at low risk.
- The overall internal audit action implementation rate for 2018/19 was 52 % of all recommendations. This is a reduction on the 64% reported last year. Excluding those recommendations not yet due, the implementation rate rises to 62%. A further 5 actions (20%) are due and partially implemented and in progress.

### ***Internal Governance***

- The Corporate Risk Report has been submitted to every meeting of the Board of Governors
- The Corporate Risk Report & Risk Register has been submitted to every meeting of the Audit Committee
- Based on the internal audit work performed in the year we have not identified any significant issues with regard to risk management that we need to draw to your attention and are satisfied that the University has effective risk management arrangements in place.
- There have been no major breakdowns in controls during the year. The annual internal audit opinion comments that the core financial control environment has remained robust during the year.
- Regular anti-fraud, bribery and corruption updates/reports have been provided to each meeting of the Audit Committee. No significant matters have occurred.
- No significant issues have arisen as a result of the University's external reporting processes.

## **2. Annual Review Process**

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

The two elements of effective monitoring are:

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

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

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

The Risk Register is aligned with the goals of the University's Corporate Strategy for 2020.

The current Corporate Risk Register residual likelihood matrix is attached at Appendix 2.

There have been no major changes to the corporate risk register in the previous year, apart from the regrading of a certain risks.

The principal risks facing the University relate to UK undergraduate student recruitment, income generation from Overseas and EU applicants, NHS Contract income, and increasing pension deficits / cost of pension provision.

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

It has been noted that as LSBU moves to Group, a reassessment of risk management processes is required. This will be discussed by the Audit Committee and fully implemented by the close of 2019/20, which will align with the 2020-25 Group Corporate Plan.



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

Risk Management is a standing item on the agenda of Organisational Effectiveness Review meetings, and risk management and internal control are embedded into normal operating routines. Both are subject to regular management review and periodic audit review.

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

All matters relating to internal control are reported to the Executive, which also monitors carefully the implementation of agreed recommendations / actions for improvement, as reported through the Internal Audit Progress reports.

#### **5. Results of internal audit work for 2018/19**

The University's Internal Auditors for the period under review were PricewaterhouseCoopers LLP (PwC) and their opinion for 2018/19 is set out in their internal audit annual report.

This opinion is based on their assessment of whether the controls in place support the achievement of management's objectives, as set out in their Internal Audit Risk Assessment and Internal Audit Plan 2018/19.

They have completed the program of internal audit work for the financial year ended 31 July 2019, and their opinion is:

*Extract from PwC's 2018/19 Internal Audit Annual Report for LSBU*

Our opinion is;

#### **Generally satisfactory with some improvements required**

Governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory. However, there are some areas of weakness in the framework of governance, risk management and control and value for money arrangements which potentially put the achievement of objectives at risk.

Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control and value for money arrangements.

#### **Basis of opinion**

Our opinion is based on:

- All audits undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.
- Any significant recommendations not accepted by management and the resulting risks.

- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.

### **Commentary:**

Our view on LSBU's operational control environment and governance arrangements is underpinned by the audit reviews that we have performed during the year. There have been three high risk and one medium risk rated reports prepared during the financial year, plus two advisory reports focused on the South Bank Academy Trust. The findings from these reports are not considered significant in aggregate to the system of internal control. None of the individual assignments completed in 2018/19 have an overall classification of critical risk.

Three high risk reports were presented during the year with 5 high risk findings, which is an increase from last year. The reviews were on Procurement, GDPR compliance and CMA compliance. The scope of our Procurement review focused on three specific areas; whether supporting evidence was available for expenses on Purchase Cards, justification for Value for Money on purchases between £10k - £50k, and monitoring spends and usage against the agreed contract values. Therefore the risk rating does not reflect the overall performance of the Procurement function. Similarly, CMA compliance is still a relatively new requirement for Universities and does not reflect the performance of other key departments within LSBU. This is the same for GDPR compliance.

None of the years planned internal audit reviews, following our annual risk assessment had an overall risk rating of critical or high.

One medium risk report was presented during the year related to bidding process for the London South Bank Innovation Centre (LSBIC); with no high risk findings identified in the report. There were no low risk reports identified or low risk findings that we would draw to your attention for the purposes of your own reporting.

Our Continuous Auditing work shows that on the whole the core financial control environment has remained fairly consistent during the year since Phase 1, with no significant exceptions or control recommendations raised. A similar number of exceptions were identified across the systems compared with 2017/18, and in particular, we are pleased to report that the performance of Payroll and Accounts Payable has continued to remain a green risk rating due to the exceptions being identified as low risk. Accounts Receivable has also improved to green in phase 2.

There have been some exceptions identified through our substantive controls testing of Cash and General Ledger processes, which should be one-off exceptions. The findings identified are not considered to be a threat to the operation of the system as a whole, although, when taken in aggregate, these findings do undermine the efficient performance of the financial control environment.

There has been a slight deterioration in the University's implementation rate for internal audit recommendations this year with a 52% implementation rate, compared to 64% obtained last year. However there is also twice the number of agreed actions to implement, compared to last year where there were 11 agreed actions. Also, there are a

further 20% of actions that are partially /mostly implemented and should be completed by the next Audit Committee.

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

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

<b>Board of Governors</b>	<b>Report</b>	<b>Purpose</b>
18 <sup>th</sup> July 2019	<b>Key performance indicators</b>	To note a progress report from the Vice Chancellor
	<b>Corporate risk report</b>	To note a report from the Chief Financial Officer
23 <sup>rd</sup> May 2019	<b>Key Performance Indicators within Corporate Strategy Progress Report</b>	To consider the Vice Chancellor's report and note developments and progress against strategy
	<b>Corporate risk report</b>	To note a report from the Chief Financial Officer
14 <sup>th</sup> March 2019	<b>Corporate risk report</b>	To note a report from the Chief Financial Officer
	<b>Key performance indicators</b>	To consider the Vice Chancellor's report and note developments
22 November 2018	<b>Corporate risk register</b>	To note a report from the Chief Financial Officer
	<b>Key performance indicators &amp; 18/19 Corporate Strategy Progress Report</b>	To consider the Vice Chancellor's report and note progress against strategy
	<b>Annual report from Audit Committee</b>	To note report from the Chair of Audit Committee
	<b>Audit Committee report on the accounts</b>	To note report from the Chair of Audit Committee

	<b>Annual report and financial statements for year ended 31 July 2018</b>	To approve report from the Chief Financial Officer
	<b>Report from the Finance Planning and Resources Committee on the accounts</b>	To note report from the Chair of Finance Planning and Resources Committee
	<b>External Audit key issues memorandum</b>	To note report from the External Auditors (KPMG)
	<b>Annual accountability return</b>	To note reports from the Chief Financial Officer
17 <sup>th</sup> October 2018	<b>Corporate risk register</b>	To note detailed annual review from the Chief Financial Officer
	<b>Key performance indicators</b>	To consider the Vice Chancellor's report and note developments
	<b>Corporate Governance Statement</b>	To approve

<b>Audit Committee</b>	<b>Report</b>	<b>Purpose</b>
13 <sup>th</sup> June 2019	<b>Corporate risk report</b>	To consider the report on corporate risks from the Chief Financial Officer
	<b>Internal Audit progress report</b>	To note report from internal auditors on audit progress for 2018/19
	<b>Internal Audit Reviews:</b>	To note reports completed from 2018/19 internal audit plan
	<b>Internal Audit plan 2019/20</b>	To preview plan from internal auditors for activity in 2019/20
	<b>External audit plan for 2018/19</b>	To approve plan from external auditors
	<b>Corporate risk report</b>	To consider the report on corporate risks from the Chief Financial Officer

5 <sup>th</sup> February 2019	<b>Internal Audit progress report</b>	To note report from internal auditors on audit progress for 2018/19
	<b>Internal Audit Reviews:</b>	To note reports completed from 2018/19 internal audit plan
8 <sup>th</sup> November 2018	<b>Corporate risk report</b>	To consider the report on corporate risks from the Chief Financial Officer
	<b>Draft report and accounts for year ended 31 July 2018</b>	To consider the report from the Chief Financial Officer
	<b>Internal audit annual report</b>	To note report from internal auditors
	<b>Internal Audit Reports</b>	To note reports completed from 2018/19 internal audit plan
	<b>Internal audit progress report</b>	To note report from internal auditors on audit progress for 2018/19
	<b>Audit Committee Annual Report</b>	To approve the Audit Committee Annual Report

<b>Finance Planning &amp; Resources</b>	<b>Report</b>	<b>Purpose</b>
24 September 2019	<b>Key performance indicators update</b>	To consider the progress against the KPIs set against the corporate plan
2 July 2019	<b>Key performance indicators update</b>	To consider the progress against the KPIs set against the corporate plan
7 May 2019	<b>Key performance indicators update</b>	To consider the progress against the KPIs set against the corporate plan
26 Feb 2019	<b>Key performance indicators update</b>	To consider the progress against the KPIs set against the corporate plan
6 November 2018	<b>Key performance indicators update</b>	To consider the progress against the KPIs set against the corporate plan

In addition:

The Audit Committee will have reviewed the following reports at meetings in October and November 2019 before the accounts are signed:

- The financial statements, including the Statement of Internal Control
- Final annual report of the internal auditors for the year ended 31 July 2019
- External auditor's Key Issues memorandum (KIM).

The Board conducted a review of the corporate risk register at its meeting in October 2019, including an update on progress in relation to the redesign of risk management processes at Group Level. A further review will be undertaken in Spring 2020 following completion of the new corporate strategy and underlying strategies.

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

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

The internal auditors have identified some control design and operating effectiveness issues around Procurement, GDPR compliance and CMA compliance. Regular anti-fraud, bribery and corruption reports have been submitted to each meeting of the Audit Committee.

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

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

## APPENDIX 1

### Statement on Internal Control

As the governing body of London South Bank University Group, we have responsibility for ensuring that there is a process for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives of the University, whilst safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body placed under it by the OfS, as according to Registration Condition E2.

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

The system of internal control is based on an ongoing process linked to the achievement of institutional objectives and designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2019 and up to the date of approval of the financial statements, and accords with OfS conditions.

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

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

group. Review procedures cover risk to achievement of strategic objectives, operational business matters, and regulatory compliance as well as financial risk;

- A network of risk champions exists to support risk management activity in all schools and professional service groups;
- Formal risk management and internal control procedures have been embedded within ongoing operations.

Our review of the effectiveness of the system of internal control is informed by internal audit, which operates to standards defined in the OfS Regulatory Framework and as per the Internal Audit Charter, also adheres to the definition of internal auditing, code of ethics and the standards for professional practice that are published by the Institute of Internal Auditors. The internal auditors submit regular reports, which include their independent opinion on the adequacy and effectiveness of the institution's system of internal control, governance and risk management processes, with recommendations for improvement.

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

Going forward the Audit Committee and Board will perform a Group role, with a responsibility for the oversight of risk and audit of the LSBU and its subsidiaries.



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

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

<b>Impact</b>	<b>4 Critical</b> <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)
	<b>3 High</b> <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) 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) 519: Negative Curriculum Assessment (SW) 624: LSBU Family integrated service benefits (IM)	467: Progression rates don't rise (SW) 37. Impact or affordability of Capital Expenditure Investment Plans 626. Impact of programme of activities and initiatives doesn't achieve anticipated improvement in student experience, and results of NSS survey (PB)	625: Impact of Govt. Education review on HE Funding (RF)
	<b>2 Medium</b> <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)	
	<b>1 Low</b> <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>	
	<b>Residual Likelihood</b>			

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	CONFIDENTIAL
Paper title:	Audit Committee Annual Report
Board/Committee:	Group Audit & Risk Committee
Date of meeting:	07 November 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Approval
Recommendation:	The Audit Committee is requested to review and approve its draft annual report to the Board

## Executive Summary

### Introduction

The Audit Committee is required under the Financial Memorandum with the OfS to produce an annual report of the committee to the Board of Governors and the Accountable Officer (the Vice Chancellor). The report will also be submitted to OfS in December 2019.

Guidance from OfS is that it must include any significant issues and should be considered by the Board before approval of the accounts. It must also include the committee's opinions on the adequacy and effectiveness of LSBU's arrangements for the following:

- Risk management, control and governance;
- Economy, efficiency and effectiveness (value for money);
- Management and quality assurance of data submitted to HESA and to HEFCE/OfS, SLC and other funding bodies.

### Draft Opinions

Draft opinions (to be approved by the Audit Committee) for these areas have been included at the end of the report and are set out below.

1. The Committee's opinion on the institution's risk management, control and governance is that these arrangements are adequate and effective.

2. The Committee's opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective.
3. The Committee's opinion on the management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies is that the University has adequate assurance.

## Annual Report of the Audit Committee to the Board of Governors and the Accountable Officer 2018/19

### Executive summary

During the year to 31 July 2019, the Audit Committee met four times.

Matters completed by the Committee for the year 2018/19 include:

- Appointment of BDO as the internal auditors for academic and financial year 2019/20 following PwC's resignation;
- review and clearance of the University's annual report and accounts for 2018/19 (paragraph 8);
- approval of the plan for BDO's internal audit review work for the year (paragraph 12);
- at each meeting, detailed consideration of PwC's internal audit reports (paragraph 12);
- four meetings with PwC and four meetings with KPMG in the absence of all University staff;
- consideration of the annual internal audit report (paragraph 14);
- regular review of the corporate risk framework (paragraph 19);
- approval of a statement of internal control (paragraph 31).

## **Introduction**

1. This report covers the financial and academic year from 1 August 2018 to 31 July 2019 and includes any significant issues up to the date of the signing of this report and consideration of the financial statements for the year.
2. No member of the Audit Committee has, or has during the year, a direct role in the management of the University. All members of the Committee are asked to declare any interests in any item of business on the agenda at each meeting.
3. During 2018/19, the Audit Committee was chaired by Steve Balmont from 1 August 2018 to 31 December 2018 and by Duncan Brown from 1 January 2019 to 31 July 2019, both independent governors. Both Steve Balmont and Duncan Brown were members of the committee throughout the year. Other members of the Committee during the year were: Shachi Blakemore (until her resignation as a governor on 31 March 2019), John Cole (appointed 1 May 2019), Mark Lemmon (appointed 1 May 2019) Mee Ling Ng (resigned from the committee on 31 July 2019), and independent co-optee, Rob Orr (appointed 5 February 2019). The Audit Committee considers it has individuals with an appropriate mix of skills and experience to allow it to discharge its duties effectively.
4. All members of the Committee are independent of management. James Stevenson, University Secretary & Clerk to the Board, served as secretary to the Committee throughout the year.
5. The Committee held four business meetings during the financial year to 31 July 2019. The Vice Chancellor, Chief Financial Officer and other members of the Executive were present. The internal auditors and the external auditors were present at all four meetings. For the financial & academic year 2019/20 the Committee will also hold four business meetings (October, November, February, and June.)
6. The Committee's terms of reference are reviewed annually in the autumn. The Committee has an agreed forward business plan which is used to plan its agendas during the year and is reviewed at each meeting.

## **External Audit**

7. At its meeting of 13 June 2019, the Committee approved the external audit plan for the financial year 2018/19.

8. [At its meeting of 7 November 2019, the Committee considered and recommended to the Board for approval the draft financial statements for the year ended 31 July 2019. The Committee considered in detail an audit opinion from KPMG UK LLP. The Committee considered and recommended to the Board for approval the letter of representation from the Board of Governors to KPMG UK LLP. – *to be confirmed 7 November 2019*]
9. [Performance indicators have been agreed against which the performance of the external auditors is measured. At its meeting of 7 November 2019, the Committee received a report on performance against indicators. The external auditors met all of the agreed performance indicators. – *to be confirmed 7 November 2019*]
10. [On 7 November 2019, the Committee met KPMG UK LLP in the absence of any University employees to discuss the year end audit and other matters. *To be confirmed 7 November 2019*]
11. Non-audit work provided by KPMG UK LLP for LSBU for the year ended 31 July 2019 is as follows:
  - £5,000 (audit related assurance services);
  - £6,475 (corporation tax compliance services);
  - £33,850 (international tax compliance services); and
  - £34,500 (tax services for the transfer of Lambeth College to the LSBU Group).

### **Internal Audit**

12. The University's Internal Auditors for the year were PricewaterhouseCoopers (PwC). PwC worked to an internal audit plan of 140 days approved by the Committee at its meeting of 7 June 2018. 140 days of work were delivered. The Committee has received progress reports from PwC against the plan at every meeting.
13. During the year 12 internal audits were undertaken (2018: 10.) The Continuous Audit programme of key financial systems and student data was undertaken throughout the year.
14. The internal auditor's annual report for 2018/19 (dated September 2019) provided a positive assurance statement. The internal audit annual report found:

“Governance, risk management and control, and value for money arrangements in relation to business critical areas is generally satisfactory. However, there are

some areas of weakness or non-compliance in the framework of governance, risk management and control or value for money arrangements which potentially put the achievement of objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control or value for money arrangements.”

15. In addition, PwC concluded that their “opinion for the year ended 2019 is that the control environment is satisfactory overall. However, the incidence of non systemic system issues has increased over prior years. The core control environment has improved over prior years but has had some variability in compliance in the past. Any deterioration in core finance control in conjunction with the other issues noted this year would have been sufficient to move our [PwC’s] overall classification to major improvement required”. In relation to key areas of compliance such as GDPR and CMA there were a number of high risk findings which are being progressed through management action.
16. The Committee met PwC prior to four meetings, in the absence of any of the University’s employees.
17. Through a tender process conducted in Spring 2018, PwC were selected as Change Partner for a major University digital transformation project. PwC continued to act as internal auditors until 31 July 2019: the role of Internal Auditor was re-tendered in Spring 2019. Following this tender process, BDO were appointed internal auditors and formally took over on 1 August 2019.

#### **Risk management, control and governance**

18. The Committee reviewed the corporate risk register at each meeting. In addition, the committee annually reviews risk strategy and risk appetite and makes recommendations to the Board of Governors. The University’s corporate risk framework is aligned to the Corporate Strategy.
19. During the year PwC undertook an internal audit on risk management controls which did not identify any significant risks and PwC concluded that they “are satisfied that the University has effective risk management arrangements in place”.
20. [ At its meeting on 7 November 2019, the committee reviewed the effectiveness of internal controls and approved the full compliance statement for inclusion in the annual report and accounts. *To be confirmed* ]

## **Economy, Efficiency and Effectiveness**

21. PwC considers value for money as part of its work on LSBU's systems of internal control and as part of each internal audit review. In its annual report, PwC states that they have seen evidence of value for money being considered, monitored and achieved both for the University and other stakeholders such as students".
22. As part of its audit of procurement during the year, PwC evaluated value for money on purchases between £10k - £50k and rated this as a 'medium' risk. Management are addressing the findings from the review.

## **Management and Quality Assurance of Data submitted to HESA, HEFCE and Student Loans Company**

23. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.
24. Following two reports on the continuous auditing of student data controls during the year 2018/19, the Internal Auditors "have not identified any significant exceptions regarding student data controls, but we [PwC] have seen an increase in exceptions over the course of the year".
25. A data assurance report was discussed by the Committee at its meeting of 5 February 2019. The Committee received assurance from the report that all external returns now have detailed formal processes and good progress has been made on data quality governance processes.

## **Public Interest Disclosure**

26. Under the "Speak Up" policy the University Secretary reported on Speak Up activity at every meeting of the Audit Committee. The Chair of the Audit Committee acts as the independent point of contact for anyone wishing to raise a Speak Up matter outside line management, and reviews the conclusion of any subsequent investigation.
27. One matter was reported through the Speak Up policy during the year. This was an allegation of bullying and academic malpractice. Following investigation, no evidence was found of bullying or academic malpractice.

28. One matter was reported after year end alleging malpractice in a disciplinary process. The matter was investigated and the Chair of the Committee concluded that the allegations did not fall within the speak up policy and were dealt with as part of the disciplinary process.

### **Anti-Fraud**

29. Under LSBU's anti-fraud policy the Chief Financial Officer reported on any fraud matters at every business meeting. Two irregularities were reported to the Committee during 2018/19. At its meeting on 13 June 2019, the Committee was informed of incidences of supplier fraud and tenant fraud. In both incidences the fraudulent activity was discovered before any payments were made and the University suffered no loss. The OfS was not informed as no loss was suffered.
30. One further incident of fraudulent activity was identified after the year end and reported to the Audit Committee at its 1 October 2019 meeting. This related to a former employee and was referred to the police, but was not deemed a reportable event by the Accountable Officer.

### **Audit Committee effectiveness assessment**

31. The Board of Governors undertook a review of its effectiveness during the year, which included the effectiveness of its sub-committees. No issues were raised regarding the Audit Committee.

### **Opinion of the Audit Committee**

#### *Risk Management, Control and Governance*

32. [ The Committee's opinion on the institution's risk management, control and governance is that these arrangements are adequate and effective. *to be confirmed*]
33. This opinion is based on:
- the Internal Audit annual report for 2018/19 which gave the opinion that "we believe London South Bank University has adequate and effective arrangements to address the risks that management's objectives are not achieved over risk management, control and governance".
  - the Executive's detailed review of internal controls. This review was considered by the Audit Committee on 7 November 2019 – *to be confirmed*.

*Economy, Efficiency and Effectiveness*

34. [The Committee's opinion on the arrangements for the economy, efficiency and effectiveness of the University is that they are adequate and effective - *to be confirmed*]

35. This opinion is based on the Internal Audit annual report, 2018/19 which gave the opinion that "[PwC's] has considered value for money as part of each of our internal audit reviews and have seen evidence of value for money being considered, monitored and achieved both for the University and other stakeholders such as students".

*Management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies*

36. [The Committee's opinion on the management and quality assurance of data submitted to Higher Education Statistics Agency, the Student Loans Company, the OfS, Research England and other bodies is that the University has adequate assurance. - *to be confirmed*]

37. Both financial and student data are monitored regularly through management controls and independently tested through the internal audit continuous audit programme. No significant findings have been reported.

[ This annual report was approved by the Audit Committee on 7 November 2019 - *to be confirmed.* ]

Signed .....  
Duncan Brown  
Chair of the Audit Committee  
21 November 2019

[*To be signed at the Board meeting of 21 November 2019*]

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	CONFIDENTIAL
Paper title:	External Audit Performance
Board/Committee	Group Audit & Risk Committee
Date of meeting:	7 November 2019
Author:	Natalie Ferer
Sponsor:	Richard Flatman – CFO
Purpose:	To consider the performance of KPMG during their audit for the year ending 31 <sup>st</sup> July 2019
Recommendation:	The Committee is requested to note the report

### **Key Performance Indicators (KPIs)**

KPMG have performed the external audit for the University and the attached KPIs have been updated and were agreed with KPMG July 2019 ahead of their main audit work.

These indicators will be presented to the Audit Committee on an Annual Basis following completion of the annual audit process. The KPIs have been segmented into three key Balanced Scorecard areas; quality assurance, audit approach and recommendations.

The KPIs are listed below with a summary of performance against them for the 2018/19 financial year end audit.

## Key Performance Indicators

Indicator	Target	2019 performance	Narrative
<b>1. Quality Assurance</b>			
Members of the core audit team (Engagement Partner and Engagement Manager) hold a CCAB qualification	100%	100%	Partner, Senior Manager & Assistant Manager all qualified
Members of the wider audit team either hold or are working towards a CCAB qualification..	95%	100%	All members of the team
Members of the wider audit team that have completed CPD training on a quarterly basis.	100%	100%	All members of the team
Appropriate staff are made available for the purpose of discussions and meetings with University staff relevant to the work carried out, including over key risk areas of: <ul style="list-style-type: none"> <li>•Pensions;</li> <li>•Tax; and</li> <li>•Account balances audited using Data and Analytics.</li> </ul>	Yes/No	yes	KPMG have deployed specialists in all these areas and they have liaised with the core audit team and university staff (where required)
<b>2. Audit Approach</b>			
Proper consultation/liaison with the University's managers should take place in the preparation and follow up of all audit reports. —Proportion of audit reports agreed in advance with management prior to issue. —Audit plan issued annually by 31 May. —Audit opinion and Use of Resources conclusion issued by statutory deadline.	100%	TBC	In progress

Audit-day targets for individual audit assignments will not be exceeded without the express approval of the Director of Finance	100%	TBC	targets met to date but work on year end ongoing
Audit plan includes all risks required by Auditing standards, and additional risks are agreed by the Group Audit and Risk Committee.	Yes/No	Yes	
Number of independence breaches in year	0	0	
<b>3. Recommendations</b>			
The extent to which the audit report recommendations are accepted by the University as relevant and realistic to put into practice.	100%	100%	All draft recommendations accepted
The extent to which recommendations are successfully implemented by the University.	100%	100%	All recommendations made at the 2018 audit have been either implemented or superseded
The extent to which audit staff follow-up the implementation of the above recommendations.	100%	100%	2018 recommendations were followed up
Client satisfaction surveys 'good' or better –Issued annually	100%	100%	Dec 2018 score 8/10
Number of benchmarking reports issued each year	1	2	2 issued in year to date (financial statements & risk register)

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	CONFIDENTIAL
Paper title:	Review of non-audit services
Board/Committee	Group Audit & Risk Committee
Date of meeting:	7 <sup>th</sup> November 2019
Author:	Natalie Ferer
Sponsor:	Richard Flatman – CFO
Purpose:	To review KPMGs non audit services for the year ending 31 <sup>st</sup> July 2019.
Recommendation:	The committee is requested to note this report.

## Executive Summary

KPMG have been engaged to conduct the following work during the year ending 31<sup>st</sup> July 2019:

	Fee (excluding VAT)
Audit related assurance services (covenant compliance)	£5,000
Corporation tax compliance services	£6,475
International tax compliance	£33,850
Tax services for the transfer of Lambeth College	£34,500
Total non-audit fees	£79,825

## Recommendation

That the Audit Committee note this report.

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	INTERNAL
Paper title:	Internal Audit - London South Bank Innovation Centre (LSBIC) Bidding Process
Board/Committee	Group Audit & Risk Committee
Date of meeting:	7 November 2019
Author:	PWC
Sponsor:	Paul Ivey, Chief Business Officer
Recommendation:	The Committee is requested to note the report

## Summary

Enclosed is the Internal Audit report on LSBIC. The purpose of this report is for PWC to provide assurance over the bid process for funding at LSBIC and whether the controls and processes between the parties involved are robust and collaborative in nature. It was the first time this area has been reviewed and the review was helpful.

Overall PWC have concluded that this area is medium risk with no critical or high risk recommendations. We feel the area is well controlled but there are some recommendations, particularly regarding bid submission and review and tracking of opportunities and lessons learned. All recommendations have been accepted although more time is needed to check all Innovation Centre bids for H2020.

## Recommendation

The Committee are asked to note the report

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# *Internal Audit Report 2018/19*

## LSBIC Bidding Process

**London South Bank  
University**

October 2019

Final

▶ Click to launch

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*Appendices*

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

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## Distribution list

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For action: Paul Ivey, Chief Business Officer, LSBU  
Yvonne Mavin, Head of Compliance and Systems, LSBU  
Michael Corsar, Director of LSBIC

For information: Sarah Plant, Head of Research Support Services, LSBU  
Natalie Ferer, Group Financial Controller, LSBU  
Audit Committee

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## Executive summary (1 of 2)

### Report classification

**Medium Risk**



### Trend

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

### Total number of findings

	Critical	High	Medium	Low	Advisory
<b>Control design</b>	0	0	2	1	0
<b>Operating effectiveness</b>	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>



### Background

The London South Bank Innovation Centre (LSBIC) was established in 2015 and is a long standing and award winning innovation centre, specialising in developing mobile robots that deploy a range of non-destructive testing (NDT) techniques on vertical safety-critical structures. LSBIC collaborates with LSBU and The Welding Institute (TWI Ltd); and has been awarded with £1.8 million of funding in total so far and will need to secure further funding to continue to be self-sufficient.

The purpose of this audit is to provide assurance over the bid process for funding at LSBIC and whether the controls and processes in place are robust and collaborative in nature between TWI Ltd, LSBIC and LSBU. The four areas we reviewed were:

- Monitoring of Funding opportunities
- Bid process
- Pre-submission and review
- Lessons learnt

### Areas of Good Practice

The following areas of good practice have been identified through our fieldwork:

- The Haplo system has been in place since late 2018 to manage, collaborate and track the funding proposals; with a Business Systems lead for support.
- The automated Haplo system provides sufficient audit trail of key approvers such as the financial review and approval from the REI (Research, Enterprise and Innovation) team at LSBU.

## Executive summary (2 of 2)

### Summary of findings

During our fieldwork, we identified three findings, where two are Medium risk and one finding is Low risk. Please see the summary below:

#### Low risk finding:

**Monitoring of Funding opportunities** – There is no formal mechanism in place to flag any potential opportunities and therefore, to ensure key funding opportunities are not missed. This process relies heavily on the Director solely through networking and emailed newsletters. Furthermore, there isn't a central tracker or mechanism for key members of staff to record and view any potential opportunities identified.

#### Medium risk findings

**Bid Process and pre-submission review** - There is heavy reliance on the Director to write and also review their own content, prior to submission. There is also no further review by an independent person and/or in terms of its technical content by a specialist as necessary. Other checks including the completeness of the documents provided against the requirements are also not formally performed as a requirement.

**Lessons Learnt and Prior Experience for future bids** - There is no formal capture of the feedback discussions held or a summary of key points as future reference to the team for similar bids, or for general process improvements for example. There should also be a mechanism or reference point/library in place, to ensure prior experience of similar bids are shared. Furthermore there is also no tracking in place to ensure the feedback from unsuccessful bids are also received.

*We would also like to thank Michael, Emily and the team for their support with the review.*



# Background and scope

This review formed part of the 2018/19 internal audit plan approved by the Audit Committee.

## Background

The London South Bank Innovation Centre (LSBIC) was established in 2015 and is a long standing and award winning innovation centre, specialising in developing mobile robots that deploy a range of non-destructive testing (NDT) techniques on vertical safety-critical structures, and improve the quality and probability of defect detection. LSBIC collaborates with LSBU and The Welding Institute (TWI Ltd), a research and technology organisation that hosts a number of innovation centres to help forge strong links between academia and industry through joint research programmes. In addition for LSBIC, further fundamental research in robotics and automation is being performed by PhD students and partly funded by LSBU.

LSBIC has been awarded with £1.8 million of funding in total so far and will need to secure further funding to continue to be self-sufficient. Therefore there must be a clear and collaborative approach for forming proposals between TWI Ltd, LSBU and LSBIC.

The purpose of this audit is to provide assurance over the bid process for funding at LSBIC and whether the controls and processes in place are robust and collaborative in nature between TWI Ltd, LSBIC and LSBU.

## Scope

The audit scope will seek to assess whether:

- LSBIC have put in place arrangements that allow them to identify and monitor the funding opportunities available and applicable to LSBIC;
- All potential bids have been flagged to appropriate staff members for review and approval, including the involvement and availability of specialists to help on the bid;
- There are review checkpoints for the bid with a final detailed review and approval before submission; and
- All bids are tracked whether successful or not including the costing and time spent, and lessons learnt exercises and analysis is performed for future improvements and reference.



## Findings – page 1 of 3

**Monitoring of Funding opportunities**

1

Control Design

Page 202

**Finding rating**

Rating	Low
--------	-----

### Findings

In terms of identifying and flagging funding opportunities, there is no formal mechanism in place to flag any potential opportunities and therefore, to ensure key funding opportunities are not missed. This process relies heavily on the Director solely through networking and emailed newsletters.

Furthermore, there isn't a central tracker or mechanism for key members of staff to record and view any potential opportunities identified, prior to proceeding with the opportunity on Haplo. This would provide better awareness and transparency of the opportunities that are and/or could be considered.

### Implications

There is a risk that potential opportunities could be missed, where there may be specialist support available at LSBU or otherwise.

Issue of awareness and transparency of opportunities available and progressing this, especially when the staff member is unavailable.

### Agreed action

- a) All IC Directors and researchers to sign up to LSBUs standard funding opportunities identification system "Research Connect" and to set up individual profiles to ensure filtering of relevant opportunities.
- b) The annual IC business plans should reflect major anticipated calls. The ICs to put in place a quarterly strategic review process whereby the plan is updated and reported against and incorporated in TWI formal IC Board reporting.
- c) Haplo should be used as specified for recording of proposals at the point the idea is initially reviewed against a funding opportunity i.e. the 'potential' stage. Currently the ICs record proposals only when it is agreed to proceed with formal bidwriter/submission i.e. the 'in preparation' stage. This will ensure capture of all assessments.

#### Responsible person/title:

Michael Corsar, LSBIC Director

#### Target date:

- a) 1 November 2019
- b) 6 January 2020
- c) 1 November 2019

#### Reference number:

1

18 October 2019

## Findings – page 2 of 3

### Bid Process and pre-submission review

2

Control Design

Finding rating

Rating

Medium

### Findings

During the bid writing process, key staff from the Innovation Centre / TWI (such as the Director) and often, third party bid writers may be involved. However we noted from our interviews that there is heavy reliance on the Director to write and also review their own content, prior to submission.

There is also no further review by an independent person and/or in terms of its technical content by a specialist as necessary. Other checks including the completeness of the documents provided against the requirements are also not formally performed as a requirement.

Building these checks and formally documenting the process (e.g. as a summary map) will help to ensure consistency and identify any gaps in the process, such as a requirement for further checks.

### Implications

There is heavy reliance placed on one key member of staff to self-review own content. Best practice would be to have a separate reviewer by at least one other key member of staff.

The lack of a documented process map or summary may lead to important checks or unidentified gaps being missed by various staff.

Issue of progress and knowledge transfer when staff member is unavailable.

### Agreed action

- a) Centrally submitted proposals are always checked for compliance to funder documentation and deviances highlighted by expert staff. IC bids for H2020 which can be independently submitted bypass this process. We need more time to review how to improve management in this area.
- b) The majority of bids already have additional evaluations where a bidwriting organisation is employed. Extend this to include other members of the consortium or TIM team as evaluators and evaluation to be mandatory. To additionally improve technical content via peer review we would need support from ENG School where we have expertise relevant to both LSBIC and ARCTIC. Haplo includes as standard the facility to manage this process.

### Responsible person/title:

- a) Sarah Plant, Head Central Research Services, Michael Corsar
- b) Michael Corsar & Sandra Dudley-McEvoy (DoREENG)

### Target date:

1 December 2019

Reference number: 18 October 2019

## Findings – page 3 of 3

Lessons Learnt and Prior Experience for future bids

3

Control Design

Page 204

**Finding rating**

Rating	Medium
--------	--------

### Findings

Although feedback is generally received from unsuccessful bids, there is no formal capture of the discussions held or a summary of key points as future reference to the team for similar bids, or for general process improvements for example. There should also be a mechanism or reference point/library in place to ensure prior experience of similar bids are shared.

There is also no tracking in place to ensure the feedback from unsuccessful bids are also received.

### Implications

Lessons learnt and relevant feedback from prior bids are not captured and hence any improvement points/plans cannot be referred to and tracked. This therefore may hinder the success of future and/or similar bids

Issue of progress and knowledge transfer when staff member is unavailable.

### Agreed action

- a) Set up a new document section in Haplo for feedback for both proposals and projects won. This will apply to all our research proposals and is not TWI specific and will run to end of project life and capture the learning.  
 -All feedback from funder to be saved in Haplo  
 -All failed bids to be formally reviewed and findings filed in Haplo.  
 Review to include overall learning from bid and next steps.
  
- b) Though it is possible to search for bids with similar characteristics and review feedback within the Haplo system, we need to develop an approach to more strategic review and synthesis to identify any share any broader learning and process improvement across the University.

### Responsible person/title:

- a) Yvonne Mavin, Head of Compliance Systems REI, Michael Corsar
- b) Sarah Plant

### Target date:

6 January 2020

### Reference number:

3

**Appendix A: Basis of our  
classifications**

**Appendix B: Terms of  
reference**

**Appendix C: Limitations  
and responsibilities**

---

# *Appendices*

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## Appendix A: Basis of our classifications

### System summary ratings

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

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

### Control design improvement classifications

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

#### Critical

A finding that could have a:

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

## Appendix A: Basis of our classifications

### High

A finding that could have a:

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

### Medium

A finding that could have a:

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

### Low

A finding that could have a:

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

### Advisory

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



**Appendix A: Basis of our  
classifications**

**Appendix B: Terms of  
reference**

**Appendix C: Limitations  
and responsibilities**

# *Appendix B: Terms of reference*

## *LSBIC Bidding Process*

**To: Paul Ivey, Chief Business Officer, LSBU**  
**From: Justin Martin – Head of Internal Audit**

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## Background and scope (1 of 2)



This review will form part of the 2018/19 internal audit plan approved by the Audit Committee.

### Background

The London South Bank Innovation Centre (LSBIC) was established in 2015 and is a long standing and award winning innovation centre, specialising in developing mobile robots that deploy a range of non-destructive testing (NDT) techniques on vertical safety-critical structures, and improve the quality and probability of defect detection. LSBIC collaborates with LSBU and The Welding Institute (TWI Ltd), a research and technology organisation that hosts a number of innovation centres to help forge strong links between academia and industry through joint research programmes. In addition for LSBIC, further fundamental research in robotics and automation is being performed by PhD students and partly funded by LSBU.

LSBIC has been awarded with £1.8 million of funding in total so far and will need to secure further funding to continue to be self-sufficient. Therefore there must be a clear and collaborative approach for forming proposals between TWI Ltd, LSBU and LSBIC.

The purpose of this audit is to provide assurance over the bid process for funding at LSBIC and whether the controls and processes in place are robust and collaborative in nature between TWI Ltd, LSBIC and LSBU.

### Scope

The audit scope will seek to assess whether:

- LSBIC have put in place arrangements that allow them to identify and monitor the funding opportunities available and applicable to LSBIC;
- All potential bids have been flagged to appropriate staff members for review and approval, including the involvement and availability of specialists to help on the bid;
- There are review checkpoints for the bid with a final detailed review and approval before submission; and
- All bids are tracked whether successful or not including the costing and time spent, and lessons learnt exercises and analysis is performed for future improvements and reference.

## Background and scope (2 of 2)



Sub-process	Control Objectives
<b>Monitoring of Funding opportunities</b>	<p>There are processes in place identify and flag funding opportunities and other sources of income. For example this could be through performing regular research or being automatically notified from systems or networks.</p> <p>All opportunities are centrally recorded and tracked at each stage. These are reviewed and assessed against relevance to LSBIC and the likelihood of success against the funder’s proposal.</p> <p>Opportunities are accessible to key members of staff and are highlighted as necessary.</p>
<b>Bid process</b>	<p>All potential bids are discussed and assessed, including the time and resources needed (e.g. costing), and availability of key contacts and relevant specialists. Approval and sign off is required before proceeding (or for larger funding proposals).</p> <p>There is wider sharing and/or access to prior knowledge and experiences with previous and/or similar funding sources, which is utilised.</p>
<b>Pre-submission and review</b>	<p>Processes are in place for reviewing the bids prior to formal submission, including a review against the funder’s requirements and the use of specialists as required.</p>
<b>Lessons learnt</b>	<p>There is post-capture of applications or bids that have not been successful, where feedback is also obtained and shared with the team.</p> <p>Lessons learnt exercises or workshops are held and documented, and shared with the team for future purposes and wider awareness. Any actions are recorded are tracked for completion.</p> <p>There is regular analysis performed for awareness of conversion rates, cost and time spent on bids etc.</p>

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## *Approach and limitation of scope*

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### *Audit approach*

The review will be carried out using a risk-based approach and will focus on:

- Review of available documents including any relevant policies, strategies and procedure documents, manuals and other relevant guidance.
- Interviews with relevant employees at LSBU, LSBIC and TWI Ltd to document the processes and controls in place and to establish compliance with those controls.
- Assessing the adequacy of procedures and controls in operation to mitigate the potential risks identified.
- Testing adherence to these controls by review and sample testing of documentation.
- We will test a sample of completed bids.

### *Limitations of scope*

The scope of this review is limited to the specific areas identified above. Our review will be performed in the context of the information provided to us. Where circumstances change the review outputs may no longer be applicable. In these situations, we accept no responsibility in respect of the advice given.

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## Internal audit team and key contacts



### Internal audit team - PwC

Name	Role	Contact details
Justin Martin	Head of Internal Audit	<a href="mailto:justin.f.martin@pwc.com">justin.f.martin@pwc.com</a>
Amy Chiu	Engagement Manager	<a href="mailto:amy.chiu@pwc.com">amy.chiu@pwc.com</a>
Athar Sayeed	Auditor	<a href="mailto:athar.x.sayeed@pwc.com">athar.x.sayeed@pwc.com</a>

### Key contacts – LSBIC and LSBU

Name	Title	Contact details	Responsibilities
Paul Ivey	Chief Business Officer (Audit Sponsor)	<a href="mailto:iveyp@lsbu.ac.uk">iveyp@lsbu.ac.uk</a>	Review and approve draft and final terms of reference Receive and approve draft report Receive final report
Michael Corsar	Director of LSBIC	<a href="mailto:michael.corsar@affiliate.twi.co.uk">michael.corsar@affiliate.twi.co.uk</a>	Audit contact
Sarah Plant	Head of Research Support Services, LSBU	<a href="mailto:plants@lsbu.ac.uk">plants@lsbu.ac.uk</a>	Audit contact
Yvonne Mavin	Head of Compliance and Systems, LSBU	<a href="mailto:maviny@lsbu.ac.uk">maviny@lsbu.ac.uk</a>	Audit contact

# Timetable



## Timetable

<b>Fieldwork start</b>	5 <sup>th</sup> August 2019
<b>Fieldwork completed</b>	12 <sup>th</sup> August 2019
<b>Draft report to client</b>	26 <sup>th</sup> August 2019
<b>Response from client</b>	9 <sup>th</sup> September 2019
<b>Final report to client</b>	16 <sup>th</sup> September 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.

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## Information request

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***Ahead of the audit fieldwork date, please provide us with the following:***

- Any relevant policies, strategies and procedure documents, manuals, process maps and other relevant guidance.
- A download of the tracker / listing of funding opportunities including their current status and success
- Examples of analysis performed and communicated e.g. reports, workshop slides including emails trails and minutes etc.
- Any other items that may be useful.

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

---

## 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.

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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.

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CONFIDENTIAL	
Paper title:	GDPR Update and Response to Internal Audit Report, May 2019
Board/Committee:	Group Audit & Risk Committee
Date of meeting:	07 November 2019
Author(s):	Hywel Williams, Data Protection and Information Compliance Officer (DPO)
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The Committee is requested to note the following update and response to the GDPR Plan Review Internal Audit Report 2018/19.

## Executive Summary

At its meeting of 1 October 2019, the committee noted the actions taken in response to the GDPR readiness assessment test leading up to May 2018, when the regulation took effect. In addition, the committee noted the actions agreed following the internal audit review in May 2019 of the GDPR forward action plan. As requested by the committee, a final report on the internal audit review is set out below. Any breaches notifiable to the ICO will continue to be reported to the committee.

### 1. Final response to the internal audit report on GDPR, May 2019

An internal audit of LSBU's progress against the forward GDPR Action Plan and ongoing GDPR compliance was carried out in April-May 2019. The final report delivered three high risk findings and two medium risk findings. Previously completed actions were reported to the 1 October 2019 Audit Committee. The status of the remaining actions is as follows:

#### High risk finding 2 – GDPR action plan progress

The plan was approved by the LSBU GDPR Compliance Group on 27 September 2019 and by the Executive on 2 October 2019. This plan will now be widely consulted upon with internal stakeholders to raise awareness and support for the actions. As necessary, the plan will be revised as priorities of the business evolve.

Medium risk finding 4 – Prioritisation for planned activities

Priority ratings were reviewed and reassigned for the plan (as approved by the project board and executive, referred to above) and the prioritisation criteria were revised in light of the Data Protection Risk Register. Change processes have been documented and, ongoing, will be supervised by the LSBU GDPR Compliance Group.

Medium risk finding 5 – Review data protection resource levels

The Executive continues to keep resources under review. An external consultant has been engaged to December 2019 to work on phase 1 to support delivery of high priority actions. A second phase of work will be scoped over autumn 2019.

2. Breaches of personal data reporting

There have been no breaches of personal data notifiable to the ICO since the last Audit Committee meeting of 1 October 2019.

Recommendation:

The Committee is requested to note this paper.

	INTERNAL
Paper title:	BDO Internal Audit progress report
Board/Committee	Group Audit & Risk Committee
Date of meeting:	7 November 2019
Author:	BDO, internal auditors
Sponsor:	Richard Flatman – Chief Financial Officer
Recommendation:	The Committee is requested to note the report

## **Summary**

The attached report details progress with the 2019/20 internal audit plan. One review, of Key Financial Controls, is complete, field work has begun for Student Data and planning is underway for UKVI compliance, Financial controls at South Bank Colleges and South Bank Academies and the follow up of previous recommendations made by PWC.

The results from the Key Financial Controls audit are considered in detail in a separate report.

## **Recommendation**

The Audit Committee is requested to note the report.

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INTERNAL AUDIT PROGRESS REPORT

# LONDON SOUTH BANK UNIVERSITY GROUP

November 2019

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# INTERNAL AUDIT PROGRESS SUMMARY

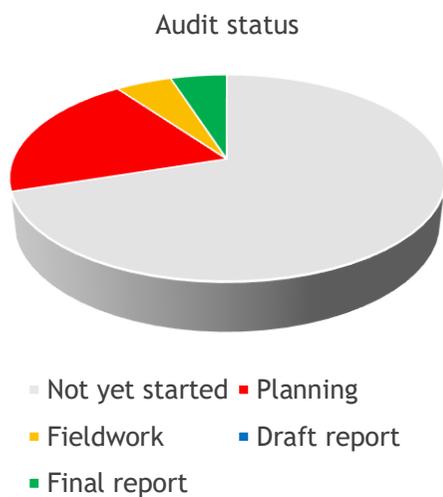
## 2019-20 Audit Programme

The status of our work is as follows:

Final reports	Fieldwork	Planning
<ul style="list-style-type: none"><li>▶ Financial systems and controls (continuous auditing - finance) - LSBU</li></ul>	<ul style="list-style-type: none"><li>▶ Continuous auditing - student data - LSBU</li></ul>	<ul style="list-style-type: none"><li>▶ UKVI compliance (all tiers) - LSBU</li><li>▶ Financial systems and controls - SBC</li><li>▶ Financial systems and controls - SBA</li><li>▶ Recommendation follow up</li></ul>

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Dashboard



# INTERNAL AUDIT PLAN 2019-20 DETAILED SCHEDULE

Audit area	Entity	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
											Design	Effectiveness
Governance, compliance and risk management												
Risk management	Group	10	17 Feb 20			18 Jun 20						
LSBU family transition	Group	10	23 Mar 20			18 Jun 20						
Health and safety	SBC	7	20 Apr 20			18 Jun 20						
	SBA	7	27 Apr 20			18 Jun 20						
Finance and management information												
Financial systems and controls (continuous auditing - finance)	LSBU	25	12 Aug 19	24 Jul 19	Final report	7 Nov 19	7 Nov 19	2	4	3	Moderate	Moderate
			17 Feb 20			18 Jun 20						
	SBC	7	9 Dec 19		Planning	13 Feb 20						
	SBA	5	2 Dec 19		Planning	13 Feb 20						
Data quality/ MIS	LSBU	8	7 Mar 20			18 Jun 20						
	SBC	5	27 Jan 20			18 Jun 20						
Continuous auditing - student data	LSBU	25	28 Oct 19	10 Oct 19	Fieldwork	13 Feb 20						
			18 May 20			18 Jun 20						

# INTERNAL AUDIT PLAN 2019-20 DETAILED SCHEDULE

Audit area	Entity	Original Days	Planned Start	TOR sent	Current Status	Planned Audit & Risk Committee	Actual Audit & Risk Committee	Recommendations made			Assurance level	
											Design	Effectiveness
<b>Core activities</b>												
Apprenticeships	LSBU SBC	15	20 Apr 20			6 Oct 20						
UKVI compliance (all tiers)	LSBU	15	14 Nov 19		Planning	13 Feb 20						
<b>Research and enterprise</b>												
REF preparation	LSBU	6	10 Feb 20			18 Jun 20						
<b>Estates infrastructure and services</b>												
Estates development/ capital programme	LSBU SBC	15	8 Jun 20			6 Oct 20						
<b>Information technology</b>												
IT security	Group	20	11 May 20			6 Oct 20						
<b>Management and recommendation follow up</b>												
Recommendation follow up	Group	8	7 Oct 19	N/A	Planning*	7 Nov 19						
			9 Jan 20			13 Feb 20						
			4 May 20			18 Jun 20						
<b>Management</b>		<b>18</b>	<b>Ongoing</b>									

\*As internal audit recommendations from previous providers has only recently been provided, the delivery of this work has been delayed.

# APPENDIX I - DEFINITIONS

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LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
<b>High</b> 	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.
<b>Medium</b> 	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.
<b>Low</b> 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

RUTH IRELAND  
+44 (0)20 7893 2337  
ruth.ireland@bdo.co.uk

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	INTERNAL
Paper title:	BDO Internal Audit Key Financial Controls
Board/Committee	Group Audit & Risk Committee
Date of meeting:	7 <sup>th</sup> November 2019
Author:	BDO
Sponsor:	Richard Flatman – Chief Financial Officer
Recommendation:	The Audit Committee is requested to note the report

## Summary

The purpose of this audit was to provide assurance over the controls at LSBU has in place to manage the key risks over payroll and accounts payable by looking in details at these two areas. They also sought to provide assurance over key controls for general ledger and cash through limited testing.

Overall there is a moderate level of assurance for both the design and operational effectiveness of the University's financial controls.

BDO have raised nine findings. Two were high significance and relate to access to the HR/Payroll system and system controls around changes to supplier data. Four recommendations are of medium significance and a further three of low significance. All recommendations have been accepted by management and are detailed on pages 10 onwards with actions to address these findings.

The review of Key Financial Controls at the University is was the first review by BDO under the new internal audit contract. It was agreed with management that BDO would look in detail at payroll and accounts payable and we have found the detailed work and subsequent findings very useful in understanding the effectiveness of controls in these areas. Progress with recommendations made previously by PWC as part of their continuous audit of key financial controls will be reviewed by BDO as part of their follow up work.

## Recommendation

The Committee is requested to note the report.

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# LONDON SOUTH BANK UNIVERSITY

## INTERNAL AUDIT REPORT - FINAL

FINANCIAL CONTROLS  
OCTOBER 2019

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate



# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

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## DISTRIBUTION

Richard Flatman	Chief Financial Officer
Natalie Ferer	Group Financial Controller

## REPORT STATUS LIST

Auditors:	Tom Farley and Christian Hayward
Dates work performed:	12 August - 27 August 2019 (further evidence received 16 September 2019)
Draft report issued:	01 October 2019
Final report issued:	30 October 2019

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	■	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	■	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

### SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)



TOTAL NUMBER OF RECOMMENDATIONS: 9

## BACKGROUND:

### Payroll

LSBU uses the iTrent software, an integrated HR and payroll system. Access rights are managed by system administrators through the use of security groups. New employees in the HR or Payroll teams are allocated to security groups dependant on the role they fulfil.

Hiring new employees requires a requisition for a job advert to be approved by the relevant budget holder and HR. Once the successful candidate has been identified, an appointment form is approved by a recruitment manager in HR before an offer letter is sent. Staff from the HR team will input information including salary / hourly rate, hours of work, start date and end date (if fixed term) into iTrent. Once the appointment is confirmed, the Payroll team receives a notification from HR to include the new starter in pay runs and will enter the employee's P45 and pension information. This enables pay to be processed. The initial payslip is run and recalculated to check for any errors, and is then checked by a second payroll officer before being finalised.

Employees leaving LSBU are required to notify their line manager in writing. The line manager is responsible for notifying HR via email to a dedicated inbox. The email must state the employee's name, staff number, leaving date, reason for leaving and any annual leave remaining. The email to the inbox automatically generates a ticket in TOPDesk and will automatically notify both the HR and Payroll teams. TOPDesk is used as a service desk tool by the HR and Payroll teams to identify, allocate and track tasks. When processing a leaver HR will check that the leaving date is in line with contractual requirements and remaining annual leave stated by the line manager is accurate. When processing a leaver's final pay the Payroll team will check the annual leave again and run the final payslip, recalculating for any errors. A check is completed by a second payroll officer before it is finalised.

There are a number of different processes for changing employee details held on iTrent. Address changes can be made by the employee through self-service access to iTrent. Changes such as salary, grade and role are processed following line manager approval. These are approved by the HR Manager before being actioned. Payroll receives an automated notification via TOPdesk of the change to salary. Changes to bank details are completed via a request made to Payroll. Staff are required to make this request in person to HR and need to

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

complete a form and provide their staff ID to confirm their identity. For staff based at the Havering campus, Payroll will accept a signed form that is scanned with the ID card and emailed directly from the employee's registered email address, before the change is actioned.

Hourly paid staff are managed through VT2000, a software solution designed to pay hourly paid staff at universities. Staff input the hours they have worked into the system, which are then approved by their line manager. The Payroll team runs reports from VT2000 of approved hours and subsequently includes these in the pay runs.

Overtime is claimed through iTrent. Staff add overtime to iTrent which is then approved by their line manager. Overtime included in iTrent will automatically be added to an employee's pay during the payroll process.

Monthly pay runs require multiple checks to be completed. Checks include variances on prior month values, employee head count reconciliations, BACS file reconciliations, and duplicate/ changes to bank details reports. These are reviewed by both the Head of Payroll and Pensions and the Group Financial Controller before pay runs are approved. Pay runs are approved in line with the delegations sets out within the LSBU Financial Regulations.

Season ticket loans are provided by LSBU via Commuter Club. Staff register for season tickets with Commuter Club who notifies Payroll via email. Payroll staff manually input the repayment requirements into iTrent, in line with the notification received.

## Accounts payable

Processes related to accounts payable are split across various teams at LSBU. The key finance system used is Unit4 Business World (commonly known as Agresso).

Supplier set-up and changes to supplier standing data are controlled by the Procurement team. A new supplier has to be requested using the New Supplier Request Form (CPU12) on SharePoint. Once completed, this automatically sends an email to the Procurement email inbox and raises a ticket in TOPdesk. TOPdesk is also used by the Procurement team to identify, allocate and track tasks. Before being set up all new suppliers require approval from the relevant budget holder. Once the supplier has been approved by the budget holder they are contacted directly to obtain their details (ie address, bank details) and this is added into Agresso.

If Procurement is made aware of a potential change to supplier details (directly from the supplier or on an invoice), it confirms the request is valid before updating Agresso. This usually involves sourcing an independent contact number and calling the supplier to confirm the change in details.

Agresso has a workflow process for approving requisitions. In order to set up an employee with approval in Agresso, a Finance Department Authorised Signatory form has to be completed. This notes the employee name and position, the cost centres they require approvals for, and the authorisation limit that should be allocated.

When staff wish to spend LSBU funds, a requisition request is made in Agresso. The workflow will ensure that the requisition is approved by someone with sufficient authority for the value of the requisition, and the relevant cost centre. Once an invoice is received, it is matched to the requisition. The individual who raised the requisition must certify that the goods or services were received before LSBU will process payment.

BACS payments are processed weekly, through the Bottomline C-Series software. The software is a payments and cash management system which allows oversight of the cash position across the LSBU Group. The Payments team will prepare an initial remittance proposal of invoices that have been confirmed as goods / services received, and will check for any errors. A remittance confirmation is then run and approved in line with LSBU Financial Regulations. Once approved, a reconciliation of the BACS transfer against Agresso

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values is completed. Once the reconciliation is done, the BACS transfer is input into the C-Series software and approved for payment.

## Cash

LSBU receives cash as part of daily operations within the Sports Centre and at the Halls of Residence. Cash is no longer accepted as payment for tuition fees.

In the Halls of Residence, cash and card payments are recorded in SharePoint. Cash is collected by Loomis and SharePoint records will note the correct Agresso cost code, and the Loomis bag reference provided on collection. An automatic download of cash values posted in SharePoint is provided to Finance and is added to the income control account through a journal in Agresso.

Loomis also collects cash from the Sports Centre. In the Sports Centre, cash takings are recorded on a paper form, with the Loomis bag reference noted. Forms are dual signed by duty managers as being accurate, and transactions are input into SharePoint with the form attached.

Loomis collects cash weekly across the LSBU sites. It independently counts cash takings and provides a summary of each bag content directly to the Income team within Finance. The Income team compares totals from the Loomis bag collection numbers to SharePoint postings and bank statements. Once matched, the totals posted in the control accounts are re-posted to the correct ledger codes.

## General ledger

Financial management within LSBU is completed through Agresso. Agresso has cost codes for a variety of different categories of financial transactions, to allow monitoring against budgets.

Management accounts are prepared monthly. Departmental management accounts are reviewed by individual budget holders with their finance business support managers.

Consolidated management accounts are produced by the Director of Financial Planning, Reporting & Registry, and are reviewed by the Executive on a monthly basis. An abbreviated version of the management accounts is shared with the Finance, Planning & Resources Committee and the Board of Governors on a monthly basis.

Within Agresso's general ledger function there are codes for suspense accounts and balance sheet control accounts. These are reviewed and cleared on a quarterly basis by the Head of Financial Accounting.

The purpose of our audit was to provide assurance over the controls LSBU (the University only) has in place to manage the key risks over payroll and accounts payable. We also sought to provide assurance over whether the key controls identified by LSBU in relation to general ledger and cash exist and are being applied, through limited testing.

## SCOPE AND APPROACH:

### Payroll

We walked through the end to end payroll process to assess whether segregation of duties were appropriate.

We reviewed system access rights in iTrent to assess whether access rights to HR and Payroll areas are appropriately restricted and segregated. We also reviewed policies, procedures and guidance notes to assess whether they adequately document payroll processes.

For a sample of 15 new starters between January and June 2019, we checked whether necessary authorisations were provided and whether information entered into iTrent matched the contract and appointment letter.

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

For a sample of 15 leavers between January and June 2019, we checked whether the necessary notification was received from line managers as required and whether the leave date and annual leave calculations were correctly made and updated in iTrent. We also used data analytics to assess whether any leavers between January and June 2019 continued to be paid after their leaving date, or were still being paid in July 2019.

We checked whether there was sufficient information to support changes to employee data in iTrent for a sample of 15 changes to payroll information (salary, address and bank detail changes) and whether the change was approved appropriately.

We reviewed processes around making payments to staff as a result of hourly paid contracts, overtime, and ad hoc payments. We tested a sample of three hourly paid staff across three months (May - July 2019) and checked whether payslips corresponded to hours approved from the VT2000 system and tested whether these were approved by the individual's line manager. We also reviewed a sample of two ad hoc payments with the Head of Payroll and checked the reasoning for the payment and whether it was appropriately approved in line with the Financial Regulations. We also tested whether three overtime claims made were approved by line managers.

We reviewed procedures for completing month end processes, including the design and appropriate completion of the monthly payroll checklist to identify any gaps in coverage. For a sample of three monthly payrolls, we tested whether the required checks were completed and reviewed prior to payments being committed.

We assessed LSBU's adherence to HMRC requirements such as making changes to employee tax codes and making payments to HMRC in a timely manner for the months June and July 2019. We also checked whether HMRC deductions were reconciled and whether this reconciliation was reviewed and approved before payment was committed for the August 2019 payroll.

We reviewed processes for calculating and setting up of employee loans in iTrent. For a sample of five employee loans provided, we checked whether Payroll was provided with notification and whether deductions were calculated correctly and began in the correct period.

We also reviewed LSBU's processes for identifying overpayments, including how these are monitored by the University. We selected two employee overpayments and reviewed the actions taken to recover funds from the recipient, including whether recovery processes had been initiated in a timely manner.

Through the use of data analytics we tested whether there were any potential duplicate employees in iTrent, whether employees with an invalid or missing NI number existed and whether an employees with any of the following exist; no name, no address, no date of birth, no employee reference number, no tax code, or under 16 years of age.

## **Accounts payable**

We walked through relevant accounts payable processes (including purchase to payment, supplier set up and amendments) to assess whether segregation of duties was appropriate.

For a sample of 15 new suppliers set up between January and June 2019, we checked whether approval for set-up had been provided by the budget holder and category manager, that the information entered into Agresso matched what was provided by the supplier, and whether the information had been provided by the supplier directly.

For a sample of 15 changes to supplier standing data made between January and June 2019, we checked whether changes made had sufficient backing evidence from the supplier, and whether the information entered into Agresso matched the backing evidence.

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We assessed whether exception reporting of supplier standing data changes was periodically reviewed, and whether anyone in the Procurement team had authority in Agresso to approve requisitions.

For a sample of 15 invoices, we reviewed the approval workflow looking at the following:

- Whether a requisition was raised, and approved in line with Agresso authorities and within the approver's authorisation limit
- Whether an invoice was attached and matched the requisition
- Whether invoices received matched PO values, and if not how they were approved
- Whether the invoice was approved by the initial requisitioner to evidence receipt of the goods / services.

For the corresponding payments made for the 15 invoices, we sought to verify that:

- An initial remittance proposal was run and checked for errors
- Once errors were corrected, that a remittance confirmation was completed
- That the remittance confirmation was approved in line with LSBU Financial Regulations before payment was made
- Whether a reconciliation of the BACS transfer against Agresso values was completed before payment was made
- Whether the BACS transfer was input into C-Series and matched what was approved
- Whether the BACS transfer was approved in C-Series.

We reviewed the controls around cheque payments, confirming where cheques were stored and whether they required two signatures. We sought to confirm which banks LSBU banked with. For the main banks used for payments (RBS/NatWest and Barclays), we obtained reports of access rights and reviewed these to assess whether access rights were restricted.

Through the use of data analytics we tested whether there were any potential duplicate suppliers in Agresso, using bank details. We also compared supplier bank details to payroll standing data to assess whether any employees were set up as suppliers. We reviewed all payments made in January and June 2019 to identify any payments made at the weekend.

Due to reporting constraints, we were unable to use analytics to review the following:

- Transactions outside of approver's authorisation limit
- Invoice values exceeding approved PO values
- Analysis of PO value amendments/ increases.

These areas were tested on a sample basis through our substantive testing.

## General ledger

We walked through the processes for posting the different categories of journals. For journals that required authorisation, we tested a sample of ten journals to check whether authorisation was provided and sufficient information had been attached to the journal to justify its requirement.

We reviewed how management accounts were prepared. For a sample of three months we confirmed whether they had been produced in line with LSBU requirements, and whether they provided commentary on significant variances to budgeted figures.

We assessed how frequently suspense accounts and balance sheet control accounts were cleared or reconciled. For the 2018/19 academic year, we checked whether quarterly clearing or reconciliations were undertaken.

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We obtained a report of all user accounts with access to the general ledger, and compared this to the Finance team's staff listing and iTrent to assess whether general ledger access was appropriately restricted. For any staff not included on the Finance team listing or iTrent, we confirmed why they required access to the general ledger and confirmed whether this was appropriate.

We reviewed a report of access to QLX and QLS to identify any users with access to both systems and any unnamed generic user accounts.

## Cash

We walked through the processes for recording and processing cash takings. We selected one date and sought to verify whether cash takings were reconciled between the days taking report, the SharePoint posting, Agresso, Loomis takings reports, and the relevant bank statement.

We reviewed a report of access to QLX and KX for any users with access to both systems or any unnamed generic user accounts.

## GOOD PRACTICE:

We noted the following areas of good practice:

- In order to simplify and automate the approval process for time worked by hourly paid staff LSBU has introduced the VT2000 software which is specially built for universities and colleges. Staff input their hours worked which are then approved in the system by their manager. Payroll runs reports from VT2000 of approved hours to be paid, before adding these to the payroll. System enforcement of overtime approval and calculation of overtime amounts reduces the risk that overtime is inappropriately calculated or the incorrect amount is paid.
- The Procurement team utilises a combination of SharePoint and TOPDesk (ticketing software) for setting up and amending suppliers. Each request has a ticket raised in TOPDesk which tracks the progress of the request. Once the ticket number is added to the SharePoint request form, any amendments are automatically logged in the TOPDesk ticket. New supplier requests require approval by the budget holder and relevant category manager before being activated. The use of TOPDesk allows Procurement to automatically log updates to supplier set up forms and communications with prospective suppliers, to limit the risk of information or amendments being missed.
- The Procurement team ensures that all changes to supplier data (including new supplier details) are received directly from the supplier, and reject those made through an LSBU employee. For change requests secondary confirmation is sought from a different source (ie if a request was made via email, it is confirmed via telephone).
- Automated approval workflows have been implemented within Agresso for purchases. New requisitions require approval by someone set up with sufficient authority for both the cost code, and the value of the requisition. Once approved and an invoice is received, the individual who raised the requisition must confirm that the goods or services were received before payment can be made. If invoice value varies from the approved requisition value, it requires further approval prior to confirmation of goods / services being receipted.

## KEY FINDINGS:

We have raised nine findings; two of high significance, four of medium significance and three of low significance (definitions of finding significances can be found in Appendix I).

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

We identified there to be insufficient controls to manage changes to standing data within Agresso. We noted there are no system enforced controls to restrict changes to supplier standing data in Agresso and no exception reporting of changes to supplier details.

We noted there to be an absence of robust controls to manage the posting of journals within Agresso. Formal approval within Agresso is not required for all journal types prior to posting and a review of journal postings is not completed on a regular basis.

We also identified areas where access rights were insufficient to enforce segregation of duties and ensure the integrity of systems/processes. Our review of iTrent identified a number of employees with administrator access to the system and the system administrator account is being used to run the month end payroll. When reviewing the RBS/NatWest banking applications we also identified a number of users who had not accessed the accounts for long periods of time and a single employee with a duplicate user account on the banking system.

Within Agresso we noted there to be insufficient controls to manage the presence of duplicates. There are no system controls within Agresso to identify potential duplicate payments, and there are no enforced duplicate checks during the approval process for requisitions. Due to the absence of control in this area we identified nine potential duplicate invoices (representing four different groups) that were paid between January and June 2019. The Agresso system also allows for duplicate suppliers to be established within the system and controls are not in place to review the supplier listing for duplicates or dormant suppliers on an ongoing basis.

We also found there to be a number of out-of-date written process notes for accounts payable and payroll related procedures (except for supplier set-up and amendment). Due to ineffective controls around the management of leavers, including a reliance on line managers to inform HR when a member of staff leaves the University, we identified three occurrences between January and June 2019 where an employee had been paid erroneously after they had left the University.

## CONCLUSION:

As a result of our review we are able to provide moderate assurance over the design of the controls and moderate assurance over the operational effectiveness of the key financial controls in place at London South Bank University to manage the key risks over payroll and accounts payable.

As only limited testing was undertaken in respect of cash and general ledger, to confirm whether previously identified controls remained in place and were operating as expected, we are not able to provide assurance over these areas. However, with the exception of the controls to manage the approval of journals (see finding three) all controls were in place and operating as expected.

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

- ✓ Lack of segregation of duties over the accounts payable process
- ✓ Payments to suppliers are made without confirmation that goods have been received
- ✓ Payments made to suppliers are inappropriately authorised
- ✓ Inaccurate and unauthorised payments are made to employees
- ✓ Payroll deductions are incorrectly calculated, not properly deducted or paid over

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# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

- ✓ Overpayments are made and not recovered
  - ✓ LSBU's key controls in place to manage the risks associated with cash do not exist and/or are ineffective and/or are being bypassed.
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# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## DETAILED FINDINGS

### RISK: INAPPROPRIATE SEGREGATION OF DUTIES OVER THE PAYROLL PROCESS INCLUDING AMENDMENTS TO STANDING DATA AND ACCESS TO DATA

Ref	Sig.	Finding
1		<p><b>iTrent access rights</b></p> <p>There are a large number of employees with administrator access to iTrent and the system administrator account is being used to run the month end payroll.</p> <p>Our review identified seven accounts with administrator access to both HR and Payroll functions within iTrent, including staff involved in the processing of payroll and the creation of exception reports for review. This grants the user access to everything in iTrent, including entering new staff, making changes to bank details, and the ability to run payrolls.</p> <p>A system administrator account is also present on iTrent, which also has access rights to everything within the iTrent HR and Payroll functions. We were informed during our review that the Payroll Manager uses the administrator account for processing the month end payroll.</p> <p>Access rights to iTrent are granted through security groups, with each security group having different levels of access and each user being assigned to security groups. However, a formal process has not been established to review or assign users access rights within iTrent. Subsequently, a number of different security groups have been set up and some staff have been granted administrator access. There are currently 19 different security groups set up in iTrent for 36 different users.</p> <p>Where staff are granted incorrect user rights within iTrent there is a risk to the integrity of segregation of duties and approvals within the system, which may lead to erroneous or fraudulent changes being made. Furthermore, the use of the administrator account reduces accountability and may circumvent segregation of duties and approvals in the processing of the month end payroll.</p>

### RECOMMENDATION:

Security groups should be established to reflect the different roles being undertaken by the HR and Payroll teams, with appropriate access assigned within these. Security groups should then be assigned to staff dependant on their role. Administrator access should not be provided to any roles.

The system administrator account should be sufficiently restricted and not used to process the month end payroll. Management should consider restricting the accounts ability to process payroll. LSBU should introduce a report showing what actions have been completed by the system administrator account. This report should be produced and reviewed by a member of staff without iTrent system administrator rights on a monthly basis.

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# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## MANAGEMENT RESPONSE:

The 7 admin accounts identified were :

2 accounts for Head of HR Operations, including one used only for contingency purposes

1 account for the software supplier to use for upgrades and other consultancy work

2 used by HR systems staff

2 used by Payroll staff

The admin accounts used by HR do not have the Role Profile necessary to process the payroll, but the Payroll staff do have access to HR functionality.

We will set up new system administration accounts and assign appropriate role profiles to ensure segregation of duties.

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Responsible      Dave Lee  
Officer:

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Implementation 31 December 2019  
Date:

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

**RISK: THE SETTING UP AND REMOVAL OF SUPPLIERS, AND AMENDING OF SUPPLIER BANK DETAILS, IS NOT APPROPRIATELY CONTROLLED**

Ref	Sig.	Finding
2		<p><b>Changes to supplier standing data</b></p> <p>There are no controls to restrict changes to supplier standing data and there is no exception reporting of changes to supplier details.</p> <p>When suppliers request changes to their details (eg addresses or bank details), it is logged by the Procurement team. It validates the request through a secondary channel (eg if requested via email, it is confirmed via phone, or vice versa). The change is then processed and confirmed as accurate by a second member of the team outside of Agresso, before being processed in the system.</p> <p>A periodic check of the validity of all changes to supplier details is not being completed. It is possible for a member of the Procurement team to amend supplier details and confirm the change without a secondary check or approval, as this is not a system enforced control. We understand a check used to be completed periodically by the former Operations Procurement Manager, who left in April 2019, but that this has not occurred since the role was removed.</p> <p>In the absence of controls to restrict changes to supplier details and a lack of exception reporting, there is an increased risk of erroneous or fraudulent changes being made to supplier standing data.</p>

## RECOMMENDATION:

The Procurement team should explore whether an exception report can be generated of all changes to supplier details. On a monthly basis, the exception report of all changes to supplier details made in the month should be reviewed independently and checks should be implemented to verify that changes are bona fide.

Management could explore whether a workflow could be added to Agresso to require independent approval of any changes to supplier details prior to standing data being amended.

## MANAGEMENT RESPONSE:

The current off-line manual dual-check that currently takes place in Procurement team is an administrative check. We are exploring whether an automated workflow for approval can be created in Agresso. While the feasibility of this is being investigated, an independent check to verify the changes to data will be performed outside of Procurement, for example in the Payments Team and a monthly exception report generated and reviewed.

Responsible Officer: James Rockcliffe/Brian Wiltshire

Implementation Date: 31 December 2019

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# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

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# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

**RISK: LSBU'S KEY CONTROLS IN PLACE TO MANAGE THE RISKS ASSOCIATED WITH GENERAL LEDGER DO NOT EXIST AND/OR ARE INEFFECTIVE AND/OR ARE BEING BYPASSED.**

Ref	Sig.	Finding
3		<p><b>Journal approval process and checks</b></p> <p>Agresso does not require approval for all journal types prior to posting and a review of journal postings is not being completed on a regular basis.</p> <p>We understand that high risk journals should be approved via an automated workflow. LSBU operate various journal codes and only one journal code requires approval within Agresso (code G6).</p> <p>Guidance has been provided to Finance staff on journals, their codes, and when they should be used (eg G7 for bank receipts not from a subsidiary ledger, RF for transactions between bank accounts). G6 journals are expected to be used for all other journals, and have a workflow approval process within Agresso.</p> <p>The Head of Financial Accounting has a check as part of their month end process where they are expected to review a sample of postings not on the G6 journal code. This is in order to identify whether journals have been incorrectly posted or posted against a different journal code to circumvent the approval process. If it is deemed that the posting incorrectly bypassed the approval process, the employee and their line manager are expected to be notified of the error with the intention it should not be repeated.</p> <p>While this check is intended to be completed monthly, we understand this does not take place regularly, with the last check having been completed for the March 2019 postings.</p> <p>In not reviewing journal postings made outside of the approval process, there is a risk that incorrect or inappropriate journals are posted in Agresso.</p>

## RECOMMENDATION:

LSBU should consider implementing an approval process for all journals within Agresso.

In the absence of a software solution the Head of Financial Accounting should complete the check for non-approved journal postings on a monthly basis and record this as part of their month end process. Where employees are identified as persistently posting journals to incorrect codes, management should consider removing their access to post journals within Agresso.

## MANAGEMENT RESPONSE:

It is not appropriate that all journals be approved and the journal procedure sets out where approval before posting is not necessary, because they are either deemed as low risk or other controls are in place to ensure the transaction is correct.

The Financial Accounting team should be checking compliance with the guidance every month and following up with the team where the incorrect journal type is being used. This was last reviewed in March 2019 but plans are now being put in place to ensure this review takes place monthly.

Responsible Officer: Rebecca Warren/Sally Black

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# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

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Implementation 31st December 2019.  
Date:

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## RISK: INAPPROPRIATE/INACCURATE PAYMENTS ARE MADE THROUGH THE BANK ACCOUNT

Ref	Sig.	Finding
4		<p><b>Supplier set-up - duplicate suppliers</b></p> <p>Duplicate suppliers have been set up in Agresso.</p> <p>Using data analytics, we reviewed all suppliers to identify potential duplicate entries, reviewing for duplicate bank detail entries. Following review by the Procurement Administrator, 32 genuine duplicate entries were noted. Various reasons for these were given, including:</p> <ul style="list-style-type: none"> <li>Suppliers requiring closure had not been closed (Agresso requires users to change the supplier status to 'Closed' and press the tab button on their keyboard before clicking 'Ok'). We noted instances where comments on the supplier record were updated to reflect closure but the closure was not completed.</li> <li>Suppliers were opened twice by accident (with consecutive supplier IDs) but one was not closed for the same reason as above.</li> </ul> <p>We understand that the processes for setting up new suppliers includes a check for duplicate records, but only by name. Suppliers with duplicate address or bank details, but different names would not be identified.</p> <p>Where duplicate suppliers exist in the system there is an increased risk that payments could be sent to the incorrect supplier.</p>

### RECOMMENDATION:

The Procurement team should check for duplicate supplier entries by name, address and bank details before inputting new suppliers.

An exercise should be undertaken by the Procurement team to identify and close all duplicate suppliers held in Agresso.

### MANAGEMENT RESPONSE:

Recommendation accepted and partially implemented. A report has been created within Agresso and as from 20 August 2019, Procurement check for duplicate supplier entries by name and bank account number before inputting new suppliers. Transferring new supplier setup completely onto Agresso will allow for checks to be made by name, address and full bank details.

Specific reports to identify/close duplicate suppliers will be run and reviewed quarterly.

Responsible Officer: James Rockliffe

Implementation Date: Now in place

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

**RISK: PAYMENTS ARE MADE TO NON-GENUINE STAFF, EG FICTITIOUS EMPLOYEES OR STAFF THAT HAVE LEFT**

Ref	Sig.	Finding
5		<p><b>Employees paid after leave date</b></p> <p>We identified staff paid that were erroneously paid by LSBU after their employment had ended.</p> <p>We performed data analytics on the entire population of leavers between the period 1 August 2018 and 31 July 2019 and identified three leavers who were paid after leaving LSBU. In all instances, the employee was paid for one additional month before the issue was identified and resolved. These issues were caused by HR and Payroll not being notified by line managers of an employee leaving until the month after they left, leading to continued payment.</p> <p>Where leavers are not processed in a timely manner there is a risk that employees are paid after they have left the University, resulting in financial loss for LSBU as they are unable to recover the overpayment.</p>

## RECOMMENDATION:

HR should communicate the importance of line managers reporting leavers in a timely manner through the dedicated inbox.

Employees should be required to contact HR formally as part of the process of giving their notice to the University. This will act as a compensatory control to identify leavers not provided to HR by line managers.

## MANAGEMENT RESPONSE:

The existing process for staff leaving will be communicated to managers. In addition staff should not be instructed to notify resignations to the HR service desk

Responsible Officer: Dave Lee

Implementation Date: 31 January 2020.

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## RISK: DUPLICATE PAYMENTS ARE MADE TO SUPPLIERS

Ref	Sig.	Finding
6		<p><b>Potential duplicate invoices</b></p> <p>Duplicate invoices may have been paid by LSBU.</p> <p>Through data analytics, we identified nine potential duplicate payments made by the University. Of these nine potential duplicate payments there are four groups of duplicates. The total value of the nine payments is £132,721 of which £81,361 represents the potential duplicate payments. These have been provided to staff within the accounts payable functions for review, and are still under investigation.</p> <p>The four groups of potential duplicates were paid to the same supplier with either identical or very similar invoice numbers.</p> <p>When invoices are scanned into Agresso, any duplicate invoice numbers are flagged which requires approval for processing. There is no arrangement in place to periodically review potential duplicate invoices that have been processed by the Finance team. We note that six payments (three groups of duplicates) were made with the same purchase order number. Agresso will allow this to occur if either further approval is given for an overspend, or if the purchase order is raised as a call-off order with multiple invoices posted against it.</p> <p>In the absence of controls to identify duplicate invoices prior to payment there is a risk of financial loss for the University.</p>

## RECOMMENDATION:

LSBU should investigate all potential duplicate payments made. If genuine duplicate payments have been made, LSBU should identify the reason they were not identified before payment was made, and take steps to recoup any monies owed.

LSBU should consider implementing a periodic review of duplicate invoices approved by the Finance team.

## MANAGEMENT RESPONSE:

Five potential duplicate payments are still being investigated. The payments team will continue to check invoices carefully before payments are made. In addition, a check on the format of invoice numbers will be made before payment.

Responsible Officer: Brian Wiltshire

Implementation Date: 30 November 2019

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## RISK: LACK OF SEGREGATION OF DUTIES OVER THE ACCOUNTS PAYABLE PROCESS

Ref	Sig.	Finding
7		<p><b>Written procedures - accounts payable and payroll</b></p> <p>LSBU has not established a complete suite of written procedures governing all processes within the accounts payable and payroll functions.</p> <p>Formal written procedure notes support continuity in completing a number of processes in accounts payable and payroll. In addition, process maps have been established to support the processing of starters, leavers and changes.</p> <p>We also note that there are documented processes in place for supplier set up in the Procurement team. Historically, there were process notes in place for the run the payroll, but these had not been updated to reflect the changes in process made by the Head of Payroll. We also identified a lack of formal process notes for the processing of payments and amendments to Agresso.</p> <p>Consequently, there is a risk that practices are followed either incorrectly or inconsistently, especially in the event of changes to staff within accounts payable or payroll functions.</p>

### RECOMMENDATION:

LSBU should establish documented procedures for existing processes within accounts payable and payroll functions. These should be communicated to relevant staff and, and reviewed annually and updated in line with any changes to procedures.

For accounts payable, it should include (but not be limited to) the following areas:

- Processing payments
- Step-by-step processes for processing new Agresso approvers, removing Agresso approvers and changes to approval limits.

For payroll, it should include (but not be limited to) the following areas:

- Detailed processes for completing the monthly payroll, including time frames for completions and submissions, supporting checks and reconciliations and staff responsibilities
- Processes for making payroll adjustments such as corrections for overpayments and deductions of in month payments.

### MANAGEMENT RESPONSE:

Process notes for both Payments and Payroll will be put in place.

Responsible Officer: Brian Wiltshire/ Joe McGarrity

Implementation Date: 28 February 2020.

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

**RISK: THE SETTING UP AND REMOVAL OF SUPPLIERS, AND AMENDING OF SUPPLIER BANK DETAILS, IS NOT APPROPRIATELY CONTROLLED**

Ref	Sig.	Finding
8		<p><b>Ongoing review of dormant suppliers</b></p> <p>There is no periodic review of historic suppliers within Agresso.</p> <p>Approved new suppliers for LSBU are set up in Agresso. All suppliers must be in Agresso in order to process payments due, ensuring that suppliers are approved before LSBU transfer funds for goods / services rendered. We note that the list of suppliers is not periodically reviewed to remove any suppliers not being used.</p> <p>In November 2018 a report was run of all suppliers dormant since 1 April 2017, with the intention of closing these supplier accounts. We understand this was a one-off check and was not intended to be completed periodically.</p> <p>Where historic suppliers are present in Agresso there is an increased risk that these suppliers could be used for misappropriating University funds. There is also a risk that where old supplier information is retained on Agresso that the University makes payment to the wrong account should it reengage with the supplier at a later date.</p>

## RECOMMENDATION:

LSBU should review dormant suppliers annually, closing those not used in the previous financial year.

## MANAGEMENT RESPONSE:

Agreed

Responsible Officer: James Rockliffe

Implementation Date: 31 January 2020

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## RISK: INAPPROPRIATE/INACCURATE PAYMENTS ARE MADE THROUGH THE BANK ACCOUNT

Ref	Sig.	Finding
9		<p><b>Banking access rights</b></p> <p>Some users with access to RBS/NatWest bank accounts have not accessed the accounts for long periods and there is a duplicate user on the system.</p> <p>Access to LSBU bank accounts is limited to key staff within Finance functions through user accounts. We reviewed the list of users for RBS/NatWest and Barclays banking platforms. While Barclays reporting did not show when accounts were last used, there were four users who had not accessed RBS/NatWest banking platforms since 2018. There is also one user account that has never been accessed. However, management informed us that this account was set up as a duplicate for a user who already had access.</p> <p>Infrequent access to bank accounts would suggest that providing access to the bank accounts is not necessary as part of these employees day to day role. Where high levels of staff are granted access to the accounts there is an increased risk of inappropriate or incorrect use of the banking platforms.</p>

### RECOMMENDATION:

LSBU should review user access to banking platforms, removing access to those who do not require access to carry out their job requirements.

### MANAGEMENT RESPONSE:

Agreed. A periodic review of staff access to online banking will be carried out and those who have not accessed their account for a period of time removed. In addition staff who have left will have their access removed and reviewed for staff changing roles

Responsible  
Officer: Rebecca Warren/Sally Black

Implementation  
Date: 31 October 2019

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## OBSERVATIONS

### EMPLOYEE WITH ACCESS TO GENERAL LEDGER AFTER LEAVING

At the time of the audit, one employee still had an active account providing access to the general ledger in Agresso despite leaving LSBU in April 2019.

We confirmed with the IT team that the employees IT account had been disabled and as such they were unable to access Agresso. We also confirmed that no postings in Agresso had been made by this account since their final day.

### PROCUREMENT STAFF MEMBER WITH AGRESSO APPROVAL ACCESS

We note that one member of the Procurement team (responsible for setting up suppliers) has authority within Agresso to approve requisitions up to £5,000. While it is not good practice to have someone within the team responsible for setting up and amending supplier data able to approve requisitions, we note that there is only one individual with this authority, and they can only approve requisitions for the Corporate Procurement Unit budget.

### C-SERIES USERS

We were unable to confirm who had active user accounts for Bottomline C-Series, the payments management platform where LSBU process BACS runs. This was due to a lack of reporting capability within C-Series.

However, as part of our substantive testing we confirmed a sample of BACS payments were approved in line with the Financial Regulations, before being processed within C-Series.

### JOB ROLE REQUISITION APPROVAL

Requisitions for job vacancies tested were not all approved in Agresso in line with the Financial Regulations.

When making a request to raise a job advert for a vacancy, approval must be obtained from a Director or Dean, and from HR. We tested 15 starters between 1 January and 30 June 2019, and found one requisition which had not been approved in the system by a Director or Dean. We were informed by management that this requisition had been approved outside of the system but were not provided with any evidence to substantiate this.

Raising a job vacancy does not commit the University to expenditure and there are a number of approval processes that must be completed prior to an offer being made to a candidate. As such, a finding has not been raised as the risk to the University in this area is extremely low.

### BANK DETAIL AMENDMENTS

Bank details are amended by members of the payroll team. An exception report is run of all bank detail changes which is reviewed by the Financial Controller prior to the payroll being run. Management could explore whether a workflow could be added to iTrent to require independent approval of any changes to employee details prior to standing data being amended.

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## STAFF INTERVIEWED

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

Sally Black	Head of Financial Accounting
Nikki Clayton	Senior HR Analyst
Natalie Ferer	Group Financial Controller
Norda Graham	Payroll Administrator
Dave Lee	Head of HR Operations
Joe McGarrity	Head of Payroll and Pensions
Cryss Mennaceur	HR Services Manager
Ravi Mistry	Finance & Management Information Systems Manager
Vic van Rensburg	Income Team Leader
Ralph Sanders	Director of Financial Planning, Reporting & Registry
Bobby Sivarajah	Payroll Administrator
Yasmin Shaikh	Procurement Administrator
Rebecca Warren	Head of Financial Accounting
Brian Wiltshire	Payments Manager

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

## RECOMMENDATION SIGNIFICANCE

<b>High</b> 	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.
<b>Medium</b> 	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.
<b>Low</b> 	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.

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

## APPENDIX II - TERMS OF REFERENCE

### PURPOSE OF REVIEW:

The purpose of the audit is to provide assurance over the controls LSBU has in place to manage the risks over payroll and accounts payable. We will also provide assurance over whether the key controls identified by LSBU in relation to general ledger and cash exist and are being applied, through limited testing.

### KEY RISKS:

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

#### Payroll

- Inappropriate segregation of duties over the payroll process including amendments to standing data and access to data
- Payments are made to non-genuine staff, eg fictitious employees or staff that have left
- Inaccurate and unauthorised payments are made to employees
- Payroll deductions are incorrectly calculated, not properly deducted or paid over
- Overpayments are made and not recovered.

#### Accounts payable

- Lack of segregation of duties over the accounts payable process
- The setting up and removal of suppliers, and amending of supplier bank details, is not appropriately controlled
- Payments to suppliers are made without confirmation that goods have been received
- Inappropriate/inaccurate payments are made through the bank account
- Payments made to suppliers are inappropriately authorised
- Duplicate payments are made to suppliers.

#### General ledger and cash

LSBU's key controls in place to manage the risks associated with general ledger and cash do not exist and/or are ineffective and/or are being bypassed.

### SCOPE OF REVIEW:

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

#### Payroll

- Segregation of duties operating over the payroll process
- Starters and leavers
- Changes to payroll, additional payments (eg overtime) and controls over ad hoc payments and payments to hourly paid employees
- Use of exception reporting

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

- Approval of payroll BACS runs
- Payroll deductions
- Identification and recovery of overpayments

## Accounts payable

- Segregation of duties over the accounts payable process
- The setting up and removal of suppliers, and amending of supplier bank details
- Goods receipting
- Payments are made through the bank account
- Authorisation of invoices
- Prevention and detections of duplicate invoices/payments

## Cash

- We will verify whether the following controls are in existence and perform sample testing to assess whether they are being adhered to/ are effective:
  - C1 - Cash takings in respect of tuition fees and student residences as recorded on QLX and KX are reconciled to cash balances held on a daily basis and discrepancies investigated.
  - C2 - Cash deposits made by Loomis are reconciled to records of cash takings on a daily basis.
  - C3 - Cash receipting responsibility within the QLX system and KX system is restricted to appropriate individuals.

## General ledger

- We will verify whether the following controls are in existence and perform sample testing to assess whether they are being adhered to/ are effective:
  - GL1 - Journals must be authorised, with supporting documentation, prior to being posted on the system
  - GL2 - On a monthly basis management accounts are prepared and significant variances against budget are investigated
  - GL3 - Suspense accounts are cleared or reconciled on a quarterly basis
  - GL 4 - Balance sheet control accounts are cleared or reconciled on a quarterly basis
  - GL 5 - Access to the GL is restricted to appropriate personnel
  - GL 6 - No single individual has access to make changes to both QLX and QLS systems.

Note - the codes (eg C1/ GL1) are references to the controls as per the previous internal auditor's report.

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

## APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

## Payroll

For payroll we will walk through the end to end payroll process and assess whether segregation of duties are appropriate and whether access to the payroll section of the integrated HR system is appropriately restricted.

We will assess whether controls to add starters to the payroll are appropriate and for a sample of 15 new starters between January and June 2019 assess whether these controls have been effective.

We will review the process for identifying and actioning leavers. Data analytics will be used to assess whether any leavers between January to June 2019 have been paid after their leaving date and/or are still being paid as of the July 2019 payroll.

We will assess whether changes made to the payroll (eg to salaries, bank details etc) are appropriately controlled and, for a sample of 15 changes, assess whether there is appropriate documentation to support the change. We will review the controls in place for paying hourly paid staff and for controlling ad hoc payments and overtime to assess whether these payments are appropriately controlled.

The exception reports in use will be reviewed to assess whether they would identify inappropriate changes and testing of two months' reporting will be performed to assess whether they are being generated and reviewed prior to payments being made.

We will assess whether payroll deductions are being reconciled and paid over in a timely manner through sample testing of two months of deductions.

The controls in place to identify overpayments and recover these will be assessed. Where overpayments have been identified we will assess whether action is being taken to follow these up.

## Accounts payable

A walkthrough of the accounts payable process will be performed to review segregation of duties and assess whether these are appropriate.

The controls around setting up, removal of suppliers, and amending of supplier bank details will be reviewed to assess whether robust controls are in place. We will perform testing to establish whether controls have been adhered to and whether exception reporting is performed on changes to the supplier master file before payments are made.

We will assess whether confirmation of goods being received is in place before invoices are authorised/ payments are made.

We will review the controls over the bank account to assess whether there are appropriate restrictions in place/ dual authorisation is required.

We will assess whether there are appropriate system controls in place to identify potential duplicate invoices and whether there are restrictions on processing these.

## General ledger and cash

For each of the controls identified in the scope area of this terms of reference we will assess whether the control exists and whether it is being applied/is effective. Testing will depend on the nature of the control and sample testing will be performed where relevant. Sample sizes will be determined once the population (January to June 2019) is known.

## DATA ANALYTICS:

We have considered the use of data analytics as part of this audit and the following tests will be performed:

# LONDON SOUTH BANK UNIVERSITY, FINANCIAL CONTROLS

KEY RISKS:	DATA ANALYTICS TO PERFORM:
Payments are made to non-genuine staff, eg fictitious employees or staff that have left	<p>Identification of leavers still on the payroll after their leaving date.</p> <p>Identification of potential duplicate employee records with the following:</p> <ul style="list-style-type: none"> <li>• Names</li> <li>• Addresses</li> <li>• Duplicate bank details</li> <li>• Duplicate NI Number</li> </ul> <p>Identify employees with:</p> <ul style="list-style-type: none"> <li>• An invalid NI number</li> <li>• Without an NI number</li> </ul> <p>Identify employees with:</p> <ul style="list-style-type: none"> <li>• No name</li> <li>• No address</li> <li>• No date of birth</li> <li>• No employee reference number</li> <li>• No tax code</li> <li>• Who are under 16.</li> </ul>
Inappropriate/inaccurate payments are made	<ul style="list-style-type: none"> <li>• Transactions outside of approver's authorisation limit</li> <li>• Transactions processed on a weekend</li> <li>• Suppliers with duplicate bank details</li> <li>• Suppliers with the same bank details as staff</li> <li>• Invoice values exceeding approved PO values</li> <li>• Analysis of PO value amendments/ increases.</li> </ul>
Duplicate payments are made to suppliers	<ul style="list-style-type: none"> <li>• Identify potential duplicate invoices</li> <li>• Identify potential duplicate payments.</li> </ul>

We will perform the data analytical work in advance of our site fieldwork.  
Any exceptions found will be communicated and investigated during our fieldwork.

**FOR MORE INFORMATION:**

**RUTH IRELAND**

+44 (0)20 7893 2337  
ruth.ireland@bdo.co.uk

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	CONFIDENTIAL
Paper title:	2019/20 Group Risk Policy Approach
Board/Committee:	Group Audit & Risk Committee
Date of meeting:	07 November 2019
Author(s):	Richard Duke, Director of Strategy & Planning
Sponsor(s):	Richard Flatman, Chief Financial Officer
Purpose:	For Review
Recommendation:	Review and recommend to Board

## Executive Summary

At its meeting of 13 June 2019, the Audit Committee discussed that a new approach to risk was required, given the move to Group. At this meeting it was suggested; that a Sub-Group of the Audit Committee review and discuss a new approach to risk, that has the aim of integrating risk into day to day operations as well as having Group wide scope.

This Sub-Group of the Audit Committee met and discussed a draft Risk Policy in September. This Policy includes recommended edits from that meeting. The Risk Policy provides a framework for how LSBU will oversee risk management across the Group, with the aim of integrating risk management into standard business planning activity. The following changes were made as a result of this meeting:

- Updated roles and responsibility chart in the policy;
- Adjustment to risk definition;
- Addition of very high likelihood rating;
- Definitions relating to impact rating by risk category;
- High level risk management timeline added, in addition to swim lane in Appendix B.

It should be noted that this policy will now be fully implemented immediately, but it will be fully operational in time for the 2020-25 Group Strategy in August 2020, with continuous progress towards that between now and then. Key activities include:

- Redesign of Risk Management Software framework;
- Risk management training activities;
- Design around business planning process.

The committee is requested to review the policy and recommend it to the Board of Governors.

## LSBU Group Risk Policy 2019/20

The approach detailed in this policy, will be implemented throughout 2019/20, ready to be fully implemented by the beginning of 2020/21, in time for commencement of the 2020-25 Group Corporate Strategy.

### Purpose of Risk Policy

1. The risk policy explains the London South Bank University Group's approach to risk management. Risk Management provides a mechanism and framework which at the highest level seeks to ensure that the London South Bank University Group achieves its strategic objectives, through effective identification, and management of uncertainties that could impact on these outcomes.
2. The risk policy sets out the roles and responsibilities of all key parties. It also sets out the risk management process at LSBU and the main reporting procedures.
3. The risk policy is part of the London South Bank University Group's internal control and corporate governance arrangements.
4. Ensures the London South Bank University Group complies with compliance requirements placed upon it by the key regulatory bodies; the Office for Students (OfS) and Office for Standards in Education (OFSTED). Comprehensive risk management is a regulatory requirement for all registered providers by OfS and OFSTED. The OfS regulatory framework<sup>1</sup> details these requirements and are outlined below.

### OfS Condition E2: Management and governance

- i. Operate in accordance with its governing documents.
- ii. Deliver, in practice, the public interest governance principles that are applicable to it.
- iii. Provide and fully deliver the higher education courses advertised.
- iv. Continue to comply with all conditions of its registration.

Included in the OfS assessment of institutions governance arrangements is that institutions have:

- Evidence of risk management tools and processes (e.g. a risk register)

It is also essential for institutions to follow public interest governance principles. Principle number V is:

- Risk management: The provider operates comprehensive corporate risk management and control arrangements (including for academic risk) to ensure the sustainability of the provider's operations, and its ability to continue to comply with all of its conditions of registration.

Risk Ofsted evaluation framework, does not specifically reference risk management, but there is a review of effective Governance, of which risk management is an important component.

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<sup>1</sup> OfS Regulatory Framework [https://www.officeforstudents.org.uk/media/1406/ofs2018\\_01.pdf](https://www.officeforstudents.org.uk/media/1406/ofs2018_01.pdf)

## Definition of Risk

For the purposes of this policy risk is defined as:

‘Circumstances that have not yet occurred that potentially impact upon the achievement of the organisation’s objectives’.

This could be any event, outcome or action which could:

- Cause financial disadvantage to the Group, i.e. loss of income, additional costs, loss of assets, creation of liabilities;
- Cause damage to the reputation of the Group;
- Prevent an opportunity from being taken;
- Lead to a failure to capitalise on our strengths;
- Prevent or hinder achievement of any of the objectives of the Corporate Strategy or associated local delivery plans;
- Impact negatively on student experience or achievement;
- Reduce risks of non-compliance with regulators.

This is distinct to an issue, which is something that also might impact upon the achievement of objectives, but has already occurred.

## The LSBU Group and Risk Policy

There are four entities that comprise the LSBU Group:

- London South Bank University
- South Bank Colleges
- South Bank Academies
- South Bank Enterprises

The different regulatory requirements of each element of the Group, requires a devolved approach to risk. However, this policy’s coverage relates to the whole Group, and where a devolved approach is taken, this is clearly specified.

## Committees and Reporting

Group	LSBU (shared with Group Board & Audit Committee)	SBC	SBA	SBE
Board	Board/Audit Committee	Board/Audit Committee	Board/Audit Committee	Board/Audit Committee
Audit Committee	UMC	Lambeth Academic Provision	Each Academy	
Executive	School SMT	Lambeth Academic Provision	Each Academy	
Senior Leadership Team				
PSG SMT	PSG SMT	PSG SMT	PSG SMT	PSG SMT

## Timelines



Appendix B details the annual schedule of risk management in detail.

## Risk Registers

The LSBU Group has three sets of risk registers across its risk management process. These are:

- LSBU Group Risk Register;
- Institutional Risk Registers;
- Local Risk Registers.

The population of the Group Risk Register is informed by risks outlined in Institutional Risk Registers, and the Institutional Risk Registers are informed by local risk registers.

### Local Risk Registers

- Each Risk identified has the following information:

Risk	Risk description	Risk Type	Sub- Strategy	Cause and effect of risk	Likelihood rating	Impact rating	Mitigating actions	Residual likelihood	Residual risk classification	Risk owner
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- Any risk classified as Critical or High in Local Risk Register is referred to the Sub-Strategy Owner in the Institutional Risk Register;
- Any risk that is classified as medium in 3 or more Local Risk Registers, is referred to the Sub Strategy Owner in the Institutional Risk Register.
- Risks that appear in Institutional Risk Registers, that are not included at local level will be raised in meetings between Planning, Performance & Assurance (PPA) local business units.

### Institutional Risk Registers

- Each risk identified has the same information recorded as in Local Risk Registers, but at institutional level (the risk owner may well be different at institutional level to local level).
- In addition to the standard risk register, an institutional regulatory risk report will be produced.
  - LSBU – OfS and OFSTED (levels 4+5 Apprenticeships)
  - SBC – OFSTED
  - SBA – OFSTED
  - SBE – Not applicable.
- Any risk classified as medium or above in an Institutional Risk Register, will be referred to the Sub Strategy Owner at Group Level for their review.
- Risks that appear in Corporate Risk Registers that are not included at institutional level will be raised with Sub-Strategy Owners at Institutional level.

### Group Risk Register

- Overall Risk Register, with same information as Local and Institutional Risk Registers. Detail defined by Sub-Strategy owner.
- Institutional Regulatory Risk Registers published alongside Overall Risk Registers
- Risks identified through three sources:
  - Those promoted after review by Sub-Strategy Owners according to Institutional Risk Register;
  - Sub Strategy Owners personal insight;
  - Reference to external sector risk reviews, e.g. external audit risk report.

This diagram details the hierarchy of risk registers.



## Risk Categories

The following risk categories are used across the LSBU risk management framework.

- Financial
- Legal Compliance
- Academic Activity
- Reputation

Each Group, Group Entity and local organisational unit allocates each risk identified to a risk category and Group Sub- Strategy.

## Risk Appetite

Risk appetite is devolved to each individual entity of the LSBU Group. This is not aggregated at Group Level. A risk appetite is defined in each entity of the Group, using the consistent risk appetite framework. This framework is detailed in Appendix A. A risk appetite is set for each of the risk categories outlined above.

## Roles and Responsibilities

The table below details Committees, meetings and individuals roles and responsibilities as part of the risk management policy.

Role	Responsibility
Group Board	Review and Approve Risk Policy, Institutional Risk Appetites and Group Risk Register  Approve LSBU Risk Register.
Group Audit Committee	Review and Recommend Risk Policy, Institutional Risk Appetites and Group Risk Register to Board  Recommend LSBU Risk Register to Board
Group Executive	Review and Recommend Risk Policy, Institutional Risk Appetites and Group Risk Register to Audit Committee  Recommend LSBU Risk Register to Audit Committee
Group Senior Leadership Team	Review Sub Strategy Risks as part of delivery of sub strategies
SBC Board/Audit Committee	Approve SBC Risk Register.
SBA Board/Audit Committee	Approve SBA Risk Register.
SBE Board/Audit Committee	Approve SBE Risk Register.
Local Senior Management Teams	Own Local Risk Register
PPA	Collate and support all areas of the Group in completion of documentation, and offer challenge where appropriate.
Group Sub-Strategy Owner	Set and appraise risks at Sub Strategy Level. This should be in consideration of individual entity risks, personal insight and PwC risk review report.

Institutional Sub-Strategy Owner	Set and appraise risks at Sub Strategy Level by institution. This should be in consideration of Local Risk register risks by Sub Strategy.
Local Risk owner	The Head of individual business units. Responsible for classification of risks at local level.

## Risk Classification

### Impact

- *Critical* – occurrence would have a critical effect on the ability of the Group to meet its objectives; could result in the removal of degree awarding status, financial impact undermining financial viability, severe reprimand by OfS/OFSTED or Parliament or the closure of any element of the Group.
- *High* – occurrence would have a significant effect on the ability for the Group to meet its objectives and may result in the failure to achieve one or more corporate objectives.
- *Medium* – occurrence may result in the failure to meet operational objectives and may reduce the effectiveness of the Group but it would not result in the failure of the Group’s corporate objectives or put an element of the Group at risk.
- *Low* – occurrence would have little effect on operational or corporate objectives.

More clarity in relation to these definitions, by risk category are detailed below. It is important to note that a risk is classified by type, not its impact. For example a risk around non-compliance relating to data protection is a legal risk, though its impact may well be financial or reputational.

	<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<b>Financial</b>	Deterioration of Group operating margin greater than 5%	Deterioration of Group operating margin greater than 2%	Deterioration of Group operating margin greater than 1%	Deterioration of Group operating margin greater than 0.5%
<b>Legal Compliance</b>	One or more of the Group's entities is no longer able to legally operate or significant reputational impact or deterioration of Group operating margin greater than 5%	High reputational impact or deterioration of Group operating margin greater than 3%	Medium reputational impact or deterioration of Group operating margin greater than 2%	Low reputational impact or deterioration of Group operating margin greater than 1%
<b>Academic Activity</b>	Removal of OfS registration or Ofsted special measures	OfS issuing a specific condition of registration or an Ofsted rating of 1 (inadequate)	OfS issuing a of enhanced monitoring or an Ofsted rating of 2 (requires improvement)	OfS formal communication, where improvement is required or Ofsted rating of 3 (good)
<b>Reputation</b>	National/International negative exposure over a period longer than a week, beyond the HE environment	National/International negative exposure over a period longer than a week within HE publications and forums	A single National/International negative exposure inside or outside of HE publications or forums.	Negative exposure at local level inside or outside of HE publications or forums.

## Residual Likelihood

- Very High – Almost certain to occur within 1 year
- High – likely within 1 year
- Medium – may occur medium to long term
- Low – unlikely to occur

## Risk Classification Matrix

<b>Impact</b>	<b>Critical</b>	High	Critical	Critical	Critical
	<b>High</b>	Medium	High	High	High
	<b>Medium</b>	Low	Medium	Medium	High
	<b>Low</b>	Low	Low	Low	Medium
		<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Very High</b>
		<b>Likelihood</b>			

## Sub Strategies

All identified risks, at all levels will be allocated to sub-strategies, which are aligned to the 2020-25 Group Corporate Strategy. This ensures that risks are being considered in the context of the achievement of the strategic plan. Each Sub-Strategy has an Executive Sponsor and Owner at group level (this is sometimes the same individual). It is Sub-Strategy Owners that are responsible for the management of risk that are categorised under their respective sub-strategy.

The Table below details the sub-strategies, Executive Sponsors and Owners.

Sub-Strategy	Group Sponsor	Group Owner	LSBU Owner	SBC Owner	SBA Owner	SBE Owner
Education	Vice-Chancellor	Vice-Chancellor	Provost	PVC - Compulsory & Further Education	PVC - Compulsory & Further Education	DVC - Chief Business Officer
Research	Provost	Provost				
Enterprise and Business Engagement	DVC & CBO	DVC & CBO				
International	DVC & CBO	Director of International				
Digital	CCO	Director ARR				
Estates	DVC & CBO	Director of Estates				
Resources	CFO	CFO				
Marketing & Brand	CCO	CCO				
Leadership, People & Culture	CCO	Director of P&O				
Student Support	CCO	Director of Student Services				
Equality & Diversity	CCO	Director of P&O				
Civic Engagement	Group Secretary	Group Secretary				

## Risk Reporting

Different levels of reporting will be submitted to different meetings. The table below details which meetings and committees will be in receipt of which report.

	Risk Register Matrix by Risk Type and Impact / Likelihood	Summary of Changes Since Register Previously Published	Risks by Risk Appetite Matrix	Detailed Breakdown by Individual Risk	Risk by Sub Strategy Matrix
Group Board	x	x	x		x
Group Audit Committee	x	x	x	x	x
Group Executive	x	x	x	x	x
Group Senior Leadership Team	x				x
SBC Board	x	x	x		x
SBA Board	x	x	x		x
SBE Board	x	x	x		x
Local Senior Management Teams	x	x	x	x	x

## Training

A training programme will be developed. This will be undertaken with support from colleagues in OD. The initial stage will be to identify relevant stake holders and owners in each part of the risk management process, and deliver training that meets these requirements.

## Technology

The 4Risk Platform will be used to maintain the register of risks. Registers at local level and sub-strategies at Institutional and Group will be owned by a single individual, and updates will be self-served. There will not be automated emails however, and its completion will be supported through regular communication with the PPA team.

**Appendix A - Risk Appetite Matrix**

	<b>Avoid / Averse</b>	<b>Minimal</b>	<b>Cautious</b>	<b>Open</b>	<b>Seek</b>	<b>Mature</b>
<b>Overall</b>	Avoidance of risk and uncertainty is a Key Organisational objective	(as little as reasonably possible) Preference for ultra- safe delivery options that have a low degree of inherent risk and only for limited reward potential	Preference for safe delivery options that have a low degree of inherent risk & may only have limited potential for reward	Willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VFM)	Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)	Confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust
<b>Financial</b>	Avoidance of financial loss is a key objective.	Only prepared to accept the possibility of very limited financial loss if essential.	Prepared to accept possibility of some limited financial loss.  Resources generally restricted to existing commitments.	Prepared to invest for return and minimise the possibility of financial loss by managing the risks to a tolerable level.  Resources allocated in order to capitalise on opportunities.	Investing for the best possible return and accept the possibility of financial loss (with controls may in place).  Resources allocated without firm guarantee of return – 'investment capital' type approach.	Consistently focused on the best possible return for stakeholders. Resources allocated in 'social capital' with confidence that process is a return in itself.
<b>Legal Compliance</b>	Play safe; avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge.  Similar situations elsewhere have not breached compliances.	Limited tolerance for sticking our neck out. Want to be reasonably sure we would win any challenge.	Challenge would be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	Chances of losing any challenge are real and consequences would be significant. A win would be a great coup.	Consistently pushing back on regulatory burden. Front foot approach informs better regulation.
<b>Academic Activity</b>	Defensive approach to objectives – aim to maintain or protect, rather than innovate.  Priority for tight management controls & limited devolved authority.  General avoidance of systems/ technology developments.	Innovations always avoided unless essential or commonplace elsewhere.  Decision making authority held by senior management.  Only essential systems / technology developments to protect current operations.	Tendency to stick to the status quo, innovations in practice avoided unless really necessary. Decision making authority generally held by senior management. Systems / technology developments limited to improvements to protection of current operations.	Innovation supported, with demonstration of commensurate improvements in management control.  Systems / technology developments used routinely to enable operational delivery.  Responsibility for non- critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. New technologies viewed as a key enabler of operational delivery.  High levels of devolved authority – management by trust rather than tight control.	Innovation the priority – consistently 'breaking the mould' and challenging current working practices.  Investment in new technologies as catalyst for operational delivery. Devolved authority – management by trust rather than tight control is standard practice.
<b>Reputation</b>	No tolerance for any decisions that could lead to scrutiny of, or indeed attention to, the organisation. External interest in the organisation viewed with concern.	Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the organisation.  Senior management distance themselves from chance of exposure to attention.	Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be a failure.  Mitigations in place for any undue interest.	Appetite to take decisions with potential to expose the organisation to additional scrutiny/interest.  Prospective management of organisation's reputation.	Willingness to take decisions that are likely to bring scrutiny of the organisation but where potential benefits outweigh the risks.  New ideas seen as potentially enhancing reputation of organisation.	Track record and investment in communications has built confidence by public, press and politicians that organisation will take the difficult decisions for the right reasons with benefits outweighing the risks.

**Appendix B – Risk Management Structures and Timelines** (exact months might change from year to year, depending upon calendars)

		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
<b>Governance Forums</b>	<b>Group Board</b>			Review and Approve Risk Appetite and Policy	Review and Approve Risk Register				Review and Approve Risk Register		Review and Approve Risk Register		Review and Approve Risk Register	
	<b>Group Audit Committee</b>			Review and Recommend Risk Appetite and Policy	Review and Recommend Group Risk Register				Review and Recommend Group Risk Register		Review and Recommend Group Risk Register		Review and Recommend Group Risk Register	
	<b>Group Executive</b>		Consideration of PwC Audit Report	Review and Recommend Risk Appetite and Policy	Review and Recommend Group Risk Register				Review and Recommend Group Risk Register		Review and Recommend Group Risk Register		Review and Recommend Group Risk Register	
	<b>SBC Board (and Audit Committee)</b>		Review and Recommend Risk Appetite	Review and Approve Entity Risk Register				Review and Approve Entity Risk Register		Review and Approve Entity Risk Register		Review and Approve Entity Risk Register		Review and Approve Entity Risk Register
	<b>SBA Board (and Audit Committee)</b>		Review and Recommend Risk Appetite	Review and Recommend Entity Risk Register				Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register
	<b>SBE Board (and Audit Committee)</b>		Review and Recommend Risk Appetite	Review and Recommend Entity Risk Register				Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register		Review and Recommend Entity Risk Register
<b>Strategy Implementation</b>	<b>Group Senior Leadership Team</b>	Review of Risks by Sub-Strategy (3 per meeting), Major Project Risk Registers and Collated Group Corporate Risk Register at each meeting												
	<b>Sub Strategy Owners</b>	Quarterly review of every Sub Strategy risks - rolling cycle												
	<b>Business Units</b>		Review Local Risk Registers			Review Local Risk Registers			Review Local Risk Registers				Review Local Risk Registers	
	<b>UMC</b>		Review LSBU School Risk Registers			Review LSBU School Risk Registers			Review LSBU School Risk Registers				Review LSBU School Risk Registers	
	<b>Other Business Planning Activities</b>			Review of Local Risk registers in OE Reviews					Review of Local Risk registers in OE Reviews					

# Agenda Item 22

	CONFIDENTIAL
Paper title:	Prevent Annual Report
Board/Committee	Group Audit & Risk Committee
Date of meeting:	7 November 2019
Author:	Ed Spacey, Head of People and OD Compliance
Sponsor:	Fiona Morey, Executive Lead for Prevent
Purpose:	For review
Recommendation:	To note the content of the Annual Prevent Return and recommend to the Board for approval ahead of submission to the OfS,

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## **Prevent Annual Report**

### **1.0 Background and Purpose**

- 1.1 To provide an annual report on the implementation of the “Prevent Duty”.  
The “Prevent Duty” is the responsibility to stop people being drawn into terrorism.
- 1.2 The monitoring framework requires the University to submit an annual return to the Office for Students by 2 December 2019. The report covers the period of the last academic year and developments to date.

### **2.0 OFS Required Statement of Assurance**

#### **Recommendation**

**The Board of Governors approves the statement below and notes the text. A signed document is needed for the OfS return.**

Throughout the academic year and up to the date of approval, London South Bank University:

- has had due regard to the need to prevent people being drawn into terrorism (the Prevent duty)
- has provided to OfS all required information about its implementation of the Prevent duty
- has reported to OfS in a timely way all serious issues related to the Prevent duty, or now attaches any reports that should have been made, with an explanation of why they were not submitted.
- Has reviewed and where necessary, updated its Prevent risk assessment and action plan

### **3.0 Accountability statement**

(Governing bodies/proprietors are required to provide a short statement (max 300 words) outlining the mechanisms to which they have been assured they are able to sign the declaration satisfactorily. This is proposed as below).

- The Vice Chancellor is fully engaged with the approach to Prevent and the Pro Vice Chancellor (Compulsory and Further Education) is Executive Lead.
- There have been no referrals to Channel during 2018 to date, nor where there any in previous reporting periods. Channel is the highest level multi agency referral panel.
- In 2018/19 there were 9 occasions where potential prevent issues were raised internally for consideration under our policy, compared to 7 last year. Of those 9, 4 were about the same individual. Sources of referrals were Lecturers(7), Student Wellbeing Team(1) and Police Personal Data Request(1). There was no further prevent action required in any case.
- The Pro Vice Chancellor (Compulsory and Further Education) chairs an overarching Safeguarding Committee, which monitors work on Prevent and includes representation such as the Chief Executive of the Student Union and senior managers including at Dean of School level and the Executive Director of Student Support and Employment.
- Prevent continues to feature in reports made to the Health and Safety Joint Committee 3 times per year.
- The Prevent Policy, Risk Assessment, Action Plan and External Speakers Policy has been fully reviewed. The approach to prevent training and completion is monitored/regularly reviewed by the Safeguarding Committee.
- The Head of Compliance (formerly Acting Deputy Director of HR Services) continues to be an active member of the London Regional Higher Education Prevent Network, and regularly attends Roundtable consultation meetings with the DFE on Counter Extremism.
- In August 2019, the Head of Compliance met with a representative of the DFE Counter Extremism Unit to provide sector advice on dealing with Prevent and post Terrorism incident issues. He agreed to work with and support requests from NaCTSO (National Counter Terrorism Security Office) for sector related guidance.

Name	
Signed	
Date	

#### 4.0 Data

Full details of the data numbers are provided as below. (Included only for the Executive Report not Board).

<b>Welfare</b>	<b>Number</b>
i) Number of welfare cases referred for specialist advice and support	155
ii) Number of Prevent-related cases escalated to the point at which the prevent lead has become involved	9
iii) Number of Prevent-related cases which led to external advice being sought from Prevent partners	9
iv) Number of formal referrals to Channel	0
Notes 155 relates to non-prevent welfare cause for concern cases via central student services. These are cases where there is a significant impact on safety usually requiring a cross university response, and often including external services/agencies.  Advice is always taken from Prevent Partners in relation to Channel referral thresholds.	

<b>Events and Speakers</b>	<b>Number</b>
i) Total number of events/speakers approved	461
ii) Number of events/speakers approved with conditions/mitigations	0
iii) Number of events/speakers referred to the highest decision maker in the provider's process	2
iv) Number of events/speaker requests rejected	0

<b>Training</b>	<b>Number</b>
i) Number of staff identified as key to Prevent delivery	40
ii) Number of key staff receiving induction Prevent training	5
iii) Number of key staff receiving refresher Prevent training	35
iv) Number of staff receiving broader welfare/safeguarding awareness training/briefing	523

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	CONFIDENTIAL
Paper title:	Anti – Fraud, bribery and corruption report
Board/Committee	Group Audit & Risk committee
Date of meeting:	7 November 2019
Author:	Natalie Ferer, Financial Controller
Sponsor:	Richard Flatman, Chief Financial Officer
Purpose:	To alert the Committee to any instances of fraud, bribery or corruption arising in the period since the committee last met
Recommendation:	That the Committee notes this report

## Summary

Since the last report there is one new matter to report and an update on 2 previously reported matters.

### 1. SBA purchasing card

The Head Teacher of the University Academy of Engineering has identified two fraudulent transactions charged to his company credit card. The two transactions were both to airlines with a total charge of £1,180.73. A further 3 transactions for insurance, car hire and accommodation were rejected by the card issuer. Lloyds, has recognised the transactions as fraudulent and returned the money to the Trust account so there is no cost to the University Group. The card has been destroyed and a new one issued. The cardholder has been reminded that he is responsible for keeping card details safe, although there is no evidence that the cardholder himself was involved in the fraudulent transactions.

The matter has been reported to the police through Action Fraud.

## **2. Tenant Fraud**

It has been previously reported that in September 2017 a tenant, whose business rents space in the Clarence Centre, had made an insurance claim for personal injury against the university which our insurer, Zurich, was investigating as fraudulent due to inconsistencies in the details of the claim. The claimant has since withdrawn the claim and Zurich have confirmed that they have closed the case and no money was paid out.

The tenant's arrears of rent have since increased and, although small payments have been made, a decision has been made to proceed with eviction.

## **3. Software Purchase**

An investigation took place into the procurement of software purchased from one particular supplier. There was no indication of fraud and no further action by HR is planned but there have been procedural failures. Procurement and ICT have agreed to instigate a competitive tender exercise when the contract with the supplier in question expires.

### **Recommendation:**

The Committee is requested to note this report

	INTERNAL
Paper title:	Confirmation of UKVI compliance and licence renewal
Board/Committee:	Group Audit & Risk Committee
Date of meeting:	07 November 2019
Author(s):	Professor Paul Ivey Deputy Vice-Chancellor & Chief Business Officer
Sponsor(s):	Professor Paul Ivey Deputy Vice-Chancellor & Chief Business Officer
Purpose:	For Information
Recommendation:	That the committee notes the welcome outcome of the recent Home Office review of LSBU UKVI compliance statistics.

## **UKVI Compliance**

Governors will recall that LSBU international activity requires simultaneous compliance across four UKVI tiers, namely: Tier 1 – Entrepreneurs, Tier 2 – Skilled workers, Tier 4 – Students, and Tier 5 – Temporary workers (i.e. Confucius Institute).

With respect to tier 4 there is an annual Home Office review of LSBU data measuring visa refusal rates for LSBU applicants, enrolment rates for LSBU visa holders, and completion rates for LSBU tier 4 students. The thresholds for each are 10%, 95% and 85%, respectively and performance out with these thresholds results in a loss of license and significant negative income / reputational impact.

Governors will also recall two reports during 2018/2019 indicating concerns regarding completion performance and signaling remedial efforts via temporary in year support to manually collate records and more sustainably use of the LEAP ‘accelerator’ process to address a University deficit in understanding and discipline with respect to this area.

In 2017/2018 the annual compliance monitoring statistics were 4, 99 and 87% respectively; I am delighted to say that for 2018/2019 the corresponding outcomes are 2%, 99% and 96%. This is a most welcome result and secures the LSBU license. The work on the ‘accelerator’ with PWC is funded and has started, and the lessons learned by the temporary in year work are being shared with the accelerator team.

The committee is requested to note.

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UK Visas  
& Immigration

Tier 4 Sponsor Assessment Unit  
Vulcan House - Steel  
PO Box 3468  
Sheffield  
S3 8WA

Paul Ivey  
London South Bank University  
103 Borough Road  
London  
SE1 0AA

Email: [Tier4SponsorAssessmentUnit@homeoffice.gov.uk](mailto:Tier4SponsorAssessmentUnit@homeoffice.gov.uk)  
Web: [www.gov.uk/uk-visas-immigration](http://www.gov.uk/uk-visas-immigration)

22 October 2019

Sponsor Licence Number: 1F2MGYXUX

Dear Professor Ivey

**Basic Compliance Assessment**

**London South Bank University**

Thank you for your Basic Compliance Assessment (BCA) application to maintain your sponsor Track Record submitted on 6 September 2019.

**Our assessment**

The assessment period is the 12 months immediately prior to the date your BCA application was submitted and the results are as follows:

Refusal Rate: 2.12%  
Enrolment Rate: 99.40%  
Course Completion Rate: 96.03%

These results may have excluded some data where a match could not be found against the Confirmations of Acceptance for Studies (CAS) used within the relevant assessment period.

**Our decision**

You have met the core requirements and passed the BCA. As such we maintained your sponsor Track Record.

## **Next steps**

Your current status is displayed in your sponsorship management system (SMS) account and on the [Tier 4 Register of Sponsors](#).

You can apply for your next BCA up to 1 month prior to the expiry date of your current BCA. The last possible date to apply is the 'status end date' shown in your SMS account.

A reminder to apply for your BCA will be issued by email to the contact details you have provided. If you do not apply for a BCA in time, your licence will be revoked. It is therefore your responsibility to ensure that all contact details are up to date and accurate and that email accounts are regularly monitored.

## **Your sponsorship duties**

As a licensed sponsor, you must fulfil your sponsorship duties as detailed in the Tier 4 guidance for sponsors, available on the Gov.uk website: [Sponsor a Tier 4 student: guidance for educators](#)

If you fail to comply with your sponsorship duties, we will take compliance action against you.

Please contact us if you require further guidance or information, quoting the reference number above.

**Yours sincerely**

**Adil Hakim**  
**Tier 4 Sponsor Assessment Unit**

	CONFIDENTIAL
Paper title:	Modern Slavery Statement 2019
Board/Committee	Group Audit & Risk Committee
Date of meeting:	7 November 2019
Author:	James Rockliffe - Director of Procurement
Sponsor:	Richard Flatman – Chief Financial Officer
Purpose:	For Approval
Recommendation:	To recommend approval of the 2019 Modern Slavery Statement to the Board of Governors.

## Executive Summary

- A draft modern slavery statement for 2019 is enclosed.
- We are required to obtain approval from our ‘Board of Directors’. See the enclosed extract from PWC’s modern slavery guidance.
- The statement must be approved by the Board of Governors to enable the University to state that it meets its statutory obligations in respect of modern slavery legislation when bidding for funding.
- Publication is advised within six months of year end; however, this is not a definitive deadline. Our intention is to publish the statement on the University website on or before 31 January 2020.
- It is recommended that the Executive approves this statement so that it can be tabled for Board of Governor approval.

### **5** Who should approve your statement?

The Act states:

- If your business is a body corporate other than a limited liability partnership, it must be approved by the board of directors (or equivalent management body) and signed by a director (or equivalent);
- If your business is a limited liability partnership, it must be approved by the members and signed by a designated member;
- If your business is a limited partnership registered under the Limited Partnerships Act 1907, it must be signed by a general partner; and
- If your business is any other kind of partnership, it must be signed by a partner.

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# Modern Slavery Statement 2019

## Introduction

London South Bank University (“LSBU” or “the University”) is committed to preventing acts of modern slavery and human trafficking from occurring within its business and supply chain and imposes the same high standards on its suppliers.

LSBU is one of London’s oldest universities. It has a rich history with strong educational roots dating back to 1892. The University as it is today was created in 1992.

This statement is made in accordance with section 54 (1) of the Modern Slavery Act 2015 and sets out the steps taken by LSBU during the financial year ending 31 July 2019 and constitutes LSBU’s slavery and human trafficking statement.

LSBU is committed to running the organisation ethically, sustainably and responsibly. We strive to maintain high ethical principles and to respect human rights. We committed to procuring goods and services and employing people without causing harm to others.

## Structure of our organisation

London South Bank University is a UK based University. It employs approximately 2,000 staff and teaches over 18,000 students. It operates primarily in the UK but has partnership arrangements with providers of education in the UK and overseas. LSBU has a total income of approximately £150 million. Information regarding the University’s business and structure is available at <https://www.lsbu.ac.uk/about-us/people/governance>.

## Our Governance



The Sustainability Steering Group is responsible for the oversight, development and ongoing monitoring of the University environmental and sustainability strategy and overall direction. Work within this area is reported to the University's Executive Committee

## Our spend categories and those that present risks of human rights abuses

The principal categories which the University deems as carrying significant risks are security, catering, cleaning, IT and laboratory consumables. The University deems the corresponding source countries to be as follows:

Category	Country
Security and Reception services	United Kingdom
Catering services	United Kingdom
Cleaning services	United Kingdom
Laboratory consumables	Malaysia, Indonesia, India, Pakistan
IT Equipment	East Asia, China, Eastern Europe, Mexico
Uniforms/Workwear	UK, Indonesia, Malaysia, China, Bangladesh

## Due diligence and compliance

The University is a member of the London Universities Procurement Consortium (LUPC), which is a non-profit professional buying organisation. LUPC is a member of Procurement England Limited (PEL). These bodies have together published a shared Sustainability Policy to which all PEL member consortia are committed.

LUPC has also published its own Slavery and Human Trafficking Statement setting out its position with regard to modern slavery and human trafficking.

The University also purchases via the APUC, NEUPC, SUPC, NWUPC consortia and via Crown Commercial Services which have also published their own Slavery and Human Trafficking Statements.

The University is an affiliate member of Electronics Watch. Electronics Watch is an independent monitoring organisation that assists public sector buyers to protect labour rights and improve working conditions for an estimated 18 million workers in their global electronic supply chains more effectively than any single public buyer sector could accomplish on its own.

The University procures IT equipment through the LUPC led national electronics framework agreement for Desktop and Notebook PCs, which includes model Electronics Watch contract clauses. The University affiliate membership allows the use of the same clauses, resources and information to work with suppliers to improve conditions for electronics workers globally.

## Further actions and key goals for 2020

To supplement the actions taken this financial year to prevent slavery or human trafficking from occurring in its business or supply chains, the University shall review its approach to Anti-Slavery and consider further measures to combat modern slavery and trafficking.

The University reaffirms its commitment to improving its understanding of supply chains and to continue to develop processes and ways of working to identify categories where the risk of modern slavery or human trafficking may exist.

The University will continue to work with its partners (especially the LUPC) to gain experience of supply chain due diligence and mitigation of the risks to human rights in supply chains.

The University will ensure that senior managers responsible for higher risk spend categories and contracts receive Modern Slavery awareness training.

It will also continue to use attend events and use available learning material produced especially for public procurement practitioners.

## Approval

This statement was approved by LSBU's Board of Governors on xx November 2019 and will be reviewed annually.

<<<Dave's signature here>>>

**Professor David Phoenix**  
Vice-Chancellor and Chief Executive

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	CONFIDENTIAL
Paper title:	Speak up update
Board/Committee:	Group Audit & Risk Committee
Date of meeting:	07 November 2019
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	Duncan Brown, Chair of the Audit Committee
Purpose:	For Information
Recommendation:	The committee is requested to note the update on speak up matters

## **Speak up matters**

Since the last Audit Committee meeting there has been one matter raised under the speak up policy. This alleged malpractice in a disciplinary process. The matter was investigated and the Chair of the Committee concluded that the allegations did not fall within the speak up policy and were dealt with as part of the disciplinary process.

One speak up matter was reported to the previous meeting, alleging bullying and academic misconduct in one of the LSBU academic schools. Following investigation by the Dean of the School, no evidence was found of bullying or academic malpractice.

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	INTERNAL
Paper title:	OfS – regulatory advice on reportable events
Board/Committee:	Group Audit and Risk Committee
Date of meeting:	07 November 2019
Author(s):	James Stevenson, University Secretary
Sponsor(s):	James Stevenson, University Secretary
Purpose:	For Information
Recommendation:	The committee is requested to note.

## **OfS – regulatory advice on reportable events**

At its meeting of 1 October 2019, the audit committee noted a summary of the conditions of LSBU’s registration and how compliance with the conditions will be evidenced.

Since this meeting, the OfS has issued a formal notice dated 15 October 2019 to HE providers, setting out regulatory advice on reportable events and how they should be reported (regulatory advice 16) (available on request).

As previously reported to the committee, under the OfS regulatory framework, a reportable event is:

“...any event of circumstance that, in the judgement of the OfS, materially affects or could materially affect the provider’s legal form or business model, and/or its willingness or ability to comply with its conditions of registration....”

It is now clear from the regulatory advice, that:

“Where directed to make a judgement about materiality...or when determining whether to report an event not listed [*in the regulatory framework*], a provider must make its own judgement about whether an event is material and so should be reported...” (RA16, para.12)

The OfS recognises that the materiality of an event may depend on a number of factors, including the size and complexity of a provider.

The OfS expects the provider to make a “reasonable judgement” in relation to reporting.

## **Types of reportable event**

Annex B of the regulatory advice (see attached) sets out specific types of reportable event. These include (non-exhaustive):

- change of accountable officer or chair of governing body
- material change in actual or forecast financial performance or position
- a material change in gearing
- a material change in student numbers not included in forecast
- a significant redundancy programme
- any other material event with possible implications for financial viability or sustainability
- a suspected or actual fraud or financial irregularity
- a material failure in internal control
- any other material event...with possible implications for the adequacy or effectiveness of management and governance arrangements
- closure of a campus, location, department or subject area
- closure of several courses
- a validation or subcontracting arrangements: new / partner has withdrawn / is ending / changes
- legal or court action
- an investigation or sanction by a regulatory body
- loss of accreditation from a professional, statutory or regulatory body (PSRB)
- merger or acquisition
- change of control
- new campus
- material change in the provider's business model
- change to provider's legal status or a structural change
- any other material event

The list of examples is extensive. The group executive will need to determine materiality on a case-by-case basis. The group executive will need visibility of relevant matters in order to make a timely determination on whether it is "reportable".

## **Time limit**

The OfS requires that reportable events are reported within 5 days of the date that the event is identified (or if not possible due to circumstances beyond the control of the provider, as soon as reasonably practicable).

## **Penalty for under- or over-reporting**

The OfS considers that providers may under- or over-report events.

If an event is reported that the OfS decides should not have been reported, then it may raise concerns about the provider's management & governance arrangements (condition E2) or approach to accountability (condition E3). Where there is a pattern of

over-reporting, the OfS may reconsider the risk of breach of these conditions or take regulatory action against the provider.

If the OfS decides that a provider has not reported an event that should have been reported, it may take further regulatory action in relation to the non-reporting and the substance of the unreported matter.

The OfS has issued separate regulatory advice on their powers of monitoring & intervention (RA15) (separate briefing to follow).

### **Next steps**

The Executive has agreed to define “materiality” in relation to potentially reportable events using the categories in the risk framework as an initial guide (financial, legal, reputational and academic). Following this a process will be put in place to ensure that events are reported appropriately to the OfS. Events that have been reported to the OfS will continue to be reported to the committee (there have been no events reported to the OfS since the previous meeting).

The committee is requested to note.

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CONFIDENTIAL - RESTRICTED TO MEETING PARTICIPANTS	
Paper title:	Cyber Security Roadmap update
Board/Committee:	Audit Committee
Date of meeting:	7 November 2019
Author(s):	Alison Chojna, Acting Executive Director of Academic Related Resources
Sponsor(s):	Nicole Louis, Chief Customer Officer
Purpose:	For Review
Recommendation:	The committee is requested to review the progress made against the Cyber Security Roadmap

## **Executive summary**

The LSBU Cyber Security Roadmap was developed in July 2019 to set out actions to improve cyber security in the key areas of people and culture; technology; governance, compliance and monitoring; business continuity and external reputational.

Three issues needing immediate resolution were identified and work is now underway to resolve them. In particular, “patching” of servers had fallen behind and a plan is now in place to update servers to the most recent security version. Options are being considered to automate the task in the future.

Following this activity, LSBU should be in a position to apply for Cyber Essentials accreditation in January 2020. An external partner is currently being engaged to undertake an independent health check of the existing landscape, to ensure our internal review has not overlooked any vulnerabilities. Penetration testing will be scheduled following any remedial actions identified from the health check.

Responsibility for the roadmap sits with Graeme Wolfe, Head of IT Security, and progress is monitored at the IT SMT on a monthly basis.

# LSBU Cyber Security Roadmap

## July 2019 - July 2020

Update October 2019

Alison Chojna, Acting Executive Director of Academic Related Resources  
Graeme Wolfe, Head of IT Security

## People and Culture

As with all other organisations, LSBU's biggest cyber security vulnerability is our own workforce. Phishing attacks are often designed to mimic existing employees, departments or suppliers and can be very convincing. It is important that training and awareness raising activities are ongoing, so that cyber security remains high in the consciousness of staff and students.

It is equally important that a no-blame culture is adopted, so that staff can feel safe to report security issues or exposure without fear of retribution or recrimination. It is essential that breaches are reported at the earliest opportunity. GDPR requires we contact the Information Commissioners Office within 72 hours of becoming aware of the breach.

Description		Lead	Contributors	Completion Date	Update: October 2019	RAG/Priority
Mandatory Staff Training	IT Security Training Package to be launched on the Organisational Development online learning platform.	Graeme Wolfe, Head of IT Security	OD	31/07/2019	There has been a delay in replacing the outgoing mandatory training with the new version, as this needs to be actioned by an outsourced provider. GW actively working with OD to move this forward. The previous version will remain available until this is resolved so this is relatively low priority.	P3
Regular campaigns to raise awareness	With Communications, design a campaign to raise awareness of cyber security, to be delivered across the year at regular intervals.	Graeme Wolfe, Head of IT Security	Communications	31/08/2019	GW has delivered awareness raising workshops with HR and EAE. FMI and LLR workshops scheduled.	P2
Transparent reporting mechanisms	Update Cyber Security information on Our LSBU, clearly signposting how to report potential breaches.	Olly Miller, Business Support Officer (IT)		31/09/2019	Content has been drafted. Working with the MAC team to make available on Our LSBU.	P3
Student Training	With the Students Union, plan induction activities on e-safety, signposting to appropriate online resources. Digital Ambassadors to be trained for peer-to-peer support activities.	Russell Goodwin, Digital Skills Training Manager	SU, Student IT Support (LLR)	31/09/2019	Participated in week long "Safe and Secure at LSBU event".  Digital ambassadors currently being recruited.	P2

Priority Rating: P1 = Non-compliance is a high risk to security. P2 = Non-compliance is a lower risk but needs to be addressed. P3 = Ongoing proactive activities.

## Technology

Some of the most common types of cyber-attack involve exploiting vulnerabilities in an organisation's IT environment. This could be to gain access to the environment or to disrupt operations by bringing services down. It is essential that systems and anti-virus databases are kept up to date, firewalls are appropriately configured, and networks are designed with cyber security as a primary concern.

	Description	Lead	Contributors	Completion Date	Update: October 2019	RAG/Priority
	Decommission WWW1 server	Malvina Gooding – Acting DD of IT Services	MAC, LLR	31/10/2019	This work is underway with services being decommissioned or moved. This work is likely to extend beyond the expected completion date.	P1
Page 2 of 8	Update all servers	Malvina Gooding, Acting DD of IT Services		30/11/2019	Patching policy is currently being drafted.  Request for additional funds from investment pot declined. Programme of work ready to commence when funds are identified from within existing budgets.	P1
	Update and reconfigure Sophos Anti-virus	Graeme Wolfe, Head of IT Security	Sophos	31/12/2019	On track	P1
	Replace MobileIron (mobile device management software).	Raj Virdee, Head of Project Management Office		31/12/2019	On track	P3
	Network Refresh Design	Malvina Gooding – Acting DD of IT Services, Alex Denley – DD of Innovation,	REI, FMI, Schools, CRIT, International and others	31/07/2020	On track	

Priority Rating: P1 = Non-compliance is a high risk to security. P2 = Non-compliance is a lower risk but needs to be addressed. P3 = Ongoing proactive activities.

	including additional security structures. Engagement is needed across LSBU to understand existing and future needs, in particular the needs of Research Centres, certain curriculum areas, Registry, Governance, International, etc.	Graeme Wolfe – Head of IT Security				P1
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## Governance, Compliance and Monitoring

IT systems need to be continuously monitored and audited for suspicious activity. Monitoring also allows an organisation to ensure that systems are being used appropriately in accordance with organisational policies. Processes need to be in place to review any change or introduction of new technology against cyber security standards.

	Description	Lead	Contributors	Completion Date	Update: October 2019	RAG/Priority
Proactively monitor for compromised email addresses	On a Monthly basis, check for compromised LSBU email addresses and contact students/staff with advice and guidance on remedies and keeping safe in future.	Graeme Wolfe, Head of IT Security	Student IT Support (LLR)	Ongoing	This is now a regularly scheduled activity and staff/students are engaging with the communications.	P3
Software as a Service Security checklist	Introduce a process where existing SaaS Security checklist is completed and approved before new software is procured.	Alex Denley, Deputy Director of Innovation & Transformation	Procurement	31/07/2019	This is now an established process with all SaaS products reviewed ahead of procurement.	P1
Penetration testing	Engage external vendor (could be JISC) to undertake annual penetration testing and then ad hoc testing as new services are introduced. Dependent on financing.	Graeme Wolfe, Head of IT Security		30/10/2019	Engaged with JISC to review their penetration testing service. Quotes received. Service will be scheduled as soon as funds are identified.	P3

Priority Rating: P1 = Non-compliance is a high risk to security. P2 = Non-compliance is a lower risk but needs to be addressed. P3 = Ongoing proactive activities.

EPOS payment card terminal compliance	Currently card payment terminals are not compliant with PCI/DSS payment standards. Work is underway to resolve this issue and bring up to compliance.	Graeme Wolfe, Head of IT Security	Finance	31/12/2019	On track	P1
BS 31111:2018 standard	Commission <a href="#">JISC BS 31111 audit and assessment service</a> to understand our level of resilience, plan for a changing landscape and allocate resources appropriately.	Shân Wareing – COO and DVC Education, Alison Chojna - Acting Director of ARR	LSBU Board, LSBU Executive, LSBU Leadership	31/07/2020	On track	P3
Project to review firewall usage	Review Palo Alto firewall usage to ensure its full potential is exploited. Currently only make partial use of its capability.	Graeme Wolfe, Head of IT Security	Dependent on engagement from external network partners.	31/07/2020	On track	P3

## Business Continuity

Business continuity is key to building cyber resilience and there is a need to collaborate across the organisation to prepare for cyber security incidents. As well as having appropriate plans in place, it is important that these are tested and rehearsed at regular intervals.

Description	Lead	Contributors	Completion Date	Update: October 2019	RAG/Priority
Business continuity plans in place	Graeme Wolfe, Head of IT Security	Jack Newing, Safety and Resilience Adviser	31/08/2019	Business Continuity plans in place and documented. IT disaster recovery exercise still to be scheduled.	P3
Cyber Security insurance	Alison Chojna, Acting Director of ARR James Stevenson, University Secretary	Procurement	31/08/2019	GW contributed to proposals to procure cyber security insurance.	P3

Priority Rating: P1 = Non-compliance is a high risk to security. P2 = Non-compliance is a lower risk but needs to be addressed. P3 = Ongoing proactive activities.

Plan mock attack	Undertake a mock cyber-attack, in collaboration with HSR, reporting on performance and using results to inform future planning.	Alison Chojna - Acting Director of ARR, Graeme Wolfe – Head of IT Security	Ed Spacey, Acting Deputy Director of HR	31/12/2019	On track	P3
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## External Reputation

It has become increasingly important to hold cyber security certification to reassure stakeholders that IT and data is secure and that appropriate measures are in place to maintain security. Indeed, some government contracts and funding opportunities are unavailable without proof of certification.

Description	Lead	Contributors	Completion Date	Update: October 2019	RAG/Priority
Cyber Essentials Accreditation <sup>1</sup>	Graeme Wolfe, Head of IT Security		31/08/2019  31/12/2019	Expected submission now 31/01/2020.	P2

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## LSBU Group

Until now, the IT departments at South Bank Colleges and the Multi-Academy Trust have operated independently of each other. The governance for cyber security has also been coordinated locally. Activity is now underway to scope the cost benefits of integrating technology across the Group. As part of this, we need to review cyber security from a Group perspective.

The recommendation is to establish a board, consisting of appropriate staff from each part of the Group, to develop a joined-up approach to cyber security. The chair should not be a Head of IT, but a senior leader who can ensure a top down approach is taken. This is best practice in terms of appropriate institutional ownership of the benefits of cyber security, and in terms of the ability to hold IT to account.

<sup>1</sup> <https://www.cyberessentials.ncsc.gov.uk/>

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Paper title:	Committee business plan, 2019/20
Board/Committee	Audit Committee
Date of meeting:	7 November 2019
Author:	Michael Broadway, Deputy University Secretary
Board sponsor:	Duncan Brown, Chair of the Committee
Purpose:	To inform the committee of its annual business plan
Recommendation:	To note the committee's annual business plan

## **Audit Committee Business Plan**

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

As agreed at the meeting of 5 November 2015, the committee's business plan is a standing item on agendas.

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

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

	Oct	Nov	Feb	June
Anti-bribery policy review	x			
Audit Committee Annual Report to Board		x		
Audit Committee business plan	x	x	x	x
Membership and Terms of Reference - approve	x			
Speak up report	x	x	x	x
Speak up policy review	x			
Annual Report and Accounts		x		
Anti-fraud policy review				x
Anti-fraud, bribery and corruption report	x	x	x	x
Data assurance report			x	
Debt write off - annual				x
Draft public benefit statement		x		
Draft corporate governance statement		x		
External audit findings		x		
External audit letter of representation		x		
External audit management letter		x		
External audit performance against KPI's		x		
External audit plan				x
External auditors - non-audit services		x		

Finance and Management Information (FMI) structure and leadership team			x	
Internal audit annual report	x (draft)	x (final)		
Internal audit plan - approval				x
Internal audit progress reports	x	x	x	x
Internal audit reports (inc continuous audit)	x	x	x	x
Internal Controls - review		x		
Pensions assumptions	x			
Corporate Risk	x	x	x	x
Risk strategy and appetite	x			
Going concern statement		x		
TRAC return to HEFCE - (by email in Dec)				
TRAC(T) return to HEFCE to be ratified				x
Value for money report, annual			x	
Modern slavery act statement		x		
Prevent annual return		x		
OfS reportable events	x	x	x	x
Quality assurance report		x		

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